

The Danish Model: Erosion or new stability

FAOS' research programme 2019-2023

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Danish trade unions have continually lost members, although in recent years they have managed to slow the decline. The recruitment of new members is difficult because job growth is taking place in areas where the trade unions have not traditionally been strong. In the employers' associations, a still limited but growing group of employers opt out of the collective agreements and become so-called associated members. Moreover, the recent collective renewals have been dramatic. In two subsequent public sector bargaining rounds, the need to reform the collective bargaining model was discussed; some even argued that the model did not work in the public domain at all.

In the wake of the private sector negotiations of 2017, there has been an intense debate about **coordinated bargaining and the linking of collective agreements**, which ensures a uniform development of wages and conditions across industries – a cornerstone of the Danish model. Furthermore, there are ongoing discussions about labour migration, atypical employment and the emergence of digital platforms. It is unclear whether the Danish model can cope with the pressure, or whether the model's foundation is about to erode.

Despite these trends, it has been twenty years since the last major industrial conflict in the Danish labour market. In this period there have been only isolated conflicts within the public sector labour market. Overall, employers' associations and trade unions managed to negotiate solutions during the crisis years. Furthermore, in recent years a number of tripartite agreements were concluded; though they were driven by the government, the social partners were able to deliver what was needed to get the agreements signed. Accordingly, in spite of diverse interests and tensions internally on both the trade unions' and the employers' side, the social partners have been able to enter into agreements with the government on significant societal challenges.

In view of the stable relationship between the employers, trade unions and governments in office, as well as twenty years without major labour market conflicts, could it be that we are possibly entering a new phase of stability? FAOS' research program for 2019-2023 will focus on the one hand on the cracks in the foundation under the Danish model, and on the other the continued ability to find solutions, in spite of the many and diverse challenges.

Core areas and focus areas

In the period 2019-2023, FAOS' research programme will unfold within seven project themes, presented below. These seven themes do not have equal ranking, as they are divided into core and focus areas. The *core areas* of FAOS's research relate to the organizational and collective bargaining system in the Danish labour market. Thus, there is a focus on organizational development on both the employee and the employer side, including member development, mergers and cooperative relations. Likewise, there is a focus on the collective agreements in the private and public sector labour markets, including the process of negotiations.

The collective agreements are implemented in the workplace, which is why agreements and cooperation within workplaces are also part of FAOS's core research. The same applies to various types of European Union (EU)

initiatives such as labour law directives and verdicts from the European Court of Justice, as well as to EU policy recommendations and coordination with implications for labour market regulation in Denmark.

Linked to the core areas are selected *focus areas*. In this research programme, we focus on three specific areas: Foreign labour, the future labour market (including digitization and atypical employment) and the value chains of companies. Whereas research activities in the core areas are financed mainly through the programme grant, research in focus areas is financed primarily through supplementary project grants. The majority of FAOS research activities during the programme period will take place in the core areas.

The goal for the coming programme period is to write and publish books on topics in FAOS core areas. In addition, we will publish articles in high-ranking international and Danish journals and research reports , as well as articles in daily papers, newsletters and the like. For the focus areas, we will publish in the same types of formats, but the extent will depend on project funding.

Project themes

In this section, we present the seven project themes that create the framework for research projects in the programme period. The project themes cover both core and focus areas of research.

First project theme

The collective agreement systems: continuity and change

FAOS has followed the renewal of collective agreements in both the private and the public sectors for many years. We collect documents as well as other data, and we interview the main negotiators before, during and after the negotiations. Thus, over time FAOS has accumulated unique data material.

FAOS's analyses of the bargaining system are primarily relational analyses that closely examine the actors in the negotiation processes. However, the outcomes of the bargaining processes are part of the analyses as well. The collective agreements are closely linked with labour market legislation as well as social, educational and employment policies, formulated, for example, in tripartite negotiations.

Overall, the research into collective bargaining systems and political regulation on work and welfare will, firstly, deal with procedural issues – namely, the negotiation processes that they develop both between the negotiating parties and internally, on either side of the negotiation table. Secondly, the research will deal with substantive issues, that is, what the agreements are about – including developments in the balances between the different dimensions of flexicurity. FAOS's research in this project theme will focus on the following issues:

- continuity, changes and challenges in the renewal of collective agreements in the private and public sectors
- whether the legitimacy of the coordinated bargaining system is being challenged
- how the private and public bargaining systems are developing in relation to each other

- how the bargaining model and the welfare state interact.

Second project theme

Labour organizations: developments in structure and memberships

The two former trade union confederations, LO and FTF, have joined forces in a new joint confederation, Fagbevægelsens Hovedorganisation (FH), which brings together employees without university degrees from both the private and the public labour market in the same confederation. With this historic change, it is hoped that the new confederation can help bring membership loss to a halt, especially that experienced by the LO since the mid-1990s. Former FAOS studies have shown that the degree of unionization is particularly low in private services, transport and retail. The question is whether that development can be reversed within these as well as other sectors.

