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Pension in Denmark

1. Introduction

Overview

The public pension system:

- Unlike many other countries, in the 1950s and 1960s Denmark did not establish a second tier earnings related pension scheme. Therefore, the pension coverage developed very unevenly among the population. In the 1980s, Denmark finally wanted to settle the pension issue. Yet, a public second tier scheme turned out to be impossible to realize. Consequently, the occupational pension system was introduced through collective agreements and with different pension plans for different occupational groups. Thus, the government did not pass legislation providing groups that were not covered by collective agreements with a second tier pension (Green-Pedersen/Baggesen Klitgaard (year unknown): 9). Today, there are four types of pensions in Denmark (Jørgensen 2004: 3):
    - o The State Pension secures everybody an income in the old age and is based on legislation. The system is financed by taxes and social partners have no formal influence. The eligibility for full old-age pension is conditioned on 40 years' residence in Denmark between the age of 15 and 67 (Indenrigs- og socialministeriet 2009: old age pension).

- Two kinds of supplementary state pensions: The ATP (*Arbejdsmarkedets Tillaegspension*, Labor Market's Supplementary Pension) is a supplementary state pension for employees. It was established in the 1960s after long lasting tripartite negotiations. It is mainly administered by the social partners and can be seen as a bridge between the first and second pillar (Jørgensen 2004: 3). It was the first development away from a universalistic approach (Greve 19.10.2009, interview). It forms a flat-rate, unified contributory pension in the private sector. The ATP pension was introduced in 1964 as a compensation for voluntary wage restraint (Øverbye 1998: 171). Hence, Denmark actually has some kind of a mandatory second tier system (Øverbye 1998: 171). In addition to the ATP, there is also the mandatory SP (*Særlige Pension*, Special Pension) for employees and self-employed which is similar to the ATP (Pension Funds Online 2010).
- The labor market pensions or occupational pensions AMP (*Arbejdsmarkedspensionerne*, occupational pensions) were established through collective bargaining at sectoral level. To a minor degree company pensions exist as well (Jørgensen 2004: 3). Denmark has a less centralized structure of voluntary occupational pensions compared to Norway and Sweden because of the weaker position of the largest trade union confederation LO (*Landsorganisationen i Danmark*, Danish Confederation of Trade Unions) at central level (Øverbye 1998: 181). The current occupational pension scheme was established between 1989 and 1991. In fact, most collective labor agreements (CLAs) since the 1990s contain some provisions on occupational pensions (Nielsen 2005: 27).
- Furthermore, there are private pensions that serve as a supplement to the other pension systems. Social partners are not included in establishing and administrating this kind of pensions (Jørgensen 2004: 3).

The role of social partners and collective labor agreements (CLAs):

- The social partners are responsible for the occupational pensions which is a voluntary project and not a matter of the government (Jørgensen 2004: 3). In fact, the establishment of the agreement based AMP reform is considered as the greatest privatization project witnessed in Denmark and has created a new common working field of great importance for the social partners (Jørgensen 2004: 6-7).

Levels of Bargaining

- Most of the collective bargaining takes place at sectoral level (EIRO 2007: Industrial Relations). As Jørgensen (2004: 4) states, occupational pensions agreements are negotiated at sectoral level.
- Special company pensions also exist. These company-level agreements are not part of the AMP reform as such and have only a minor impact (Jørgensen 2004: 3-5).

Actors

Main trade unions that are involved in the negotiation of pension CLAs:

- LO (*Landsorganisationen i Danmark*, Danish Confederation of Trade Unions): The LO is the largest national trade union confederation in Denmark and the most representative employees' organization in the public and private sector with 1.5 million members in 2000 (Nielsen 2005: 19).
- CO-industri (*Centralorganisationen af industriansatte i Danmark*, Central Organisation of Industrial Employees): CO-industry has 12 affiliated trade unions: Danish Metalworkers Union, General Workers Union in Denmark, Women Workers Union in Denmark, Union of Commercial and Clerical Employees/Industry, Danish Association of Professional Technicians, Danish Telecommunication Workers, Danish Union of Electricians, The Timber Industry and Construction Workers Union in Denmark, Danish Union of Plumbers and Allied Workers, Danish Union of Restaurant Workers, Danish Union of Painters, Danish Union of Workers in Service Trades (CO-industri 2009c: The Trade Union Structure)

Main employers' organizations that are involved in the negotiation of pension CLAs:

- DA (*Dansk Arbejdsgiverforening*, Confederation of Danish Employers): The DA is composed of 13 employers' organizations and represents more than 29,000 private companies in Denmark (Nielsen 2005: 22).
- DI (*Dansk Industri*, Confederation of Danish Industry) (EIRO 2007: Main Actors).

