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# EMCC case studies

## Danske Bank (Denmark)

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## Introduction

This case study demonstrates how Danske Bank, one of the largest banks in northern Europe, has dealt with the impact of the financial crisis. It also shows how it has coped with longer term restructuring requirements arising from rapid expansion and internationalisation of the bank, the integration of IT systems and the relatively high employment density in the sector in Denmark, compared with other European countries. As well as presenting the approach to restructuring at national level in Denmark, this case study looks at the role played by the company's relatively new European Works Council in the discussions.

## Company profile

Danske Bank Group is the market leader in the financial services sector in Denmark managing assets over €475,701 million. According to its 2008 annual report the bank has five million retail and institutional clients and offers banking, insurance, mortgage finance, real estate, investment management and leasing services.

For more than 125 years, Danske Bank operated only in Denmark. However, during the 1990s when larger financial conglomerates were created in Denmark, the group developed from an essentially national Danish bank into a multinational finance company with 804 branches in 12 countries (Danske Bank, 2009). More specifically, between 1997 and 1999, Danske Bank started doing business in Norway and Sweden, and in 2005 acquired National Irish Bank and Northern Bank. The expansion continued in 2007 with Danske Bank's purchase of Sampo Bank in Finland. The acquisition gave Danske full coverage throughout the Nordic region plus three banks in Estonia, Latvia and Lithuania (Danske Bank, 2007). However, the costs of the acquisition and IT integration were high, particularly in the context of the emergence of the global credit crunch (Financial Times, 2008)

Table 1: *Financial performance of the group*

Indicator in €millions	2008	2007	Pro forma 2006	2006	2005	2004
Total income	5,774	6,049	5,775	5,026	4,658	3,907
Operating expenses	3,853	3,365	3,035	2,612	2,442	2,069
Profit before loan impairment charges	1,920	2,684	2,739	2,413	2,216	1,838
Loan impairment charges	1,621	92	-65	-66	-147	102
Profit before tax	299	2,591	2,804	2,480	2,363	1,736
Net profit for the year	139	1,996	2,060	1,816	1,702	1,240

Annual exchange rates for this table were downloaded from the Danish National Bank.

Source: *Danske Annual Reports, 2004-2008*.

Danske Bank has 23,624 employees. The majority, 13,248, are concentrated in Denmark, with most of the rest working in Finland, Norway, Sweden and Ireland.

Table 2: *Number of employees by subsidiary within Danske Bank Group*

<b>Subsidiary</b>	<b>Workforce (as of June 2009)</b>
Denmark	13,248
Finland	3,486
Northern Ireland	1,988
Sweden	1,613
Norway	1,248
Ireland	758
Estonia	750
Lithuania	555
Latvia	118
Luxembourg	110
Poland	45
Germany	37
<b>Total</b>	<b>23,956</b>

Source: *Danske Kreds, 2009*

Danske Bank has a good reputation of social partnership and dialogue with employee representatives both domestically and at European level. A recent example at the European level includes the 2008 agreement between Danske Bank and UNI global union on fundamental labour rights covering all Danske workers based in 12 different countries (Telljohann, V. and D. Dazzi, 2008). The agreement was the result of cooperation between management, UNI Finance, the global union for finance workers, and the financial services unions in countries where the group is represented with a significant number of staff.

The trade unions involved included the:

- National Insurance Workers' Association (DFL);
- Financial Services Union (Finansforbundet) in Denmark;
- Irish Bank Officials Association (IBOA);
- Finance Sector Union (Finansforbundet) in Norway;
- Financial Sector Union (Finansförbundet) in Sweden;
- Financial Sector Union (SUORA) in Finland.

Amongst its provisions, the agreement states that, 'In the context of its responsibilities toward staff and the local economies, Danske Bank Group endeavours to anticipate change and restructuring within the group in order to minimise as far as possible any negative consequences on employment. The group will integrate employment and social consequences in its strategic decisions and will – where relevant – provide training to facilitate the necessary changes. The group will engage in dialogue with local union organisations recognised as representative, and elected staff representatives on economic issues, the consequences of decision and suitable individual and collective support. To limit the consequences for staff impacted by change, the group will implement, as quickly as possible, internal mobility measures (redeployment within the group and/or suitable training) designed to avoid or limit lay-offs'.

## The Danish financial sector: key trends

The Danish financial sector is renowned for its advanced IT systems and developed infrastructure (Ministry of Foreign Affairs Denmark, 2009). However, the recent crisis did not spare this sector which, at the peak of the financial turmoil in late 2008, needed two bank recovery packages agreed by the Danish Parliament. As part of the first package, the sector agreed a two-year guarantee scheme with the Danish government to restore customer confidence. The sector is guaranteed against a loss of €1.34 billion (DK10 billion) and it pays an insurance premium of €2 billion (DK 15 billion) over two years. The loss guarantee can be increased by an additional €1.34 billion (DK10 billion) if considered necessary. The banks participating in the scheme contribute up to €4.7 billion (DK 35 billion), or 2% of the Danish GDP between 2008 and 2010. This scheme is not a capital injection but an ‘insurance scheme’. The bailed-out banks Roskilde Bank and Ebh bank are not part of this. The state covers any additional losses and retains any surplus. The solution was considered necessary although expensive by the Danish Bankers Association.