The share of employers joining employers' associations has been stable for many years, and yet this trend is not only a sign of continuity and stability. Conditions for companies are constantly changing, not least from the effects of increasingly strong international competition, which place new demands on employers' organizations. FAOS research has shown that many employers' organizations have managed to change strategies, for instance by offering a number of new services to the companies in addition to their traditional role as an employers' organization. For some, the new strategy has also entailed a new composition of member companies, which is partly due to the emergence of new industries and thus also to new types of companies with other traditions of cooperation and negotiation. FAOS research will focus on the following questions:

- new professional and employee identities in a "conglomerate" labour movement
- professional mobilization – new communication and/or new activism
- employer strategies – recruitment and retention
- employers – services and agreements.

Third project theme

Local negotiations and the business-based contract model

In recent years, several collective agreements have paved the way for local agreements that deviate from the sector agreements. The prerequisite for such decentralized bargaining is strong and representative parties at the company level. If the local parties are able to reach local agreements, the company often achieves increased efficiency and competitiveness. One can imagine that many companies succeed in creating win-win agreements, through which both management and employees obtain benefits. But what happens when management and shop stewards cannot find common ground? Are there companies for which local agreements are regarded as win-lose agreements – that is,

where only one party is winning? This possibility raises a number of questions for the Danish model at the local level:

- whether or not the implementation and administration of sector agreements at company level is successful
- the strengths and weaknesses in the decentralization of the bargaining system
- the experience of management and shop stewards in the coordination of collective agreements.

Fourth project theme

The Danish model and its ambiguous relationship to Social Europe

After a number of years of crisis and austerity policies, the EU is now in a crisis of legitimacy. In response to this crisis, the European Commission has attempted to relaunch Social Europe. The European Pillar of Social Rights, the European minimum wage, the European Labour Market Authority, the revision of the job-posting and recruitment directives, and new family–work initiatives are examples of policies and institutions that are supposed to strengthen the EU's legitimacy by accelerating Social Europe. However, a number of these initiatives affect national policy competences. Therefore, some of the initiatives are met with scepticism by member states and labour market organizations at both the national and the EU level. Nonetheless, several of these initiatives have survived the EU decision-making process, suggesting that regulatory sceptics have been willing to act jointly with other actors. Can such Social Europe solidarity be maintained and thereby create the basis for greater legitimacy for the European project?

The main actors in the Danish labour market, as in several of the other Nordic countries, have a complex relationship to European social and labour market regulation. On the one hand, they appreciate that Denmark often is used as a role model for Europe when it comes to social and labour market regulation. As a consequence, Denmark has gained influence that goes beyond what one might expect from a small member state. On the other hand, Danish organizations have generally tried to fence in the Danish model by claiming the principle of subsidiarity. In the research programme, we will investigate these areas:

- Social Europe and the Danish model
- the EU as a strategic resource or a necessary evil
- drivers behind the many new initiatives and their implementation.

Fifth project theme

Future labour market: Digitization, atypical employment and challenges for agreements and legislation

Because digitization results in some jobs and job functions being automated and others being replaced, there is a need for new forms of continuing training. Atypical employment – also linked to digital platforms – includes opportunities for both employers and employees in the form of increased flexibility and a

stepping-stone to full-time employment. However, atypical employees (often part-time employees with few weekly working hours), fixed-term employees and temp agency workers have a lower-than-average degree of unionization and collective coverage on the labour market. In addition, trends suggest that more Danes will combine an employment relationship with income as a self-employed worker, including jobs via digital platforms. Hence, digitization and atypical forms of employment pose questions for existing agreements and legislation. During the research programme period, we will focus on issues like the following:

- digital platforms as agents for labour market integration for weaker groups
- digital automation, employment and continuing education
- hybrid work and the Danish model;
- how labour market organizations relate to atypical employees
- where atypical employees are employed, how and why.

Sixth project theme

Business value chains and changed labour relations

Danish companies are increasingly part of international value chains, and changes in these value chains are of central importance to labour market relations in the Danish labour market. Some of the companies that were previously relatively high in the value chains are now coming under pressure and have to renegotiate terms of employment with their employees. Other companies that are better able to manage their value chain and that gain from internationalization can better accommodate their core employees. This development challenges not only companies and their employees, but also the trade unions and employers' organizations, because international change affects national industrial relations. For this project theme, FAOS focuses on issues such as the following:

- what drives change in the value chains and how does it affect the labour market relations in the industries that are changing?
- what are the challenges of changing value chains for trade unions and employers' organizations?
- how do the Danish model and changes in value chains interact and influence each other?

Seventh project theme

Labour migrants: recruitment, qualifications and integration

For more than a decade, foreign labour has played an increasingly important role in the Danish labour market. However, it is questionable whether Danish companies will be able to recruit, retain and integrate foreign labour when European competition for labour is intensified. Furthermore, some studies raise the questions of whether foreign workers have the right competencies, and whether Danish companies are able to utilize the competencies of foreign workers. Finally, there is ongoing discussion about whether foreign workers receive wages and conditions in accordance with the collective agreements – a discussion fuelled by a relatively constant flow of social dumping cases. This

discussion opens up another question: whether the social partners can find solutions to these challenges, or whether labour migration will remain an area of conflict, complicating the renewal of collective agreements.

- Recruitment and retention: When does integration succeed?
- Foreign labour and education: Does it work?
- Social dumping: Common solutions or new challenges