Critical Junctures

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

Three critical junctures can be identified:

- Since the end of the 19th century and the beginning of the 20th century occupational pensions in various forms have existed in Denmark in a few sectors (Jørgensen 2004: 3).

The first scheme was established for civil servants. Then, several other sectors also introduced occupational pension schemes: e.g. banking, insurance and utilities. In most cases, these pension plans have been introduced by collective bargaining (Andersen/Skjodt 2007: 7).

- In the 1950s labor market pensions were introduced in the public sector (e.g. health sector). Normally, they first covered academics and only later the low skilled workers (Goul Andersen 2008: 10).
- 1989 and 1991: enhanced establishment of occupational pensions through CLAs.
    - In 1991 AMP was introduced in the collective bargaining agreements of the private sector. However, this solution was only possible because of the 1989 introduction of a labor market pension in the public sector as this kept the pension issue on the agenda and had created positive experiences among the actors (Due/Steen Madsen 2007: 9). It proved to be more difficult in the private sector as the majority of the workers had not yet a labor market pension and the introduction was costly. There was, however, some path dependency because the introduction of 1991 was also triggered by the existence of many company pension schemes (Due/Steen Madsen 2007: 3-4). Nevertheless, the step in 1991 was a 'genuine break', because since its foundation in the 1890s the Danish pension system had been based on the universal model of tax-financed social benefits (Due/Steen Madsen 2007: 7).
    - The establishment of labor market pensions was not popular at all but it was realized because some key actors recognized that there was a window of opportunity in a generally unpredictable process (Due/Steen Madsen 2007: 1) (see also section 9). In the years before the reform there had been a crisis in the Danish agreement model. In the 1970s and 1980s, the LO was intending to leave the agreement model in favor of unilateral solutions with the Social Democratic Party. Yet, the efforts in direction of the AMP reform counteracted these intentions. It had been proved in the 1980s that it was not possible to reach a solution in the parliament concerning a pension reform (Due/Steen Madsen 2007: 2).

2. Important Collective Agreements (Examples)

Industrial Agreement 1991 (*Industriens Overenkomst*) between DI and CO-industri:

- This agreement was the starting point of sectoral pension funds (see critical junctures). Various sectors in extension to this industry agreement subsequently reached agreements as well and established new collective pension schemes (Due/Steen Madsen 2007: 6).

Please note that examples of sectoral agreements are listed in section 6.

3. Important Sectors

The industry sector as an important example:

- The industry sector is the biggest sector and a trend-setter concerning collective bargaining issues such as CVT or wages (Jørgensen 17.09.2009, e-mail interview). This can also be applied to the pension issue as the industry conciliation in 1991 constitutes the starting point of sectoral pension funds (Due/Steen Madsen 2007: 6).

4. Structure, Organization and Mode of Administration

- According to Pension Funds Online (2010), the occupational pensions must be funded by an insured arrangement or a pension fund. Usually, occupational pensions are based on 'cross-cutting' pension funds which cover a whole educational group and/or branch of industry nation-wide (Goul Andersen 2008: 10).
- In the collective bargaining process in 1991 there was a disagreement between the social partners whether pension funds or pension companies should be created. LO, the Federation of Trade Unions, favored the pension fund model as it would allow them a wage-earner majority on the boards of the funds through legislation in the area. The employers opposed this idea as they feared that the wage earners would try to gain control over enterprises in that way. Finally, the company model was reached in the important industry sector. This solution was interpreted as a victory of the employers (Due/Steen Madsen 2007: 6). According to Pension Funds Online (2010), two thirds of the current occupational pensions are funded using insurance schemes, and only one third of the occupational pensions are funded using pension funds. Concerning the latter, most of these funds are industry-wide pension funds; thus, the importance of single company pension funds is diminishing.
- During the implementation, after these lengthy and hard negotiations, the partners shared the power in the boards and there was a good collaboration between them: 'The parties soon discovered that […] they had a common interest in getting the AMP schemes to run professionally so they generated the maximum yield for the members contributing to them' (Due/Steen Madsen 2007: 6). Hence, there has been a sharing of the power in both companies and funds, that means that they have allowed for parity of composition in management and for a veto right in investment policy for employers in pension companies