In this context, banks that were affected by high-risk lending with exacerbated debts and impaired loans have generally been more prone to restructuring and job losses. Furthermore, as reported by the main employer body in this sector, Finanssektorens Arbejdsgiverforening (FA), Denmark has the most bank employees in the Nordic region relative to its population, second only to Iceland (FA 2009). For example, in 2008 there were nearly 50,000 bank employees in Denmark, compared to 28,000 in the Finnish banking sector.

A recent report of the International Monetary Fund (2007) shows that the Danish banking sector has, on average, a higher number of employees per branch than other banks in the EU, but the Danish branches also tend to be bigger in terms of assets.

It is worth emphasising that whilst the demand for bank clerks has decreased in recent years, certain categories of employees are still in demand, particularly business advisors and economists (Finansrådets Hus and Finanssektorens Arbejdsgiverforening, 2009). It is envisaged that financial institutions will generally start recruiting again in 2010.

According to representatives of FA, 2,500 employees working for more than 70 employers in the sector were dismissed in Denmark during 2009. Most of the affected companies were small or medium-sized banks operating locally. This might not be surprising as, over the last decade, the banking sector in Denmark has become increasingly concentrated, with a large proportion of assets being held by large banks commonly known as ‘financial supermarkets’ which can be more financially resilient in downturns (International Monetary Fund, 2007).

Interestingly, in Denmark and some other countries such as France, Spain and the UK, the reduction in employment has been greater than the reduction in hours worked showing that short-time work arrangements appear not to have been significantly used in this sector (Eurofound, 2009). It is estimated that most of the laid-off workers were in the banking sector, with only 350 insurance workers affected. However, all bank departments were affected by job losses. In Copenhagen those most affected were young, highly-skilled professionals, generally in investment banking, with the remaining redundancies mainly in the mortgage sub-sector. It is expected that employment in the financial sector will also decline because of its high rate of natural job departures. One in seven people here are expected to retire in the next five years.

According to FA statistics for 2008, the Danish financial sector has a high percentage of unionised workers (up to 77.7% in 2008). More than 44% of employees are covered by enterprise agreements and 32% by the standard sectoral agreement (FA November 2009, presentation made at the Nordic HR Seminar)

The FA statistics also show that most bank employees were working full-time, with approximately 17% of employees working part-time. The overall rate of unemployment in this sector was generally very low, about 0.9% in 2008, as reported by FA based on data from Danmarks Statistik and the Danish financial services' union.

In the context of the financial crisis and economic downturn, the unemployment rate has increased to 1.7% in 2009 as reported by Finansforbundet (2010).

## Impact of the financial crisis

The financial performance of the Danske Bank Group has suffered during the financial crisis, with its net profit falling from €1,999 million in 2007 to €139 million in 2008. In its 2008 annual report, Danske Bank said the financial results reflect losses of more than €1.2 billion on its loan portfolio as well as goodwill impairment charges of €416 million, predominantly against National Irish Bank in Ireland. Goodwill is defined in finance as an intangible asset on the balance sheet, for example the brand value of the company, its reputation, or good employee or investor relations. Impairment charges refer to the reduction of the value of an intangible or tangible asset which impacts on a company's balance sheet. In this case, impairment refers to the situation when the (individual or institutional) borrower is experiencing significant financial difficulty or default or delinquency in repayments. The loan can become uncollectable and hence, it needs to be written off in the balance sheet.

In its 2008 annual report the company attributed the losses to the financial crisis, declining asset values and the economic slowdown of the markets where the group operates. The rapid expansion of the bank prior to the crisis exposed the business to European markets that suffered most from the global credit squeeze such as Ireland, UK, and the Baltic countries. The group's financial results for 2008 also reflected the guarantee commission payable to the Danish state.

An illustration of how the financial crisis has affected the value of the company's assets is the fact that in the first nine months of 2008, the company generated a profit of approximately €939m billion, profit that later shrank because of the accumulated losses and charges arising during the fourth quarter of the year when Lehman Brothers filed for bankruptcy (*Chairman's Report to Danske Bank's Annual General Meeting*, March 4, 2009). Some of the bank's losses were directly linked to this bankruptcy as the Lehman group had been one of the bank's customers for more than 25 years. Prior to this, during the first three quarters of 2008, the bank had reported some losses related to the downturn in the real estate and construction sectors.

Table 3: *Impact of the financial crisis on group's performance*

Indicator in €millions	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	2009 to date	2008 full year
Total income	1,828	2,026	2,313	1,615	1,231	1,549	1,380	6,167	5,770
Staff costs	420	443	450	381	450	453	452	1,313	1,735
Severance pay	26	9	35	10	2	5	3	70	20
Operating expenses	852	1,141	927	1,337	781	887	849	2,920	3,851
Hereof integration expenses	9	11	13	19	15	41	29	33	104
Profit before loan impairment charges	976	885	1,386	278	450	662	531	3,247	1,919
Loan impairment charges	828	880	1,073	1,235	238	77	73	2,781	1,620
Profit before tax	148	5	313	-957	212	585	458	466	299
Net profit	78	-111	209	-790	149	435	344	176	139

Annual exchange rates were downloaded from the Danish National Bank.

