Strained compromises? Flexicurity during crisis

Christian Lyhne Ibsen
PhD student, FAOS, University of Copenhagen, E-mail: cli@faos.dk

Track 3: Employment policies – labour demand, demography and social partners

The Danish version of flexicurity is not only about a balance between labour market flexibility and social security. Arguably, it is also series of more or less stable underlying compromises between social partners about the main mechanisms and aims of labour market regulation which – supposedly – should be focused on employment rather than jobs and competition on quality rather than on labour costs. However, most studies on Danish flexicurity have been carried out under favourable economic conditions with social partners almost naturally agreeing to the merits of the model – at least in principle. *But has the current recession challenged these compromises?* The present paper analyses the robustness of agreement by comparing social partner responses before and during the current economic recession. The evidence suggests that the underlying compromises are indeed strained by the economic cycle which underlines the dangers of building models based on short periods of stability.

INTRODUCTION

For a time, it seemed as though there was no end to the success of the Danish flexicurity model. Most prominently, the European Commission has endorsed the concept with Denmark as a primary example of how to achieve a dynamic labour market without losing the social security elements. In connection, the Commission has published various flexicurity guidelines and principles designed to lead the way for member state reforms (Mailand 2009).

In line with van den Berg (2008), this paper argues that the Danish flexicurity model in many ways resembles the Rehn-Meidner model originally devised in Sweden. Underlying this theoretical model are some fundamental compromises between capital, labour and government that also apply to the flexicurity model. Firstly, the acceptance of job losses should be inherent in the Danish labour market as unemployment is bolstered by income security and employment security. Secondly, high wages and labour standards are kept through encompassing collective bargaining and agreements which force companies to focus on niches of high value added production rather than on labour costs. Thirdly, trade unions take on a partnership approach to bargaining which rests on peace obligation in the duration of collective agreements.

However, with unemployment levels escalating during the current economic crisis there is good reason to re-visit these supposed compromises by looking at the practice of Danish social partners on the shop floor – a level often neglected in flexicurity studies. Surely, if the celebrated Danish flexicurity model is to have analytical and political relevance in the future it is important that it sustains different economic circumstances. As such, the current crisis provides an “unwelcome” test-bed for the model. The paper thus attempts to answer the following question: *In what ways has the current economic crisis challenged the underlying compromises between social partners in the Danish flexicurity model at company level?*

In order to answer this broad research question, the paper begins with a conceptual discussion and outlines the underlying compromises by linking the flexicurity model with the practice of industrial relations at company level. Hereby the section arrives at three stylised hypotheses about the practice of social partners. This is followed by a presentation of the data and methods used examine this practice. Next section examines evidence before and during the economic crisis in order to assess the robustness of compromises between social partners at company level. Has a change occurred and has it fundamentally altered the compromises? A section then summarises and discusses findings and it is suggested that the underlying compromises are indeed strained by the economic cycle. This finding is taken up on the conclusion which alerts to the dangers of building analytical models based on short periods of stability.

INDUSTRIAL RELATIONS COMPROMISES OF DANISH FLEXICURITY

As a consequence of the sometimes unfortunate mix of academic and political aspirations in flexicurity discussions, the meaning of flexicurity is often vague and badly suited for analytical purposes. Ton Wilthagen and associates have tried to make order in this ‘mess’ by outlining three meanings of flexicurity either as a 1) deliberate policy strategy for reconciling flexibility and security, 2) state of affairs in labour markets or 3) heuristic tool for analysis of flexibility and security (Wilthagen and Tros 2004).

Alongside the Netherlands, Denmark is arguably the most prominent example of flexicurity as “a state of affairs”. The classic presentation of the model stresses how relaxed employment protection legislation and thus high external numerical flexibility is balanced with high spending on active and passive labour market policies which ensure high employment and income security. This is thought to have contributed to the remarkable labour market performance of Denmark in the 1990s and onwards where unemployment was reduced from 12,4 % to 3,4 % in 1994-2007 (Statistics Denmark 2009). Supposedly, this so called ‘Golden Triangle’ has made Danes more attuned to mobility between jobs as they feel secure during transitions due to the comprehensive income coverage and active labour market measures (Bredgaard et al. 2009). Concomitantly, employers are less risk-averse in hiring labour as they can easily shed it again.

However, Denmark is more than flexicurity and flexicurity is more than Denmark. One aspect that is frequently mentioned but less addressed empirically is how the golden triangle relates to industrial relations despite the likely links from collective bargaining and social dialogue to flexicurity (Ibsen and Mailand 2009;Wilthagen & Tros 2004). Taking the matrix it is clear that many flexicurity combinations are directly regulated through collective agreements and as a corollary will constitute balances according to the design of collective agreement provisions.