(Due/Steen Madsen 2007: 6). Large funds are often managed by providers of financial services and have therefore been outsourced (Van het Kaar 2004: 13). However, in some industry-based defined contribution type schemes the unions actually controlled the boards (Øverbye 1998: 185). Øverbye (1998: 185), however, sees only a limited scope of action for the unions as there is government supervising and in some private sectors employers have veto power when it comes to investment.

- Investment rules for insurances (regulation by the state): There is a minimum return guarantee on investments which is 2 per cent to 5 per cent. Normally, gains that are higher than this minimum return guarantee are used to increase the benefits. But the fund may also return bonuses to the employer. The investment of the funds can be done with the view of obtaining the highest possible return. Nevertheless, there are three important regulations
  - First, 30 per cent or more of the investments must be invested in secure assets such as government bonds.
  - Second, investments in equities must not be higher than 50 per cent, or 70 per cent if the supervisory authority gives permission.
  - Third, investment in one single company must not exceed 30 per cent (Pension Funds Online 2010).
- Investment rules for pension funds (regulation by the state): The minimum return guarantee is the same as for pension insurances. Most pension funds have an investment manager that is appointed by the board of directors of the pension fund. Pension funds can invest 50 per cent of the funds in equity. But the supervisory authorities can raise this limit to 70 per cent. Normally, more than half of the assets are invested in bonds and only 20 per cent in equity, depending on the point of time when the employee entered the scheme (Pension Funds Online 2010).

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

- The occupational pensions are regulated by CLAs; there is almost no legislation by the state (Nielsen 2005: 27). Concretely, there is no legislation that specifies that CLAs should or must establish occupational pension schemes. There is, however, legislation concerning the financing and the investment strategies of the funds (more information in section 4). There is also legislation concerning taxation; e.g. that there is no income tax on pension contributions, but only on benefits (Greve 19.10.2009, telephone interview).

- In the process that created AMP, the government was not in favor of what had been proposed by the trade unions: a centralized pension fund dominated by the unions. On the other hand, the government was keen on a compromise that would create supportive framework legislation, especially for periods of unemployment and sickness. In December 1987 a joint declaration was signed between the Danish government and the LO. The LO agreed to accept a competition-enhancing wage policy. And the government committed itself to support the establishment of AMP, among other things through the implementation of the necessary statutory instruments (Due/Steen Madsen 2007: 3).
- Generally, in the last years, the government has been in favor of the present system and is leaving the issue to the social partners and collective bargaining. However, in 2003, the government wanted to achieve more personal freedom in the choice of the administration of the occupational pension, which was opposed by the trade unions. Yet, as Jørgensen (2004: 4) states, the total personal freedom, as demanded by the government, will not be introduced. Finally, Jørgensen (2004: 4) thinks that despite the satisfaction of the government, it is not unlikely that, concerning the AMP, the government will engage in tripartite negotiations with the social partners and not only in tripartite talks as now.
- Taxes on contributions: tax treatment depends on whether it as an annuity scheme or a lump sum payment. Annuity scheme: Employers' and employees' contributions are tax deductible. Lump sum scheme: The total amount of deductible employer and employee contributions is limited, and furthermore, employers' contributions are taxable to the employee. In addition, there is a labor market contribution tax of 8 per cent which is also relevant for pension contributions (Pension Funds Online 2010).
- Taxes on benefits: Benefits in an annuity scheme are considered as ordinary income and fully taxed. For lump sum payments there is a flat rate tax of 40 per cent at the time of payment (Pension Fund Online 2010).
- Taxes on investment: There is a flat-rate tax of 15 per cent for interest that is earned by pension funds and pension savings plans investing in bonds or equities (Pension Funds Online 2010).
- Extension procedures: In Denmark there is an absence of specific extension procedures. But as in Sweden and Norway that does not imply a liberal regime, but shows the 'long tradition of economy-wide wage coordination backed by the functional equivalent to extension: strong associations' (Traxler 1999: 75).