Sources: *Danske Bank's Fact Book – First nine months 2009*

Consequently, in the 2008 report, the company announced that 350 employees were due to be made redundant in Denmark in early 2009. Although at that point no further job losses were envisaged, a further 220 redundancies were announced later in 2009. From Table 3 it is possible to see that, during the first quarter of 2009, the group paid €35 million in severance payments and a further €26 million in the third quarter. The company said reducing the workforce was necessary in order to make cuts in long-term operational expenses.

During 2009, the performance of the group significantly improved, although the loan impairment charges remained rather high, reflecting the general economic climate (Danske Bank 2009, Interim report - First nine months).

## Legal context for collective dismissals

### Collective dismissals in the financial sector

The EU Directive on collective redundancies (98/59/EC) was implemented into Danish law by Act 414 of 1 June 1994 known as the Collective Dismissals Act. It is worth mentioning that the Danish requirements on the reporting of collective redundancies exceed the minimum requirements stated in the EU Directive.

National legislation defines collective redundancies as dismissals that affect the following numbers of workers over a period of 30 days:

- 10 employees in companies employing between 20 and 100 employees;
- 10% of employees in companies employing between 101 and 300 employees; or
- 30 employees in companies employing more than 300 employees.

As stipulated in the legislation, the process of carrying out collective dismissals needs to follow certain steps (*ERM quarterly*, 2009)

- First, the company must give written notification to the employees or their representatives, providing certain details such as the reason for the redundancies; the number of employees affected; the type of employees affected; and the timeline of dismissals.
- At this stage, a copy of the notification must also be sent to the Regional Employment Council (RBR).
- Negotiations between the management and the employees or their representatives must start in due course.
- Following the negotiations, if the company chooses to go ahead with the collective redundancies, it must notify the RBR again. Redundancies can start only 30 days after this second notification, or after eight weeks in cases where 50% of the employees in a company with more than 100 employees are affected.
- Within 10 days of the second notification, a letter giving the names of the affected employees must be sent to those employees and to the RBR.

Apart from these general procedures, the cooperation agreement concluded at the sectoral level between FA and Finansforbundet (FF), stipulates that when a company plans to dismiss more than 30 employees, the main industry body, FA and the trade union, namely FF, must meet at the earliest possible date to discuss the next steps and decide whether the negotiations should be carried out locally or at the central sectoral level.

This procedure will be explored in the following sections which examines the implementation of the collective redundancies at Danske Bank in Denmark. It is worth mentioning that, generally, cases involving more than 30 redundancies in the financial sector are negotiated at the central level between FA and FF together with the employer. In the case of Danske Bank, however, the two parties wanted negotiations to take place at the local level between the company and the local union, Danske Kreds which is part of FF. Danske Kreds is an experienced social partner with significant bargaining power and Danske Bank is a large employer with a solid tradition of social partnership. More details about the main stakeholders are provided below.

### Dismissals: notice periods and redundancy payments

In early 2008, FA and FF renewed their existing collective agreement for the period 2008-2011. The provisions of the standard collective agreement regarding dismissals (notice, period and payments) exceed the minimum requirements laid down in the Danish Salaried Employees Act. More specifically, Article 102 (paragraph 4) of the Standard Collective Agreement concluded between FA and FF in 2008 stipulates the following:

Where the employer dismisses an employee who has been employed by them for a continuous period of 12 years or more, the employee is entitled to a severance payment in accordance with the rules set out in Section 2a of the Salaried Employees Act and to a special compensatory amount equivalent to:

- one month's salary for employees having attained the age of 40;
- two months' salary for employees having attained the age of 45;
- three months' salary for employees having attained the age of 50;
- five months' salary for employees having attained the age of 55;
- six months' salary for employees having attained the age of 60.

For employees having reached the age of 50 at the time they leave, the employer shall – in addition to the special compensatory amount – pay the employee's pension contributions to the previous pension scheme or to another pension scheme for eight months. For employees aged 55 or above, the special compensatory amount is increased to 20 months.

Table 4: *Severance payments in the collective agreement*

Age attained	Severance payment	Additional pension payments
40	1 month salary	None
45	2 month salary	None
50	3 month salary	12 month pension
55	5 month salary	20 month pension
60	6 month salary	20 month pension

Redundant employees who have worked for at least one year are entitled to paid time off should they wish to take up further training and education during their notice period (Article 102, paragraph 5).

In principle, employers can provide an additional of one to three months of severance payment depending on the employee's age and work experience as summarised in Table 5.

Table 5: Redundancy payments (in monthly salaries) according to age and minimum work experience

Exp. \ Age	Under 40	40–44	45–49	50–54	55–59	Above 60
Min.12 years	1	2	3	4	6	7
Min.15 years	2	3	4	5	7	8
Min.18 years	3	5	5	6	8	9

Table 6: Notice period according to years of service

Period of employment at Danske Bank	Notification period
Less than 3 years	3 months
Less than 6 years	4 months
Less than 9 years	5 months
Less than 9 years	6 months

## Collective redundancies at Danske bank

### Main stakeholders

#### *The Danish Employers' Association for the Financial Sector and the Financial Services Union*

As previously mentioned, the Danish Employers' Association for the Financial Sector is the main employers' organisation in the sector, known as FA, Finansektorens Arbejdsgiverforening. The Financial Services Union (FSU) is the trade union for employees working in the financial sector in Denmark.