Research so far has been rather positive concerning the potential of collective bargaining in particular and social dialogue in general to engender balanced regulation. Tripartite forms of social dialogue has also been frequently mentioned as a policy driver conducive to flexicurity (Wilthagen & Tros 2004) and certainly this is the recommendation of the European Commission in its attempt to revitalise member states policy reform (Mailand 2009)

Houwing has investigated regulatory changes in eleven sector level collective agreements over time in the Netherlands. The study finds that labour scarcity and powerful unions are related to increases of flexibility and security in regulation of temporary work. When labour scarcity in a sector decreases, flexibility is increased and strong unions lead to a higher stress on security in collective agreements (Houwing 2010).

Ibsen and Mailand describe how Danish, British and Spanish collective agreements at sector level to varying degrees regulate items that have direct effect on the balances of flexibility and security through a dual development in recent decades. Firstly, decentralisation of wage-determination and working time arrangements together with removal of job demarcations has significantly increased flexibility. Secondly, inclusion of a wide range of welfare-related benefits in collective agreements has improved security in a number of ways. This is flanked by the framework character of sector level agreements which give a minimum level of rights (Ibsen & Mailand 2009). It follows that decentralised bargaining opens for the possibility, that flexicurity balances are determined by local bargaining parties and the institutions framing local bargaining (Nergaard et al. 2009). This in turn puts pressure on local parties to reach innovative agreements that take into account various interests in a balanced way (Regalia 2006). To this end, minimum levels in sectoral agreements might be of help to especially trade unions when facing employer demands for more flexibility. Recurring in much of the literature is the aspiration to investigate the interrelations between legislation and collective agreements as this forms the institutional embedding of the practice of employers and employees. In other words, what happens with legislation will have an effect on collective bargaining – and vice versa. In a flexicurity optic, this is empirically vital but analytically hard to grasp.

However, van den Berg (2008) persuasively argues that Danish flexicurity can be seen as a practical enactment of the Rehn-Meidner model originally tailored for Sweden. This model thus stresses high labour mobility and employment security over job security; high spending on active labour market policies and comprehensive education/training; income security in case of unemployment together with high and equitable labour standards secured by encompassing labour organisations. In the model, social costs of economic restructuring is thus taken on by society, not the individual, which makes the loss of job protection tolerable for individuals and their unions. Moreover, encompassing unions (Olson 1965) agree to wage restraint to keep inflation at bay and instead focus on real wage improvements, good social benefits and high employment rates.
The links to industrial relations of this model are relatively clear in Denmark.

Danish employers enjoy managerial freedoms concerning the right to hire and fire which is secured through the Basic Agreements between labour and employer confederations together with case-rulings in the Labour Court and the Dismissal Tribunal *(Afskedigelsesnævnet)* (Due et al. 1993). Collective agreements at industry level furthermore stipulate certain notice periods for production workers according to seniority, while the Law for Salaried Workers *(Funktionærloven)* determines notice periods for salaried workers. The latter are substantially longer than for production workers. None of these provisions are therefore up for negotiation at company level. In other words, the core external flexibility of workers is decided beyond the shop floor.

Concerning wage restraint this has been institutionalised through the “Common Declaration” of 1987 in which Danish unions agreed to focus on real wages improvements and competitiveness. This was subsequently followed by an “organised decentralisation” (Traxler 1995) in starting in early 1990s with framework agreements rather than uniform provisions. Hereby, actual wage setting is placed at company level whereas industry level agreements send overall signals about the pace of wage development and constitute minimum standards which are secured.

Moreover, according to the Basic Agreement between the labour and employer confederations, LO and DA and the Law on mediation *(forligsmandsloven)* – the so called peace obligation applies during the duration of a collective agreement. Under normal circumstances, *industrial action* against rightfully notified redundancies would therefore be ruled as a breach of the collective agreement and punished with a fine by the labour court.

Underpinning Denmark’s ‘golden triangle’ of flexicurity is the fourth element of high functional flexibility through continuous life-long learning for both employed and unemployed persons (Bredgaard, Larsen, Madsen, & Rasmussen 2009). In this regard, unions and employers chose a partnership approach (also on the basis of the peace obligation) to reap the mutual benefits of a highly qualified labour force (Kristensen 2006).

Taken together, these elements should ensure consensus between social partners on a highly dynamic and flexible economy where badly performing companies not able to take the ‘high road’ – and with them bad jobs – would disappear (van den Berg 2008).

EXPECTATIONS TO PRACTICE OF SOCIAL PARTNERS

Following the Rehn-Meidner analogy, the underlying social compromises in the Danish model at company level thus become apparent. Firstly, the acceptance of job losses should be inherent in the Danish labour market as unemployment is bolstered by income security and employment security. Secondly, high wages and labour standards are kept through encompassing collective bargaining and agreements so companies need to focus on niches of high value added production rather than on labour costs. Thirdly, trade unions take on a partnership approach to bargaining which rests on peace obligation in the duration of collective agreements.

If flexicurity rests on stable compromises, we would expect company level practice during economic crisis to accord with the flexicurity logic:

- Firstly, the main method of restructuring is through external numerical flexibility, i.e. redundancies, as opposed to wage and working time flexibility. Functional flexibility is integral part of model.
- Secondly, continued acceptance of few restrictions and thus low costs of hiring and firing
- Thirdly, unions should refrain from concessionary bargaining on terms and conditions, especially wages and working time. As noted above, cost of structural adjustment in the economy in theory lies with society.
- Fourthly, we would expect unions to adhere to the peace obligation during collective agreements and not resort to unlawful strikes against proposed redundancies.