6. Financial Structure of the Collectively Negotiated Schemes

- Contributions: Employers pay two thirds and employees one third of the monthly contribution which is calculated on the basis of the gross salary before tax (Jørgensen 2004: 5). The exact amount of the contribution is concluded in CLAs at sectoral level. In the 1980s and 1990s the contributions were quite small. They have been raised regularly as part of the collective bargaining on the labor market (Seiersen 2000: 2). The goal of 9 per cent was attained in 2003, but there have been further increases in pension contributions in the negotiations in 2004 and the employers have so far not resisted further increases (Due/Steen Madsen 2007: 7). On average, the contribution rate of today is approximately 15 per cent (Pension Funds Online 2010). And as Greve (19.10.2009, telephone interview) states, the contributions in the different private sectors are more or less the same.
- Money in pension funds: In Denmark, a total of 1,178 billion DKK are invested in private pension funds (occupational pensions included). These private pensions constitute 74.7 per cent as proportion to public pension. Greve (2007: 110) interprets this as a contradiction to the classical portrayal of Denmark as a universal welfare state. Pension savings in labor market pension funds have increased from 32.5 billion DKK in 1981, 119.9 billion DKK in 1990, 312.8 billion DKK in 2000 to finally 445.2 billion DKK in 2006. This corresponds to an increase from 7.6 per cent to 27.1 per cent of GDP. Yet, Goul Andersen (2008: 13-14) emphasizes that most labor market pension schemes are rather young, and that contributions to the new schemes were relatively low throughout the 1990s.

Concrete examples:

- Industrial Agreement 1991 (*Industriens Overenkomst*)
  - The agreement was to set up a special insurance company, Industrial Pension, with representatives from both sides of industry which would be two thirds funded by the employers and one third funded by the employees. In the first year of operation, 1993, the contributions made were 0.6 per cent and 0.3 per cent respectively (CO-industri 2009a: Negotiations in Denmark).
- Collective Agreement for Salaried Employees 1998 (*Industriens Funktionæroverenskomst*)
  - The Collective Agreement for Salaried Employees covers the members of the Danish Association of Professional Technicians and HK/Industri (the industrial section of Handels- og Kontorfunktionærernes Forbund, Union of Commercial and Clerical

Employees) which now have got a collective agreement for salaried employees in the industrial sector. The pension contribution is increased to a total of 5.3 per cent, for salaried employees 4.4 per cent (CO-industri 2009b: Danish Collective Agreement History).

- Collective Agreement for Salaried Employees (*Industriens Funktionæroverenskomst*) 2000
  - The contribution to the pension scheme has increased as listed in table 1:

Table 1 Increase of Contributions for Pension of Salaried Employees

Date	*Increase of Employer Contribution*	*Increase of Employee Contribution*
1. July 2000	0,8%	0,2%
1. July 2001	0,2%	0,1%
1. July 2002	0,8%	0,4%
1. July 2003	0,8%	0,4%

Source: CO-industri 2009b: Danish Collective Agreement history.

  - This brings the total contribution up to 9 per cent for workers and 8.1 per cent for salaried employees, two thirds paid by the employer and one third paid by the employee. This difference between the two groups is due to the fact that the workers group entered the pension scheme two years later than the salaried employees. This agreement rectifies the 'discount' on the employers share of the pension payment, which they received from the government through the legislation in 1998 (CO-industri 2009b: Danish Collective Agreement history).
- Industrial Agreement 2004 (*Industriens Overenkomst*)
  - This pace-setting industry sector agreement increased the contributions from 9 per cent to 10.8 per cent of pay (Van het Kaar 2004: 21-22).
- Industrial Agreement 2007-2010 (*Industriens Overenkomst*)
  - The Industry Agreement stipulates an increase of contributions to the collectively agreed occupational pension scheme by 0.3 percentage points on the 1st of July 2008, followed by a further 0.9 percentage points on the 1st of April 2009; contributions will therefore increase from the current 10.8 per cent of employees' pay to 11.1 per cent in 2008 and then to 12 per cent in 2009 (Industrial Agreement 2007-2010, Clause 34, Subclause 3).