Collective bargaining and negotiations usually take place between FA and FF who have the power to conclude sectoral collective agreements. However, in the financial sector, companies can additionally conclude collective agreements with the local union within the framework of the sectoral agreement. In the case of Danske Bank, the management signed an enterprise agreement with Danske Kreds, the local union of Danske's employees. More than 90% of Danske employees are members of this trade union.

#### *Danske Kreds*

Danske Kreds is part of FF and has 268 member organisations that operate at the local level and 54 at the district level.

Danske Kreds nominates employee representatives to the National Works Council (Samarbejdsudvalg) in Danske Bank (see below). Danske Kreds has worked towards strengthening the cooperation between the local trade unions in the individual countries of the Danske Group. It initiated the EWC negotiations and created working relationships between the local trade unions under a newly established structure named Danske Unions. Danske Kreds says this is necessary to ensure that future cooperation between management and employee representatives on transnational issues is institutionalised and that their decisions will have binding effect (Danske Kreds/ Finansforbundet *International Strategy*). This strategy was adopted in August 2008 by the International Committee and approved by Danske Kreds' management at a meeting held on 21 August 2008. On this note, Danske Kreds points out that 'the EWC Directive neither structures the cooperation between the employee representatives and top management on labour agreements nor does it lay down the framework of cooperation among unions internally.'



*National Works Council (Denmark)*

The National Works Council inside Danske Bank Denmark is essentially a joint committee representing both management and employees in Denmark. The council has 14 members, representing the management (seven members) and the union (six members) and one representative of Danica Pension (Danske Kreds, 2009). Aside from negotiations, the committee is also involved in monitoring the economic and employment situation at Danske Bank Denmark, and establishing principles of local working and welfare conditions.

*European Works Council (EWC)*

The EWC of the Danske Bank Group was established in 2005 and expanded in 2007 to cover all 12 countries in which the group is represented. More specifically, in December 2007, a special negotiating body consisting of employee representatives from 12 countries and the Danske Bank Group management concluded a new EWC agreement. The change was implemented in the context of a project carried out by employee representatives in six countries within the Danske Bank Group. The project benefited from the assistance of the Financial Services Union in Denmark and was financially supported by the European Commission. The project ran between 2007 and 2009 and aimed to strengthen the transnational cooperation between employee representatives and management (EU-project 2008: Presentations and newsletters).

The EWC consists of 23 members with ten members sitting on the EWC board. Only those countries with more than 1,000 employees in the group receive a permanent seat on the board, which meets around three times per year. Representatives of the subsidiaries in the remaining countries, Estonia, Lithuania, Latvia, Luxembourg, Germany and Poland, share a rotating seat. However, the agreement further specifies that the member in ‘the rotating seat should come from branches and subsidiaries of Danske Bank A/S that are covered by collective agreement’ (Agreement on Danske Bank Group EWC, 2007). Only the branches of Danske covered by collective agreement can take a rotating set on the EWC board, currently Luxembourg and Germany.

The HR representative chairs the EWC. The composition of the EWC is detailed in the table below.

Table 7: *Composition of EWC of Danske Bank Group*

Countries represented in the EWC	Number of national presentatives in the EWC	EWC board	Total workforce per subsidiary
Denmark	7	3	13,248
Finland	3	2	3,486
Norway	2	1	1,248
Sweden	2	1	1,613
Northern Ireland (UK)	2	1	1,988
Ireland	1	1	758
Estonia	1	Countries with smaller workforce which are covered by collective agreement share a rotating seat	750
Lithuania	1		555
Latvia	1		118
Luxembourg	1		110
Poland	1		45
Germany	1		37
<b>Total</b>	<b>23</b>		<b>9 + 1 (deputy-chairman) = 10</b>