In contrast to these "macro-institutionalist" expectations to micro-level practice, one could make a counter-hypothesis that practice will be much more contingent upon special environmental circumstances. The contingency theory (Scott 1998) parts with micro-expectations based on macro-institutional models, like the flexicurity model and we should therefore expect more variety of practice depending on the upon the immediate employment conditions (e.g. demand and supply of labour). More specifically, according to this logic, practice and thus the robustness of compromises will depend on the pressure on labour demand due to the crisis – not on the logic of flexicurity. Hereby, we can also expect unions to have a much more pragmatic bargaining strategy including concession bargaining when attempting to safeguard jobs (Léonard 2004).

METHODS AND DATA

The paper brings together two analyses at company level that combined gives an overview of the practice of social partners before and during the crisis.

The analysis at company level is based on two rounds of qualitative semi-structured interviews before (in 2007) and during the current crisis (in 2009) with shop stewards in three major Danish metalworking companies in the following called A, B and C. This was combined with a few clarifying interviews with managers in one company (A). In total 11 informants were interviewed. The semi-structured interviews were focused around four kinds of responses to redundancies: Employer practice of restructuring employment, demands for stricter job protection regulation and redundancy terms, concessionary bargaining on terms and conditions of employment and finally industrial action against redundancies.

The interview data was combined with documentary material on employment figures and redundancy procedures which was given by informants or obtained through HQs online.

All companies had experienced redundancies but for different reasons. In 2007, redundancies were mainly motivated by relocation of production to other countries, while in 2009 redundancies were more directly linked to negative economic circumstances. Nevertheless, considerable restructuring of employment had occurred in 2007 and 2009 making it possible to compare practice of social partners during restructuring and thus the flexicurity compromises for both periods.

COMPROMISES BEFORE AND DURING THE CRISIS

Before proceeding to the actual analyses it is instructive to get an idea – albeit rough and provisory – about the kind of pressure the proposed flexicurity compromises came under when crisis hit Denmark. An account of possible reasons for the specific impact of the crisis on the Danish economy is far beyond the scope of this article, nonetheless, it seems well established that 1) Denmark was in a very favourable economic situation at the outset of the crisis 2) Denmark was one of the first European countries to be hit; 3) the negative impacts have been relatively more severe on key socio-economic indicators and 4) the bounce back of the Danish economic (in terms of growth) might be somewhat slower than in other countries (Finansministeriet 2009).

Table 1: Unemployment rates before and during crisis

	2007	2009 (latest available figures)
Employment (in 1000s)	2763 (1'st quarter)	2691 (4'th quarter)
Unemployment rate (ILO-def.)	3,4 %	7,3 %

Source: Eurostat, 2010

What is remarkably for Denmark is the rapid rise in unemployment and not so much the level of unemployment which in fact is still relatively low by European standards (DK = 7,2 % and EURO-16 area = 10,0 %). When comparing to for example Germany and Sweden, Danish unemployment rates have sharply increased from 4,1 % in the last month of 2008 when recession hit Denmark to 7,2 the same time next year. In Germany and Sweden, the increase in this period has been from 7,1 % to 7,6 % and from 7,0 % to 8,9 %, respectively (Eurostat 2010). Note that these figures should be viewed with some caution as many German workers are placed on work-share schemes (Andersen 2010).
While it might seem natural that Denmark, with record breaking low unemployment rates in the second quarter of 2008, has experienced more rapid increase in unemployment, the parallel sharp decline in Danish employment adds to concerns. According to a recent analysis, employment has fallen by 4,5 % from the 3rd quarter 2008 to 3rd quarter 2009. Thus, in this period some 104.200 full time employed have exited employment, and since "only" 59.200 of these are unemployed this means that 45.000 have effectively left the labour market all together (Arbejderbevægelsens Erhvervsråd 2009).

As in other countries, unemployment has blue collar (skilled and unskilled) workers in construction (business cycle sensitive) and manufacturing (export-oriented) first and hardest. As an indication of this, table 2 shows unemployment rates for trade union members of 3F (unskilled workers), Dansk Metal (skilled workers), HK (salaried workers/clerks) and AC (academics), in 2007 and 2009/10, respectively.

Table 2: Yearly mean unemployment rates according to skill levels

	2007	2009/10 (latest available)
1. Unskilled workers	6,6 %	10,4 %
2. Skilled workers	1,6 %	5,5 %
3. Salaried workers/Clerks	N/A	4,0 %
4. Academics	2,4 %	4,0 %

Sources: 1: www.3f.dk; 2: www.danskmetal.dk; 3: www.hk.dk;
4: www.ac.dk

An additional indication of the economic slump can be seen from general wage developments in the private sector. Between fourth quarter in 2006 and 2007, respectively, wages increased by 4,6 %. Between fourth quarter in 2008 and 2009, respectively, the increase had dropped to 2,3 % (Dansk Arbejdsgiverforening, 2010) which is still relatively high compared to other European countries.