    - ‘The pension contribution shall be paid out of the income subject to tax at source’ (Industrial Agreement 2007-2010, Clause 34, Subclause 5).
- Collective Agreement 2007-2010 for Salaried Employees in Industry (*Industriens Funktionæroverenskomst*)
    - The Agreement stipulates an increase of contributions to the collectively agreed occupational pension scheme by 0.3 percentage points on the 1st of July 2008, followed by a further 0.9 percentage points on the 1st of April 2009; contributions will therefore increase from the current 10.8 per cent of employees’ pay to 11.1 per cent in 2008 and then to 12 per cent in 2009 (Collective Agreement for salaried employees in the industry, Clause 8, Subclause 2).
- Diary Industry Agreement 2008 (original name not found)
    - This agreement provides for a rise in the pension contribution to 12.75 per cent and is therefore breaking away from the framework percentage of 12 per cent (Jørgensen 2008: Details of Noteworthy Agreements in Agricultural and Forestry Sector).

7. Benefits and Measures of the Collectively Negotiated Schemes

- The majority of the Danish schemes are defined contribution schemes (Seiersen 2000: 2). The size of the benefits varies considerably and it depends on the contributions paid (Seiersen 2000: 2). In addition, the value of pensions depends on the average life expectancy for scheme participants. Thus, smaller pensions are paid if a person is a member of a pension fund whose members have a rather high average life expectancy (Green-Pedersen 2007: 470). Furthermore, it is very uncommon to adjust benefits (ISSA 2008: Pension Plans (voluntary)).
- Benefit structure: Payments of benefits may be annuities and/or lump sums. This means that some plans provide both a lump sum and an annuity. In this case, the members may choose the proportion of the lump sum and the annuity. Normally, a minimum annuity is provided. Pure lump-sum schemes are rare because of the tax rules (ISSA 2008: Pension Plans (voluntary)).
- Retirement age: According to tax rules, the minimum retirement age is 60. On average, the schemes allow for a retirement age of between 65 and 67. But as the retirement age of other social security schemes is declining to 65, the retirement age in these occupation pension schemes is also declining to 65. Annuity schemes can be deferred. But according to legal rules, lump sum benefits must not be deferred after the age of 70 (ISSA 2008: Pension Plans (voluntary)).

- Waiting periods: There are usually no waiting periods or minimum and maximum ages for joining sectoral schemes (ISSA 2008: Pension Plans (voluntary)).
- Portability: Concerning sectoral schemes, there is full portability if the employees are covered by the same plan after changing employers. If the employees are no longer covered by the same plan, they may opt for their rights to be deferred or to transfer their rights to the new employer's pension plan, which must accept the transfer (ISSA 2008: Pension Plans (voluntary)).
- Part-time workers: They are covered by the same rules as full-time workers. But as they only work part-time, their benefits are proportionally smaller (Müntzberg 07.02.2010, e-mail interview).

Two examples:

- Industrial Agreement 2007-2010 (*Industriens Overenkomst*)
  - Entitlement and Conditions for eligibility: 'Employees who have attained the age of 20 but not 65 and who can prove that they have at least nine months' seniority in employment covered by this Agreement. Insurance cover and compulsory payments to the scheme shall expire when the employee has attained the age of 65' (Industrial Agreement 2007-2010, Clause 8, Subclause 1).
- Collective Agreement 2007-2010 for Salaried Employees in Industry (*Industriens Funktionæroverenskomst*)
  - Entitlement and Conditions for eligibility: 'Employees who have attained the age of 20 but not 65 and who can prove that they have at least nine months' seniority in employment covered by this Agreement. Insurance cover and compulsory payments to the scheme shall expire when the employee has attained the age of 65' (Collective Agreement 2007-2010 for Salaried Employees in Industry: Clause 8, Subclause 1).