Source: *Danske Kreds, 2009*

### *Danske Unions*

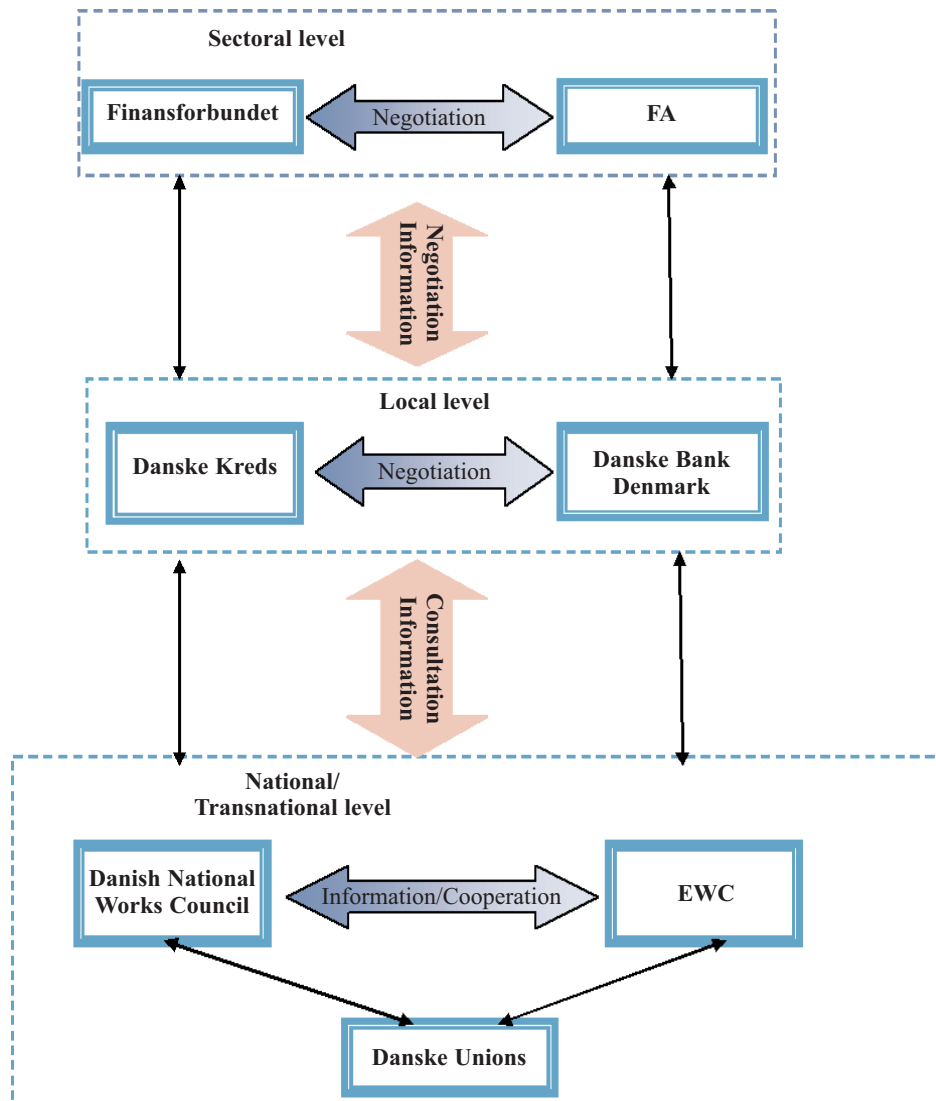
Danske Unions became a formal transnational union association representing local unions in the Danske Bank Group on 16 September 2009 (Statutes for Danske Unions, 2009a). At the first annual meeting, held in Brussels, the constitution of Danske Unions was signed by the six delegations from the local unions in Denmark, Finland, Ireland, Northern Ireland/UK, Norway and Sweden (Statutes for Danske Unions, 2009b). The members of the union include the following:

- Danske Kreds, 14,500 members in Denmark
- Rahoitus Leijonat, 2,000 members at Sampo Bank, Finland
- IBOA, 570 members at National Irish Bank, Ireland and 1740 members at Northern Bank, Northern Ireland
- Finansforbundet i Fokus Bank, 750 members at Fokus Bank, Norway
- Finansforbundet i Danske Bank, Sverige, 650 members at Danske Bank, Sweden

For the time being, Danske Unions cannot formally negotiate and sign binding agreements with the bank management. It is understood that Danske Kreds would like Danske Unions to gain bargaining power but this is not yet a reality. Danske's central management emphasises that legally binding agreements and negotiations can only be conducted between local unions and the local HR departments in the national subsidiaries of the group. At present, such agreements remain outside the remit of Danske Unions' cross-border association.

Any decision that the Danske Unions might take must follow the legislation, collective agreements and other relevant agreements in the countries which are part of the group (Statutes for Danske Unions, 2009c). This might raise other difficulties, taking into account the fact that employees working in Danske Bank branches in Lithuania and Latvia do not have employee associations, trade unions or works councils at the national level. For example, a works council cannot be established in Danske Bank Lithuania because Danske Lithuania is a branch of the Danske Group and Lithuanian law stipulates that only one works council can exist per institution (Finansforbundet, 2008).

Figure 1: Involvement of different stakeholders



### Implementation of the restructuring

During 2009, the restructuring of the workforce at Danske Bank was carried out in two stages: spring 2009 and summer 2009. In both cases, the redundancy process followed the procedure stipulated in the Collective Dismissals Act as outlined below. As indicated in the company's annual report, the company reduced its workforce by 6% (1,437 employees) in 2009. These staff reductions were the result of hiring freezes and retirements, early retirement and some redundancies. In addition, there was some internal redeployment of staff. Redundancies affected not only operations in Denmark, but also other parts of the group. However, neither the management nor the employee side could provide more information or employment statistics for countries outside Denmark. However, according to the Agreement on Danske Bank Group EWC, the management should provide EWC members with information regarding 'topics which may affect the employees in two or more countries or more within the European Union and the European Economic Area.' This case study has therefore focused on the change management process in Denmark and the role of the EWC in the discussions.