Strained compromises at company level?

In order to give indications of what is happening to the flexicurity compromises at company level this section analyses two rounds of company level restructuring in 2007 and 2009 in three major metalworking companies. In the following each company is given a letter: A, B, C.
All three companies were in 2007 relatively large companies for Danish standards, producing both components and assembling them for upscale product markets. This however, changed dramatically for company C, as production of components was being relocated. This was less the case in A and B which despite relocation, retained production of components.

2007

Employer practice of restructuring employment during economic boom and economic slump evidently varied somewhat over time depending on business cycles, but as already noticed, employment restructuring was needed in both periods for all three companies – albeit at different levels.

In A, some 600-700 jobs had been relocated during the period of 2001-2007 and the company employed approx. 22.000 worldwide in 2007. In B the actual number of relocated jobs was unknown by the informant, the company employed approx. 16.000 worldwide in 2007. In 2007 the scale of relocation in companies A and B was at a level where comprehensive schemes for in-house redeployment, normal labour turnover and early retirement plans could be used to alleviate some of the negative employment effects of relocation, hereby reducing the number of redundancies. These internal employment restructurings demanded high functional flexibility on the part of the employees who often needed retraining to perform new tasks in the production line. In total, there were very few forced redundancies as a result of the relocations, which also reflected constant new orders and new production lines in A and B. This was less so the case in company C which was also suffering from reduction in market shares. During the period of 2002-2007 the plant in question of company C had gone from employing 1.200 workers to 350. Thus the scope of restructuring meant that redundancies were needed when possibilities for redeployment and early retirement had been exhausted which in turn had a significant impact on the choices unions were faced with when the threat of redundancies appeared.

Concessionary bargaining on wages was nonetheless absent in all three companies despite the varying pressures on employment. Local wage bargaining remained intact with substantial supplements negotiated each year. In accordance, attempts by management to use the threat of relocation to pressure wages were thwarted by shop stewards – even in C. The general union view was to remain firm in local bargaining and not enter into international labour cost competition. Resistance was also helped by cross-company communication among shop stewards to coordinate wage demands vis-à-vis management. Despite relocations the three companies thus followed suit on the general wage increases in Denmark during the economic boom of 2007. More importantly for our purposes, the 2007 answers also reflected a high feeling of employment security and income security due to the general employment situation and the active and passive labour market policies in the flexicurity model. So far so good, it seems.

Nevertheless, C did negotiate a new deal on working time which increased the weekly average working time to 42 hours during peaks in production. This was done in the mutual attempt to improve productivity as the factories had been falling behind. According to the shop stewards at C, the threat of relocation somewhat pushed shop stewards into this agreement, but the add-on wage connected to a 42 h/week also helped.

Despite the peace obligation, trade unions have sometimes accepted this punishment in order to reverse managerial decisions or to express discontent in general. This is reflected in work stoppages in breach of the collective agreements of which there was 768 in 2007 (69094,9 work days lost) – a relatively high number due to the collective bargaining round of that year, which always sparks unlawful strikes.

However, this was not the case in any of the three companies as shop stewards viewed the measure as futile and poor compared to dialogue about how to alleviate the negative consequences of restructuring. Some employees in company A had attempted to mobilise work stoppage in protest with management, but this was quickly thwarted by shop stewards who reminded their colleagues of the peace obligation. Indeed, shop stewards are obliged to do so according to the Basic Agreement. Similar employee discontent had surfaced in B and C, but in both cases without any direct initiatives to stop work.

Interviews in 2007 revealed that – beyond their legal obligations – shop stewards preferred a partnership approach to handling redundancies and made reference to partly the high unemployment insurance benefits but also the possibilities of alternative employment either in-house or in the local region. Industrial action as an expression of frustration, discontent and strategy to reverse decisions by management was therefore irrelevant when shop stewards examined their options.

Turning to redundancy terms, the scope for action at company level might seem limited at first sight as noted above. Nonetheless, shop stewards are free to negotiate local agreements on the terms of redundancies, including redundancy payments, longer notice periods and extra training for redundant workers during the notice period. Arguably, redundancy payments will directly infringe upon the external numerical flexibility as it increases the cost of firing for companies while extra training has a more indirect impact since courses typically involves public subsidies or funds from the Educational Funds set up in 2007. Rather, extra training could be a cost for companies as workers are taken out of work during the notice period – this of course depending on the actual demand for the labour of these workers.

Regarding redundancy payments, interviews in 2007 reflected the different pressures on employment. In company A no serious attempts were made by shop stewards to get enhanced redundancy payments as the focus was squarely on sourcing employees into new position within the company or – as a last port of call – in other companies in the region.