8. Coverage Rates of the Collectively Negotiated Schemes

- Around 90 per cent of all employees in the private sector are covered by occupational pensions (AMP) and 100 per cent in the public sector (Jørgensen 2004: 4).
- About 20 per cent of the employees in the construction sector are not covered by occupational pensions. They are either self-employed or their correspondent employer is not part of an employer organization (Greve 19.10.2009, telephone interview).
- Groups not covered are on the one hand side those outside the labor force or with very low incomes. The other group without coverage are either self-employed or people with

very high incomes that provide for their pensions through private insurance schemes (Steen Madsen 2003: 3).

- Historical perspective: Since the end of the 1960s high-income earners and the public sector clearly have had higher coverage of occupational pension schemes than other employees. The high-income earners also disposed over tax-deductible private pensions that were kind of ‘collectivized’ with the introduction of labor market pension schemes (Greve 19.10.2009, telephone interview). By 1986 one third of non-manual workers in the private sector had a pension (co-) financed by their employers (Goul Andersen 2008: 10).

9. The Politics around the Collectively Negotiated Schemes

Linkages to Public Reform Policies

- There is a general link between the developments of CLA contents and the Danish welfare state (Trampusch 2010). The introduction of labor market pensions in CLAs shows the broadened scope of CLAs in Denmark. Initially, there were mostly pay and employment conditions in a narrow meaning introduced in CLAs.
- Now they contain a lot of social issues such as training and paid maternity leave as well. This indicates that employees and their unions are interested in securing better terms in a number of areas. Yet, it also indicates that the state has difficulties in financing the welfare benefits. In fact, the political system is even interested in seeing the social partners negotiating these issues in the context of collective agreements (Due/Steen Madsen 2007: 6).
- This has also been true in the case of occupational pensions: The government has promoted the establishment of labor market pensions in order to increase private savings and fight the balance of payment deficit (Goul Andersen 2008: 10).
- Thus, a ‘grey area’ has developed between legislation and collective agreements. This area also entails increased political involvement in the bargaining of the social partners (Due/Steen Madsen 2007: 6).
- Having this in mind, it should not come as a surprise that Jørgensen (2004: 6) concludes that the AMP reform of 1989-1991 ‘was maybe the most visionaire initiative taken in the last century in relation to the development of the Danish welfare state’. And it is, as Greve (2007: 110) states, also a contradiction to the classical portrayal of Denmark as a universal welfare state.

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

- Already the introduction of the public ATP pension in 1964 should be seen as a compensation for voluntary wage restraint (Øverbye 1998: 171). Concerning CLAs, since late 1980s the wage negotiations and agreements have also prioritized between money for pension purposes and ordinary wage raises (Lassen 01.10.2009, e-mail interview; confirmed by Greve 19.10.2009, telephone interview). Increases in pension contributions are agreed parallel to wage increase and are considered as part of the total wage sum (Jørgensen 2004: 6). Thus, the issue of occupational pensions is directly linked to general pay bargaining and increases in pension contributions are often part of the general bargaining trade off agenda (Van het Kaar 2004: 21).
- There are also links between pension and early retirement and the ATP supplementary state pension. Those who dispose of high occupational pension do not receive the ATP pension. And concerning early retirement, those who already retire at the age of 60 will get a reduction in early retirement payment for pension purposes. Only for retirement at the age of 62 everything what was saved is also paid out (Greve 19.10.2009, telephone interview).
- Furthermore, the example of the Dairy Industry Agreement 2008 (original name not found) shows that there can also be a link to holidays:
  - Apart from the rise in pension contributions the employees got two extra holidays, which implies that from 1st April 2009 they are able to take seven extra days of holidays on top of the official holidays. They can choose to be paid for these days or have the payment transferred to their pension savings rather than taking the holidays (Jørgensen 2008: Industrial Conflict Averted in Dairy Industry).