### First round of redundancies – spring 2009

Prior to the formal meeting between FA and FF, Danske Bank informed the EWC, the national works council in Denmark and RBR about its plan to reduce the workforce. Despite receiving information on the restructuring plans in the group, the EWC representatives interviewed feel that EWC was not properly consulted during the redundancy process. It is acknowledged that they were generally informed of the forthcoming redundancy plan, but no further information regarding the number of affected employees and affected subsidiaries was provided. There is a common understanding that the consultation process was conducted only at the national works council level in Denmark. This was echoed in a survey of EWC members carried out by GHK in 2008 (*A Preparatory Study for an Impact Assessment of the European Works Councils Directive*), which indicated that many employee representatives felt that their EWC was used more as vehicle for giving information rather than any significant consultation

The recast EWC Directive provides a clearer definition of consultation, which goes beyond the establishment of a dialogue and requires timely information to allow EWC representatives to express an opinion which ‘may be taken into account’. The recast directive defines transnational issues and states that: ‘Matters shall be considered to be transnational where they concern the community-scale undertaking or community-scale group of undertakings as a whole, or at least two undertakings or establishments of the undertaking or group situated in two different Member States’. The recast directive includes the following important phrase: ‘For this purpose, matters which concern the entire undertaking or group or at least two Member States are considered transnational. These include matters which, regardless of the number of Member States involved, are of importance for the European workforce in terms of the scope of their potential effects or which involve transfers of activities between Member States.’

It is clear within the legislation that negotiation on redundancy measures remains within the remit of national information and consultation structures. A Danske Kreds representative on the EWC commented: ‘The Danske Bank management is only now getting used to being an international company with a European Works Council and a strong European trade union aspect. And they are about to learn how to act, we’re all learning...’

The EWC members say that Danske Bank is a company that has had a long history as a national Danish company and has grown out of Denmark by establishing fairly autonomous subsidiaries elsewhere.

The lack of information about redundancies made elsewhere might underline that the EWC at Danske Bank is still in its infancy and there is room to improve the information and consultation procedures. It is also possible that the lack of information is partly due to the fact that the employees in Danske Bank branches in Lithuania and Latvia do not have employee associations, trade unions or works councils at the national level, as previously mentioned.

The following sections will examine the redundancy procedures in Denmark which pertain only to the group employees based in Denmark.

#### *Preliminary meeting*

In December 2008, FA and FF held a meeting where the bank management discussed their intention to reduce the workforce and the rationale of their plans (Finansforbundet, 2008) Danske Bank’s management cited the financial crisis and the dwindling business activity rates in head office departments and support functions. Furthermore, in spring 2008, Sampo Bank Finland was integrated into Danske Bank Group’s shared IT platform. The change was one of the largest IT projects carried out in Denmark and triggered a reorganisation of the support functions.

The management reported that workforce reduction was necessary in order to cut operational costs.

FA and FF had to decide whether the negotiations could be carried out between them at the central sectoral level or at the local level (between Danske Bank and the local union Danske Kreds). The main sectoral representative bodies agreed that negotiations could be conducted at the local level. The fact that Danske Bank is a large bank and Danske Kreds is a partner with considerable bargaining power were important factors in making this decision. Furthermore, the two stakeholders demanded local negotiations and most importantly, Danske Bank has a long tradition of social partnership.

### *Negotiations*

According to the Collective Dismissals Act, this stage of the procedure aims to achieve the following:

- discuss measures to prevent dismissals;
- agree upon measures to assist affected employees;
- agree upon criteria for selecting the employees subject to redundancy;
- agree upon how the dismissals are to be carried out.

Danske Bank's group management looked at alternative measures of reducing jobs, in particular retraining, redeployment and early retirement. Danske Kreds, who wished to avoid direct dismissals at all costs, suggested an alternative measure of 'converting available time into supplementary training time, so the group could have employees with new and up-to-date qualifications when the business cycle turns again' (Per Alling Toubro, Danske Kreds, 2009). Danske Kreds also pointed out that using internal IT staff for activities that were outsourced might safeguard some additional jobs. Although it was asserted that Danske Kreds' alternative suggestions did not have a major impact on the final number of redundancies, the negotiation process did result in a reduction in the number of planned redundancies from 450–400 to 350 employees

In the early phase of redundancies, it was decided that the most affected employees would be those working in headquarters (e.g., IT, communication, consultancy, group finance). Because these departments are based in Denmark, only the Danish side of the group was affected by redundancies.

Following the negotiations, the bank notified the RBR, the public employment service, in relation to the imminent redundancies.

### *The agreement resulting from negotiations*

In Denmark, negotiations on collective redundancies result in an agreement that stipulates, inter alia, the numbers of the redundant employees, criteria for selecting them, timeline as well as active measures offered to ease the consequences of redundancies (e.g. agreement on outplacement).

According to the representatives of Danske Kreds, the local union negotiated an agreement with the group so that redundant employees who had not found a job until the termination of the notification period would receive extra compensation. In addition, the agreement allowed for notified workers to be immediately released from their duties for the duration of their entire notice period. If the worker could not be immediately released from his/her duties, the period of notice would be extended. The two parties also agreed on a payment of €4,700 (approximately DK35,000) to each redundant employee for outplacement and further education. These benefits would be available until the end of 2010.