The picture was different in company B and C where senior production workers had been given redundancy payments when relocated jobs could not be absorbed into new positions. Here, shop stewards were successfully engaged in negotiating favourable redundancy payments to senior production workers – similar to a "Golden Handshake" for long faithful service to the company. In a situation where work morale was under heavy pressure from growing job security, management was not adamant to concede this.

Regarding extra training the companies differed slightly according to their specific relocation procedures. In company A, training was often not part of the relocation process as employees were busy co-managing the move of jobs abroad. Indeed, shop stewards would then negotiate six months longer notice periods for redundant workers to alleviate the risk of there being no job opening after the relocation process was done. According to the informant in A, training in connection to relocation should rather be seen as a continuous part of constant sourcing of employees into new positions, underlying the need for high functional flexibility of workers. In company B and C, shop stewards would make training available for workers – either for in-house sourcing (in B) or to prepare workers for job-hunting when the notice period was over (in C). In company C, shop stewards and management formalised procedures for training connected to redundancies in a local agreement whereby any disagreements on the shop floor could be swept away.

2009

Employer practice of restructuring employment inversely shifted between the three companies in 2009 as companies A and B came under severe pressure to reduce labour costs through various means in order to curb the negative effects of declining orders. Company C on the other hand was less under pressure as the massive restructuring process had already been under way and it needed to make fewer cuts in staff which evidently affected the dynamics during the crisis. Nonetheless, all three companies were hit by redundancies.

As in 2007, the initial actions to curb negative employment effects were centred on redeployment and early retirement which for the former meant demands for functional flexibility. However, the scale of falling production orders due to a market in recession soon called for more drastic measures.

In Denmark management and shop stewards can agree to transfer large shares of production workers onto state subsidised work share programmes in which working time is reduced for either the entire company or an entire department. The employee will be compensated up to the capped unemployment insurance benefit level *(dagpenge)* at approx. 15.500 DKK. The programme can be used for up to 13 weeks during 12 months with possibility for further extension.

In company A, some 1.300 workers (skilled and unskilled) were touched by the work share scheme, during which they cannot be made redundant. This did not, however, relieve the pressure to lay off workers and at the time of the interview (October 2009) approximately 650 workers had been given notice of redundancy in two major rounds. In the first some 200 workers, many of which were temporary workers and unskilled, were made redundant. This was followed by a second round when many salaried workers (roughly 400) and some production workers (50) not on work share schemes were made redundant. Globally, the company now employed 17.000 persons in 2009 compared to approximately 18.000 in 2008.

In company B, however, efforts to curb redundancies through work share, was abandoned after a few weeks, when the severity of the crisis was realised. Layoff of workers then started with relocation to Mexico of approx. 50 jobs. This was followed by several notified rounds of redundancies of between 30-80 jobs. In total some 400 production workers were made redundant at the concerned plant in addition to the layoff of 150 salaried workers. At the time of the interview (October 2009), production staff had been reduced from 1.300 workers to approximately 900 in the concerned plant. Globally, employment in the company has been reduced by 20 % and was now at approximately 26.000 employees.

In company C – as noted above – employment had already been significantly reduced during recent years bringing the required labour “slimming” to a minimum. In total, only 25 employees had been made redundant while 90 had been put on work share to safeguard their jobs. The company had now been split up so figures exclusively refer to the plant in question.

Did the rather bleak situation translate into *concessionary bargaining*? Interviews suggest that the approach on local bargaining for production workers follows line of 2007 despite the much heavier pressures on employment. The picture is slightly different for salaried workers.
In company A, no concessions were made on wages as shop stewards were aiming at usual increases – albeit with lower expectations than in 2007. Cuts in wages or wage freezes were out of the question according to the interviews. Similarly, no new working time arrangements had been introduced – when disregarding the work share programme.
In company B, management suggested their production workers to forgo agreed wage increases to preserve employment, but this was rejected by shop stewards on the grounds that cuts in costs should be found elsewhere. Production workers had suffered enough and the general feeling was that wage concessions would not save threatened jobs anyway. Indirectly, salaried workers were giving concessions as they individually agreed to spend unpaid vacation – a de facto wage concession. This was done without shop stewards consent. Management in addition dictated a wage-freeze for salaried workers who to a larger degree bargain individually on wage supplements. Concerning working time, production workers in company B had shifted from a 3-shift schedule to only one shift, reflecting reduction in orders. This means a de facto wage reduction as shift premia are forgone.

In company C, local wage bargaining was not affected by the crisis for production workers. Shop stewards resisted calls – albeit feeble – by management for concessions. As in company B, the case was different for salaried workers who agreed or rather accepted to a wage-freeze in face of falling revenue. On working time, no further concessions were made as the 42 hour/week in peaks was maintained.

Due to the increased pressure on employment in the three countries, it might be expected that shop stewards and union members would change their stance on *industrial action* to counter redundancies. As noted above, while the peace obligation makes it punishable to strike when collective agreements’ are in force, industrial actions have been carried out in the past to show discontent with managerial decisions. In contrast to the situation in 2007 when frustration was curbed by arguments about high income security and alternative employment, shop stewards’ attitude towards management has changed in a negative direction – a consequence of the often stressful task of managing massive restructuring.