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

Establishment of AMP (see also notes on critical junctures):

- In the 1980s the government and the employers preferred voluntary agreements between the social partners to a mandatory arrangement. In that way the warranty of pension contributions 'would be interpreted as wage improvements and not lead to wage drift' (Goul Andersen 2008: 10).
- There were long tripartite discussions in the 1980s about the necessity to organize occupational pensions on a broader scale. High-income earners and the public sector contained over occupational pension schemes since the end of the 1960s. The main driving force behind the establishment of the system was the economic crisis and the

consequential deficit in the balance of payment. The establishment of an occupational pension scheme was consequently intended to increase savings and therefore reducing pressure on the deficit (Greve 19.10.2009, telephone interview).

- In the collective bargaining process of 1991 many union members were against the project and would have preferred a pay rise. Leaders from confederated unions were in favor of a solution by law. But the AMP project was pushed by the general leadership of the LO, the Federation of Trade Unions, and a handful of other individuals (Due/Steen Madsen 2007: 4-5). For the AMP, the LO proposed a system with contributions to a single central fund. The LO hoped that with this fund trade unions would gain more influence over business and industry (Due/Steen Madsen 2007: 2).
- The employers were against the idea of the LO to create a single pension fund. They feared ‘Economic Democracy through the backdoor’ (Due/Steen Madsen 2007: 5-6). Consequently, the union abandoned the idea. The employers came up with the idea of creating sector-based pension schemes and that the new funds should be administered together between the parties (Due/Steen Madsen 2007: 5-6). Initially the employers feared the creation of funds that would allow the trade unions a higher control over the companies. Consequently, joint guarantees were agreed to prevent takeovers (Jørgensen 2004: 6).
- Today, the different AMPs schemes are administrated by the partners in parity and have resulted in a joint project. In the AMP case, the social partners were able to overcome their conflict and find consensus (Jørgensen 2004: 6). With the introduction of the AMP system the social partners demonstrated their ability to solve major conflicts of interest and created the basis for consensus about the implementation of necessary social reforms (Steen Madsen 2003: 3).

10. Recent Developments and Other Interesting Information

- In contrast to many European countries, where the 1990s have rather been a decline period for trade unions and collective agreements, the establishment of AMP in 1991 in the private sector has been the starting point of a strengthening of the collective bargaining system (Steen Madsen 2003: 3).
- Seiersen (2000: 7) thinks that the main structures in the Danish pension system are in place. Therefore she does not expect fundamental reforms. Due/Steen Madsen (2007: 10) confirm this by stating that both the unions and the employers are satisfied.

- Another interesting statement is made by Goul Andersen (2008: 12) is when he writes that labor market pensions 'will probably constitute the backbone of the pension system and become the main source of pensioners' income.'
- As mentioned in section 5, according to Jørgensen (2004: 4), it is not unlikely that the government will engage in tripartite AMP negotiations with the social partners in the future and not only in tripartite talks as now.

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, 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.
- Lassen, Morten, 01.10.2009, head of department at Department of Economics, Politics and Public Administration at Aalborg Universitet, e-mail interview.
- Müntzberg, Steen, 07.02.2010, director at Confederation of Danish Employers, e-mail interview.

12. List of Abbreviations

- AMP: *Arbejdsmarkedspensionerne* (occupational pensions)
- ATP: *Arbejdsmarkedets Tillaegspension* (Labor Market's Supplementary Pension)
- CLA: collective labor agreement
- CO-industri: *Centralorganisationen af industriansatte i Danmark* (Central Organisation of Industrial Employees)
- DA: *Dansk Arbejdsgiverforening* (Confederation of Danish Employers)
- DI: *Dansk Industri* (Confederation of Danish Industry)
- DKK: *Dansk Krone* (Danish krone)
- EIRO: European Industrial Relations Observatory On-Line
- GDP: gross domestic product
- HK: *Handels- og Kontorfunktionærernes Forbund* (Union of Commercial and Clerical Employees)

- ISSA: International Social Security Association
- LO: *Landsorganisationen i Danmark* (Danish Confederation of Trade Unions)
- SP: *Særlige Pension* (Special Pension)

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