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**Seminar: "Flexicurity or Flexploitation?
Atypical Work in Europe"**

**Trust and Dialogue in the
Danish Model**

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Introduction

In research to date and the broader debate concerning flexicurity in the Danish labour market the focus has been on labour market policy, and in particular on how mobility in the labour market has served to secure competitiveness and employment. Attention has been directed towards the relatively free access to ‘hire-and-fire’, the relatively generous unemployment benefits and the active labour market policy.

The present paper will focus on the collective agreement system. Trust and dialogue are in this paper seen as the crucial points for departure for the development ‘flexicurity’ in Danish labour market regulation. The argument is that the collective bargaining system has undergone a development in the past two decades that has contributed substantially to increased flexibility in labour market regulation *as well as* to increased employment security, i.e. *flexicurity*. This is a result both of the decentralisation of the collective bargaining system with bargaining rights delegated to enterprise level (first and foremost wages and working time arrangements) and also of the broadening of the scope of the collective agreements so that new areas, especially welfare issues (pension, further/supplementary training, maternity and parental leave, sick pay, etc.), have been included on the bargaining agenda. These two trends in the collective bargaining system have generated new possibilities of creating flexibility along with security in the Danish labour market, i.e. flexicurity.

Further, it is argued that wages and working conditions for temporary agency workers, as one example of atypical workers, today is covered by the collective agreements. In this sense temporary agency workers are covered by ‘flexicurity’.

Trust-building based on voluntarism

The Danish labour market has developed into one of the most flexible in all EU and OECD countries. However more importantly, concurrently with this development it has been possible to maintain and further develop ‘security’ for employees – and once again compared to other EU and OECD countries the level of security is relatively high. In order to understand how this balance between flexibility and security has developed in the Danish labour market, it is important to point out some basic characteristics of Danish labour market regulation.

The Danish labour market is one of the most thoroughly organised labour markets in the world. Today the rate of unionisation is around 80%. Members of employers’ associations employ around 55% of private sector employees. The collective agreements settle wages and the main issues pertaining to working conditions. Today they cover just below 80 % of all private sector employees. In the public sector labour market, the coverage is estimated to be 100% (DA

2004). The agreements run for two to four years depending on the conditions agreed upon within the specific sector.

Inter-union rivalry and competition among employers' organisations is fairly limited. Furthermore, due to organisational overlaps between the public and the private sector and common historical developmental trends, all sectors are encompassed within the same bargaining system or model. This system of organisations and dialogue may be described as a voluntary system, in which the mechanism for concluding collective agreements on wages and working conditions is underpinned by basic agreements. The Danish Parliament (Folketinget) has passed very little formal legislation on recognition or regulation of trade unions and employers' organisations. Accordingly, in Denmark we do not find a labour code or legislation enshrining the formal recognition of labour market organisations. Consequently, it is the right of association which is the cornerstone in the system of organisations and collective agreements governing the labour market.

A key element in the basic agreements is that they stipulate reciprocal recognition by the opposing parties. This means a) that the trade unions recognise the employers' management prerogative, i.e. the right to manage and allocate work, while respecting currently valid collective agreements and the spirit of co-operation, and b) that the employers accept the right of employees to organise and to establish collective representation. This reciprocal recognition can be characterised as the basis on which dialogue and cooperation have developed. Furthermore, the basic agreements contain rules on the procedures for concluding collective agreements, and for the scope and mode of the use of collective industrial action, such as strike or lock-out. The rules also impose a peace obligation, which prevents the parties - in ordinary circumstances - from resorting to hostile action during the period of validity of the collective agreements.

Flexibility for the companies and security for employees is thus based on the ability of the collective bargaining system to function as an arena in which conflicts of interest in society can be resolved, thereby contributing towards stability in economic and political development. This capacity for releasing tension, defusing threatening situations and breaking crippling deadlocks has made the relationships between employers and trade unions a main pillar of the Danish welfare model.

Dialogue, collective bargaining and flexicurity

Mobility in the Danish labour market is high in comparison with mobility in other countries. For instance, the average seniority in the Danish labour market is a little more than eight years, while the corresponding figures for Sweden and Germany are 11.5 and 10.4 respectively.¹ This trend is confirmed by the figures for job changes inasmuch as approximately 30% of the workforce changes jobs each year (Bingley et al. 1999). Furthermore, several international comparisons show that Danish labour market regulation is relatively flexible. This applies to