Interviewees in all three companies, nonetheless, reported an unchanged approach to work stoppages as this was still considered a futile strategy vis-à-vis the proposed redundancies. It would seem that the partnership approach to restructuring has been maintained through the crisis despite the cooling off in union-management relationships.

Turning to *redundancy terms*, the shop stewards in company A were successful in getting extra redundancy payments for senior workers – resembling a “Golden Handshake” for long faithful service but also to mitigate the negative sentiments in the workforce. In B the attempt was unsuccessful and redundant workers were left with standard notice periods. Shop stewards gave no immediate reasons for why attempts failed. In company C, there were no attempts as the workers who were made redundant typically had low seniority with the company. This point underlines that extra redundancy payments are usually given to senior employees.

While practice on redundancy payments differed, there was a common strategy in all companies to provide extra training during notice periods as a means to upgrade the skills of primarily unskilled production workers. Any relevant funds – either public or from the educational funds of social partners – have been exhausted to mitigate the massive demand during the crisis.

In company A, management was hesitant to use notice periods for training and shop stewards had to fight to get permissions. Management in company B had been more proactive despite the substantial work needed to set up courses. The interview moreover noted that courses unfortunately served as a “parking space” for redundant workers during their notice period instead of actual up skilling. In C, the company’s own educational funds ran out due to the massive need. Here, shop stewards were successful in putting redundant workers on public courses during the notice periods enabling workers to receive full pay during the course.

	Company A		*Company B*		*Company C*	
	2007	*2009*	*2007*	*2009*	*2007*	*2009*
Employer practice	600-700 jobs relocated Partnership approach taken on functional flexibility to source redundant employees into new positions reduces number of redundancies to a minimum Work share has been used	650 redundancies (including salaried workers) Work share is used extensively for 1300 employees Temporary employees were the first to be made redundant	Hundreds of jobs relocated (exact number unknown) Partnership approach taken on functional flexibility to source redundant employees into new positions reduces number of redundancies to a minimum	550 redundancies (including salaried workers) Work share programmes used but then abandoned Temporary employees were the first to be made redundant	850 jobs terminated during 2002-2007 (including salaried workers) Partnership approach taken on functional flexibility to source redundant employees into new positions marginally reduces number of redundancies	25 redundancies due to crisis Work share programmes used for 90 employees Young employees were the first to be made redundant
Concessionary bargaining	Not on wages Not on working time	Not on wages for production workers Wage freeze for salaried workers Not on working time, albeit with work share programmes	Not on wages Not on working time	Not on wages – but some employees agree to take unpaid vacation Wage freeze for salaried workers Transition from 3-shift schedule to 1-shift schedule to save employment	No concessions on wages – good local wage deal Concession on maximum hours of work/week increased to 42 hours in production peaks	Not on wages No concessions on working time, but 42 hours/week is retained and work share programmes used
Industrial action	No unlawful strikes	No unlawful strikes	No unlawful strikes	No unlawful strikes	No unlawful strikes	No unlawful strikes
Redundancy terms	Some senior employees were given favourable redundancy payments Continuous retraining to source employees into new positions	Some senior employees were given favourable redundancy payments Retraining during notice period for redundant employees. Difficulties between shop stewards and management to get redundant employees into educational programmes	Some senior employees were given favourable redundancy payments Special retraining during notice period to source redundant employees into new positions	Attempts to get better redundancy payments but this was not given Retraining during notice period for redundant employees	Some senior employees were given favourable redundancy payments Retraining during notice periods for redundant workers	No additional redundancy payments Retraining during notice period for redundant employees

DISCUSSION OF FINDINGS

Admittedly, the findings reported here (see table x above) are not representative of the metalworking sector let alone of the entire Danish labour market. In order to broaden the perspective somewhat the above findings are therefore discussed in relation to general industrial relations developments in 2007 and 2009/10. This will give a better idea of the relative robustness of flexicurity compromises during the two periods.

At a glance the two rounds of interviews show a shift in practice between the two years on some of the dimensions which back the overall contingency-hypothesis that practice at company level reflects the immediate employment situation in each company. However, there was also evidence of stable practice despite the different pressures stemming from changed economic circumstances. The most important changes were in 1) employer practice, 2) concessionary bargaining to save employment and 3) redundancy terms.

Concerning the first, clearly the dramatic drop in labour demand changed the practice of in-house re-employment in A and B to external numerical flexibility. This does however not contradict the flexicurity compromise – on the contrary as flexible hiring and firing is one of the key pillars in the golden triangle. Redundancies were, however, combined with extensive use of work share in company A and C, while this was abandoned in B where external numerical flexibility was deemed unavoidable. This shows that managements in Denmark use a host of practices – both internal and external – to adjust the labour force to demand. Seen in isolation this does somewhat contradict the crude flexicurity hypothesis that external numerical flexibility is the preferred option. However, when compared to German use of work-share – approx. 1,4 million workers in June 2009 out of 43,6 millions economically active – the Danish take-up of the option – approx. 30.000 workers between January and September 2009 out of 2,8 millions economically active – seems rather modest considering similar drop in production levels. This is perhaps an indication of the different practice of external versus internal flexibility in the two countries (Andersen, 2010).