### *Notification of individual employees and RBR*

In line with the information and consultation requirements, the management informed the works council of their final decisions on 5 February 2009. At the same time, the management notified the affected employees and their line

managers. At this stage, the employer also has the duty to provide the RBR with the names of the employees made redundant. The normal notice period in Danske Bank is six months for workers with more than nine years of service, which applies to most of their employees.

The 350 workers laid off had an average age of 42 years and most were working full-time. A few were low-skilled workers in the shared services divisions, but most were highly skilled, with many being specialists working in the headquarters functions (e.g., IT, communication, consultancy, group finance). They were based in various offices across Denmark. At this stage the management envisaged that further job cuts would only be achieved through natural wastage (Per Alling Toubro, 2009a). No further direct dismissals were planned.

### *Results and measures to assist employees*

In February 2009, most redundancies were made through direct dismissals. Statistics regarding the type of redundancy measure used are not available but it is acknowledged that a minority left on early retirement. Direct dismissals are not uncommon amongst Danish banks, particularly during the current economic downturn. As a FA representative emphasises, the Danish labour market is flexible, characterised by substantial job mobility. Previous research found that between 25% and 35% of the Danish workforce change employers each year, and between a third and a quarter of the labour force were affected by unemployment in a year (Bredgaard, T., Larsen, F. and P. Madsen, 2005). This is particularly common during periods of recession. Having said that, almost all banks in the Danish financial sector have recently faced staff reductions. In 2009, approximately 2,200 members of the finance trade union were made redundant. There is a common understanding that the total number of redundancies in the sector could in fact be as much as 4,000 employees. This is not only due to the financial crisis as such, but also because of various organisational changes including centralisation of functions and changes in response to the decline of certain business activities. For example, according to the Danish Bankers Association, business advisers and consultants with specialised skills have been in demand whilst the number of bank clerks is expected to decline even further in this sector (Danish Bankers Association, 2009).

According to some EWC members, it is anticipated that other countries may be affected by redundancies in the future. The Baltic subsidiaries might have already been affected by redundancies but no statistics are available yet. Danske Bank has a number of measures in place to assist redundant workers. Affected employees can benefit from career advice and further training through the services of a specialised outplacement agency (AS3 Outplacement). This assigns each of them two counsellors, one advising on day-to-day work, with the other identifying job opportunities and career prospects;

Redundant workers receive €4,700 (approximately DK 35,000) which they can spend on further education and/or career development. The outplacement process usually lasts for a period of two months, comprising six meetings of around 1.5 hours each. The process typically consists of advisory sessions alternating with ‘homework’.

The meetings usually cover:

- career assessment with the identification of professional and personal strengths; individual analysis;
- clarification of career goals;
- preparation of CVs and cover letters;
- advice on job search processes and skills (with IT support);
- introduction to AS3's professional network as well as formation of one's own personal network;

- meeting the counsellors;
- uploading personal CVs on the AS3 CV database, available to certain recruitment agencies and companies;
- job interview training.

A representative of the agency said 165 Danske workers made redundant in February 2009 benefited from the agency's services. It is reported that around 65% of those workers found a job within six months. This is considered very good in the current economic climate. The representative said the agency's success lay in its customised approach to counselling as well as in its resources. According to her it would be much more difficult for the public employment service to meet such standards as they are not as resourceful as private agencies and they often do not have the know-how to deal with highly-skilled redundant workers such as the Danske employees.

Danske Kreds also provided various types of advice and support. Local shop stewards assisted redundant workers during the severance interviews. Furthermore, in collaboration with the Danish Financial Services Union, Danske Kreds hosted a few meetings providing information about unemployment funds, career planning and other matters. In addition, Danske Kreds' consultants and social workers offered counselling services.

The employer organisation, FA, does not monitor or assist workers after they are made redundant.

### Second round of redundancies summer 2009

#### *Preliminary meeting*

In the summer of 2009, Danske Bank decided to cut more jobs partly because of the integration of RealKredit Denmark's corporate division into Danske Bank Denmark, as well as the continuing plan to control operational costs. This time, at an extraordinary meeting, the EWC was formally told by the management about its intention. The National Works Council and RBR were also told at the same time, although no information was provided on the number and location of redundancies.

As with the first round of redundancies, in the preliminary meeting FA and FF agreed that negotiations could be managed at a local level, between Danske Bank and Danske Kreds. Due to the integration of RealKredit, a number of support functions were merged and jobs were expected to be cut in various branches. However, the employee representatives have argued that the predominant cause of redundancies was the fall in business activity.

#### *Negotiations*

From the outset, Danske Kreds took a defensive stance towards the second round of dismissals. It was of the opinion that the dismissals should have been avoided on the grounds that similar structural reorganisations at Danske Bank, in August 2007, took place without collective dismissals (Danske Kreds/Per Alling Toubro 2009b). Furthermore, the timing of the decision was considered unusual as Danske Bank's interim report showed the group's financial performance was improving. However, it acknowledged that provisions and loan impairments continued to slash the bank's profits.