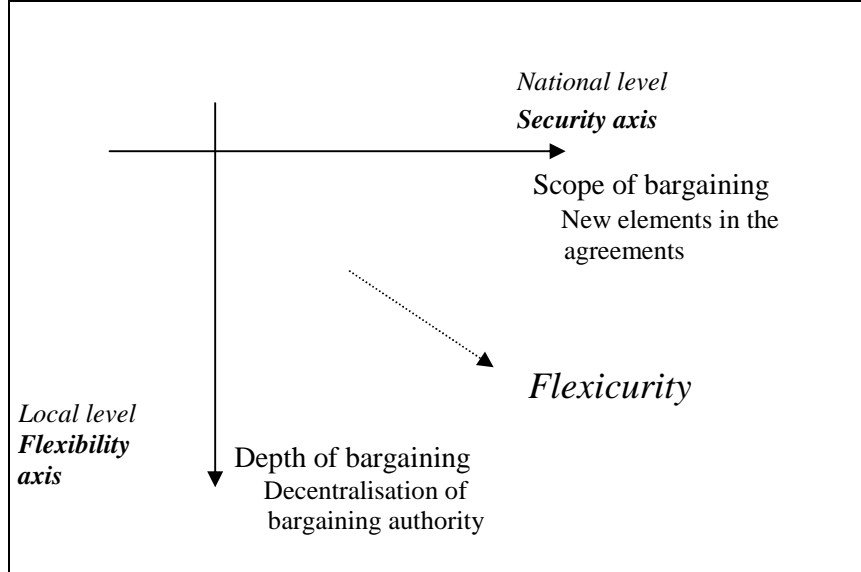
access to hiring and dismissal of employees, the degree of restriction on the use of temporary forms of employment, special requirements to be met by enterprises in the case of collective dismissals and the like (see OECD 2004, World Bank 2004). In respect of external numerical flexibility (flexibility in connection with recruitment and dismissal of workers) the main argument has been that the combination of the relatively flexible Danish labour market with relatively generous benefits and an active labour market policy has created a 'golden triangle' that secures the flow in the labour market from unemployment back to employment or, if there is a need for this, a movement from unemployment via the active labour market policy back to employment (Bredgaard et al. 2006, Madsen 2004a, 2004b, 2003).

A closer look at the collective agreement system reveals that it too serves, in a different way, to create flexicurity in the labour market. Wilthagen et al. (2003) and Wilthagen and Tros (2004) have pointed out that decentralisation of agreement systems established under some form of centralised control apparently increases the possibility of introducing flexicurity. Observations of the decentralisation of bargaining rights in the Netherlands and Denmark respectively lead Wilthagen et al. to argue that decentralised negotiations appear to allow more space for tailor-made solutions that ensure balanced agreements and thereby fulfil both flexibility and security needs. It is emphasised moreover that national coordination of local negotiations seems to be important for ensuring reciprocity between flexibility and security in local agreements. Here the objective is said to be, among other things, to promote local collective gains above narrow enterprise or sector interests, to ensure that flexicurity strategies find a place on the decentralised agenda and to monitor the effects of flexicurity strategies at decentralised levels (Wilthagen et al. 2003:22). Agreements on the arrangement of flexible working hours will be discussed below on the basis of the observations regarding the increasing possibilities for enterprise-based negotiations. The question will be thematised as the increased depth in the agreement system. Here 'depth' covers the delegation of bargaining rights from the level of centralised negotiations down to enterprise level.

In addition, Wilthagen et al. (2003)/Wilthagen and Tros (2004) argue that broadening the scope of the agreements opens up possibilities of expanding flexicurity arrangements. The logic is that a wider range of topics on the negotiations agenda, so that besides the traditional questions of pay and working hours it also comprises training/education, pensions and other more welfare-oriented issues, opens the way for trade-offs that can create both flexibility and security. It is stressed that this encourages 'positive coordination' and 'negotiated flexibility' (Wilthagen and Tros 2004:31 – see also Andersen and Mailand 2005).ⁱⁱ

Figure 1 illustrates how both increased depth and increased scope in collective agreements pave the way for flexicurity in the Danish labour market.

Figure 1. The scope and depth of collective agreements and the development of flexicurity



The depth of bargaining here first and foremost concerns company level negotiations on wages and working time arrangements. These are issues where employers typically have been striving for enhancing flexibility. Accordingly the vertical axis illustrating the deepening, or coordinated decentralisation, of the bargaining process can be characterised as the ‘flexibility axis’.

The scope of bargaining concerns national level bargaining within the individual sectors. The new elements that we have seen introduced in the collective agreements are pension, further/supplementary training, maternity and parental leave, sick pay, etc.). These are all elements that concern the security of employees. Accordingly, the horizontal axis can be characterised as the ‘security axis’.