Concerning the second change – concessionary bargaining – the picture is also mixed, albeit with some patterns. Firstly, production workers have retained the bargaining strategy as usual despite managerial pressures to cut wages. This has been resisted with reference to the burdens this group has already taken through redundancies. Conversely, salaried workers have accepted wage freezes more or less voluntarily to safeguard jobs. Similarly, work share schemes can be viewed as a subsidised concession on working time, albeit with income security. Furthermore, company B changed from 3-shifts to 1 shift working to safeguard jobs which – de facto – means a reduction in earnings due to loss of shift premia. Looking at aggregate figures for local wage bargaining approx. 25 % of DI-member companies (the main employer confederation) have this year negotiated wage freezes in local wage negotiations. Indeed, the average yearly wage increases in private sector employment have dropped considerably between the two periods as noted above. Nonetheless, the average increases are still quite high relative to other countries' wage increases, indicating a relative stickiness in Danish wages, perhaps due to already agreed increases together local wage bargaining resilience. This level will change when the ongoing renewal of collective agreements is concluded with very modest wage increases that presumably will barely secure real wages. To sum up, the third flexicurity compromise about concessionary bargaining seems to have been partly strained at company level as some groups have accepted either direct or indirect concessions on wages and working time. Collective agreements allow this as part of the negotiated flexibility in framework provisions on wage and working time.

Finally, practice of redundancy terms also seemed to have been affected by the changed circumstances. Although the strategies of getting enhanced redundancy payments and extra training was present in both periods, shop stewards were much more involved in these endeavours in 2009 due to the increasing number of redundancies. Both in a direct way (redundancy payments) and indirect way (extra training) this practice increases cost of external numerical flexibility albeit in varying degrees. However, in many instances extra training can be subsidised and redundancy payments were almost exclusively given to senior employees as a “Golden Handshake” for long service. Furthermore, in company B and C extra redundancy payments were not conceded by management despite union efforts.

As noted in the above section, notice periods for production workers are typically stipulated in collective agreements at industry level. It is therefore instructive to mention the additional redundancy payment for senior employees recently agreed in manufacturing agreements (DI/CO-Industry, 2010). The provision tops up unemployment benefits securing redundant workers a replacement rate of 85 % the first month for workers with three years employment; two months for employees with six years employment and three months for employees with eight years employment. Arguably, this innovation touches upon the external numerical flexibility as costs of firing is internalised in companies – albeit in a rather modest way. However, comments by trade union officials indicate aims to enhance this payment should parliament fail to enhance the statutory unemployment benefits (dagpenge) which at the moment stands at a replacement rate of 55 % for an average Danish skilled worker (Due & Madsen, 2010). This indicates that income security for the time being is perceived as too low which could jeopardise union acceptance of permissive hiring and firing and thus the second flexicurity compromise. Alternatively, the provision could be seen as an innovative way to ensure income security in times of political stalemate.

What has not changed between the periods is the reluctance to use industrial action to prevent redundancies. While not surprising in general because of the peace obligation during collective agreements, general figures confirm a considerable drop in unlawful strikes during recent years. Overall, 2009 saw the lowest figures of company level strikes in breach of the collective agreement since reporting started in 1991 (Dansk Arbejdsgiverforening, 2010). As such, the partnership approach prevails despite changing economic circumstances – indeed it can be argued that unions will be more appeasing during economic slumps due to reduced bargaining power (Hibbs Jr. 1976). At the time of writing (March 2010), the ongoing collective bargaining round seems to be on track with social partners preferring industrial peace and focus on employment.

It seems clear that the proposed compromises are indeed strained both at company and national level as social partners try to steer out of the crisis. Nonetheless, changes are uniform but contingent upon the immediate problems for companies and the overall institutional setting which sets limits to innovation. As such, the responses in Denmark remain piecemeal and pragmatic.

CONCLUSION

Following van den Berg (2008), the paper proposed that the Danish flexicurity model could be seen as practical enactment of the Rehn-Meidner model. It goes further and tries to identify four so called flexicurity compromises between social partners hereby linking the “Golden Triangle” to industrial relations. These were 1) a managerial preference for external numerical flexibility when restructuring the workforce, 2) union acceptance of ease of hiring and firing, 3) unions refraining from concessionary bargaining and 4) unions refraining from industrial action to counter restructuring and instead choosing a partnership approach.

By comparing two rounds of case-based interviews in three metalworking companies in 2007 and 2009, respectively, it is shown that practice has indeed changed – albeit modestly – due to worsened economic circumstances. The interviews showed that the hypothesised preference for external numerical flexibility is perhaps too crude as employers use different ways to restructure the workforce – this applies in both rounds. However, comparison of aggregate figures of work share programmes to German use does indicate Danish preference for external flexibility.