During negotiations, Danske Kreds suggested the use of a 'dismissal catalogue' in order to encourage older employees to opt for early retirement. However, the bank rejected this proposal, possibly because an open dismissal catalogue could be a sensitive issue. Danske Kreds also proposed part-time work measures.

The negotiations resulted in a substantial decrease in the planned redundancies from 400 to 220 employees. Those most affected were mainly low-skilled workers in Danske's branches.

According to the agreement signed in spring 2009 and available until 2010, the redundant employees could be released from their duties during the notice period and were entitled to €4,700 EUR (approximately DK 35,000) for training and education outplacement.

### *Results and measures to assist affected workers*

In addition to the 220 workers directly dismissed, 50 took early retirement. All received an offer to use the outplacement agency. However, the agency reports that the workers made redundant in August 2009 were scattered across various local branches and, in general, found local jobs. Only 31 dismissed workers made use of the agency. Danske Kreds organises networks (online or face-to-face) where they can exchange information. The local union occasionally surveys the redundant employees, however, neither the outplacement agency nor Danske Kreds could provide statistics regarding the second round of redundant workers and their destinations.

The representatives of the works council suggest that it is increasingly difficult to find jobs in the same sector, particularly at the same level. Although the unemployment rate amongst financial employees has been rather low (estimated by Finansforbundet at 1.6% in November 2009), it is acknowledged that this has increased in the current economic climate.

It should be noted that, in Denmark, the unemployment rate is commonly known as ‘full-time unemployment’. This is registered unemployment calculated as the unemployed population's total unemployment volume converted into full-time unemployed people. This includes unemployed part-time workers (Statistics Denmark).

On balance, highly skilled bank employees have been little affected by unemployment, although older and low-skilled workers might be harder hit. It is well documented that the combination of high job mobility and a flexible labour market is usually advantageous for the high-skilled and flexible workers but less of a benefit for older and unskilled workers who usually receive less adult vocational training (Bredgaard, T., Larsen, F. and P. Madsen, 2005).

## **Conclusions**

Danske Bank is the Nordic region's second-biggest bank. At a time when the big financial supermarkets were created in Denmark, Danske Bank was changing from a national Danish bank to a multinational financial corporation present in 12 countries.

During this process, Danske Bank, which has always prided itself on good industrial relations at home, has learnt how to engage in a dialogue with its employees on transnational issues. With the direct involvement of Danske Kreds, the active local union of Danske Bank in Denmark, new structures of consultation and information such as the EWC and Danske Unions have been put in place.

However, the expensive IT integration of Danske's foreign operations, together with the impact of the global financial crisis has brought about organisational changes, including compulsory redundancies. These restructuring measures have brought to light a series of shortcomings. Despite the active involvement of Danske Kreds and formal support from the company management, the EWC at Danske Bank is still in its infancy and information and consultation procedures could be improved. The EWC at Danske Bank was created to allow workers to be informed and consulted on transnational developments affecting decisions on employment and working conditions across the group. However, it appears that although restructuring and its potential impact was discussed by the EWC, little information was provided on the actual numbers involved in different countries, and further consultations were clearly limited to the national level. In line with EWC legislation, negotiations on the precise nature of restructuring measures took place at the local level, with the Danish unions being able to affect the final number of redundancies. The Danske Bank Group has a long tradition of



good collaboration with local trade unions but the information exchanged between the management and the European representative bodies of the group is still insufficient.

Strengthening the cooperation between EWC, Danske Unions and the company management would particularly benefit industrial relations in countries, such as those in the Baltic states that have little tradition of employee representation, information and consultation. Currently, although these countries have a seat on the EWC, they cannot qualify for a seat on the EWC board.

Evidence gained from interviews and secondary data shows that the way in which workforce restructuring has been carried out was determined by the legal provisions and collective agreements governing the sector and the company. These allow for direct dismissals and job flexibility whilst providing significant accompanying measures such as re-training and outplacement financially supported by the employer. There is a common understanding that the total number of direct redundancies in the Danish financial sector has increased due to the financial crisis and recession. Both high-skilled and low-skilled workers have been affected by dismissals but, in the long run, the consequences tend to be far more detrimental for the latter. Furthermore, it is surprising that, despite the low uptake rate of early retirement in Denmark, such schemes are still in place to encourage older workers to accept early retirement, particularly during times of economic downturn.

## Annex

### Individuals consulted

Name	Institution	Position	Date of consultation/interview
Bent Jespersen	Danske Bank	HR Director	25/11/2009
Pia Andreasen	Danske Bank	HR Director	25/11/2009
Marianne Dissing	FA	Deputy director	21/11/2009
Torben Jensen	Danske Kreds	Head of office	24/11/2009
René Holm	Danske Bank and Danske Kreds	Member of the board of Danske Kreds, member of WC, member of EWC	24/11/2009
Peter Gaardsdal	Danske Bank and Danske Kreds	Member of the board of Danske Kreds, member of WC, member of EWC	24/11/2009
Linda Fauerholm	FSU-DK	Political consultant	24/11/2009
Mette Pontoppidan	AS3 Outplacement A/S	Manager	04/12/2009
Anders Lyager Olsen	Danske Kreds	Consultant	04/02/2009

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