Increasingly extended decentralisation (depth) in regulation of the collective agreement and new issues in the agreement (greater scope) introduce new opportunities for flexicurity in the Danish labour market, cf. Figure 1. But the two areas also create each their specific coordination problem in terms of obtaining cohesion in the overall regulation. As pointed out in the foregoing, Wilthagen et al. (2003)/Wilthagen and Tros (2004) have argued that the decentralisation of agreement authorities created under one form or another of centralised control increases the prospects of introducing flexicurity. The ‘centralised control’ – discussed here in terms of *vertical coordination*, is important in this respect in ensuring reciprocity between flexibility and security – not only in national agreements, but also those concluded at enterprise level.

Moreover, Wilthagen et al. (2003)/Wilthagen and Tros (2004) have argued the case that extending the scope of the agreements facilitates the extension of flexicurity arrangements. New issues on the bargaining agenda open up prospects for trade-offs that provide for both flexibility and security. As mentioned this paves the way for ‘positive coordination’ and ‘negotiated flexibility’. The general agenda for collective bargaining in the Danish labour market has broadened. New inclusions are notably the more welfare-oriented

issues concerning education/training, pensions, parental leave, etc. However, this also represents a trend that has led to an expanding grey zone between what is regulated by legislation and agreements respectively, thereby spurring discussion between the political system and the social partners as to who is to assume responsibility, not least for financing the various welfare benefits (Due and Madsen 2005). This brings the *horizontal coordination problem* between the collective agreement system and the political system to the fore.

Atypical work – the case of temporary agency work

Traditionally the number of temporary agency workers (TAW) has been comparatively low in Denmark. The flexible rules regarding hiring and dismissal of workers have been seen as one of the important explanations; the flexible regulation reduces the employers' need for TAWs. However, since 1999 the number of TAWs has tripled. In 1999 0.3 % of the labour force worked as TAWs – in early 2007 the figure was 0.9 %.

But why has the number of TAWs increased? Primarily economic growth and labour shortage in a number of sectors seem to have led many companies to use TAWs. Further, there is also evidence that some structural changes have led to the increased use of TAWs. E.g. just-in-time production schemes increases employers' need for additional workers in periods with high demands. Another example is companies facing restructuring where uncertainty about the future needs of manpower leads employers to use TAWs. Finally, the inflow of migrant workers from Eastern Europe has increased the number of TAWs on the Danish labour market as many temporary work agencies are developing a new market by bringing primarily Polish workers to Denmark.

In spite of these quite significant changes concerning TAWs it can be argued that wages and working conditions for TAWs have been normalised over the last fifteen years – meaning that TAWs today are basically covered by collective agreements like employees on standard employment contracts. The starting point of this development was a shift in position on behalf of the trade unions in the early 1990s. Before that trade unions tended not to include TAWs in the collective agreements; the argument was that all employees should have standard contracts and accordingly agency work was not regarded as 'legitimate' work and was therefore ignored in the agreements. However, the trade unions by then recognised that agency work should be regulated as other forms of work. Consequently, the unions brought the issues on wages and working conditions of TAWs to the bargaining tables in the different sectors. Over the years leading up to the latest rounds of collective bargaining on the Danish labour market we have seen what can be characterised as an incremental process where paragraphs on wages and working conditions for TAWs have been amended to the collective agreements.

Especially in recent years migrants from Eastern Europe working as TAWs have caused a significant number of industrial conflicts and cases have been taken to the industrial courts. Even though some problems remain unsolved it is

generally acknowledged by trade union representatives and employers, that the regulation now in place ensures that TAWs are covered by the collective agreements (Andersen 2007).

With regard to the substantial regulation we can by and large identify an identical development compared to the regulation of the employment relationship for Dutch agency workers. In this sense Danish agency workers is covered by 'Dutch flexicurity' (cf. Wilthagen 2007). However, focussing on the processes leading to these changes in regulation in respectively the Netherlands and Denmark there are significant differences. In the Netherlands these changes of regulation were part of a larger political compromise involving among other things the flexibilisation of standard contracts. Further, both labour market organisations and the political system were involved in the process. In Denmark the changes in regulation for agency workers were introduced solely via sector level collective bargaining. Accordingly, the process of changes was less dramatic in the Danish case. Likely explanations for these divergences between the Dutch and the Danish cases are first, the relatively larger number of temporary agency workers, and other atypical workers in the Netherlands and second, the differences in the industrial relation systems in respectively the Netherlands and Denmark.

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ⁱ Auer and Cazes 2003:25/Table 2.1. All figures for the year 2000.

ⁱⁱ For negotiated flexibility, see Ozaki (1999).