The 2009 interviews reveal that the severity of redundancies did not change union practice on concessionary bargaining on wages for production workers to save jobs. Salaried workers, however, have agreed to wage freezes. Nonetheless, shop stewards are willing to look at working time – both through work share programmes but also working time reductions which bears with them de facto earnings reductions.

In order to increase employability of redundant workers, shop stewards have pushed for extra training during redundancies in 2009 to a lot larger degree than in 2007. Moreover, they have tried to negotiate favourable redundancy payments for senior employees but with varying success due to managerial reluctance in one of the three companies. It is unclear how much this raises the costs of firing for employers. The change in union attitude to redundancies and income security is underlined by the recent agreement to introduce redundancy payments for senior employees in the manufacturing collective agreements.

Conversely, there has been no change in the rejection of industrial action as a means to avoid redundancies. Indeed, general levels of industrial action during collective agreements have dropped in the period.

In conclusion, it seems that flexicurity compromises have indeed been strained by the economic crisis. Moreover, practice varies across companies which somewhat confirms the contingency hypothesis. This shows how compromises between social partners are in constant flux and contingent upon the immediate employment at hand which in turn alerts to the dangers of building analytical models based on relatively short periods of stability. Economic cycles and special circumstances evidently matter.

Nonetheless, cross country comparison might reveal a relatively persistent Danish practice despite the above mentioned signs of changes. More research into these country-specific differences during times of change might further our understanding of the interrelationships between labour market models and industrial relations practice.

References

Andersen, S. K. Tackling Job-losses - Varieties of European Responses, Paper presented at 4'th EU-China High Level Roundtable on Social Security.

Arbejderbevægelsens Erhvervsråd 2009, *Beskæftigelsen falder dobbelt så meget som arbejdsløsheden stiger*, Arbejderbevægelsens Erhvervsråd, Copenhagen.

Bredgaard, T., Larsen, F., Madsen, P. K., & Rasmussen, S. 2009, *Flexicurity på dansk*, CARMA, Aalborg Universitet, Aalborg, 2.

Due, J., Madsen, J.S., & Strøby Jensen, C. 1993. *Den Danske Model: En Historisk Sociologisk Analyse af det Kollektive Aftalesystem* København, Jurist- og Økonomforbundets Forlag.

Eurostat. Harmonised unemployment rate by gender - total - [teilm020]. Eurostat. 2010.
Ref Type: Online Source

Finansministeriet 2009, *Økonomisk Redegørelse*, Finansministeriet, Copenhagen.

Hibbs Jr., D.A. 1976. Industrial Conflict in Advanced Industrial Societies. *The American Political Science Review*, 70, (4) 1033-1058

Houwing, H. 2010. *A Dutch Approach to Flexicurity? Negotiated Change in the Organization of Temporary Work*, PhD Thesis ed. Amsterdam, Amsterdam School of Social Science Research.

Ibsen, C. L. & Mailand, M. 2009, *Flexicurity and Collective Bargaining - Balancing acts across sectors and countries*, FAOS, University of Copenhagen, Copenhagen.

Kristensen, P. H. 2006, "The Danish Business System transforming towards the New Economy," *In National Identity and the Varieties of Capitalism*, J. L. Campbell, J. A. Hall, & O. K. Pedersen, eds., Copenhagen: DJØF Publishing, pp. 295-320.

Léonard, E. 2004. Négociations sur l'emploi en Europe: Compromis et enjeux. *Relations Industrielles*, 59, (3) 545-568

Mailand, M. Coalitions and the Decisions Making Process of the Common Flexicurity Principles.

Nergaard, K., Dølvik, J.E., Marginson, P., Díaz, J.A., & Bechter, B. 2009. Engaging with Variable Pay: A Comparative Study of the Metal Industry. *European Journal of Industrial Relations*, 15, (2) 125-146

Olson, M. 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups* Massachusetts, Harvard University Press.

Regalia, I. 2006, "What regulation for the new forms of employment?," *In Regulating new form of employment: local experiments and social innovation*, I. Regalia, ed., New York: Routledge, pp. 230-264.

Scott, W.R. 1998. *Organizations: Rational, Natural and Open Systems*, 4'th. ed. New Jersey, Prentice Hall.

Statistics Denmark. AARD: Ledige i procent af arbejdsstyrken efter område og køn (år) (AFSLUTTET). 2009. Copenhagen, Statistics Denmark.

Ref Type: Online Source

Traxler, F. 1995, "Farewell to labour market associations? Organised versus disorganised decentralisation as a map for industrial relations," *In Organised Industrial Relations in Europe: What Future?*, C. Crouch & F. Traxler, eds., Avebury: Aldershot, pp. 1-17.

van den Berg, A. Flexicurity: Theory, Practice or Rhetoric? 2008.
Ref Type: Unpublished Work

Wilthagen, T. & Tros, F. 2004. The concept of 'flexicurity': A new approach to regulating employment and labour markets. *Transfer*, 10, (2) 166-187