

# Labour market regulation in Denmark during and beyond the economic crisis

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## Introduction

Since the 1950s, Denmark has developed an economy, a social welfare system and an inclusive labour market which have been admired by overseas commentators (Smith, 2011, Auer 2000, Ganssmann 2000). In the process, it has transformed itself from a relatively low wage country to a high-wage, high-skill, internationally integrated economy. There are many reasons for this development and it has been far from a planned, pre-determined development path. In fact, it has not always resulted in positive outcomes and Denmark has had its fair share of international competitive challenges, economic downturns, public policy ‘soul-searching’ and adverse economic and social changes.

The so-called ‘Danish Model’ of employment relations and its ‘flexicurity’ approach has been heralded by many commentators for its ability to being adaptive and creating win-win economic, social and labour market outcomes (Auer, 2000; Due et al., 1993). For example, it has been heralded by the European Commission as a way forward in the new millennium (European Commission, 2006, 2007). It has also been lauded for its ‘path dependency’ and ability to stay successful as other ‘Models’ have fallen into disrepute. While there is no doubt that the ‘Danish Model’ have been relatively successful in the last couple of decades, there have been frequent warnings that the end may be nigh for the ‘Danish Model’ (see Auer, 2009; Smith, 2011). A similar warning is the basic message of this article though in light of the remarkable Danish ability to re-invent and adjust the ‘Danish Model’, we are not going to predict any firm outcomes. Instead we focus on three major ‘threats’ to the ‘Danish Model’: the shift in economic thinking and public policy, the undermining of flexicurity (in particular the equality and equity dimensions), and changes in key employment relations structures and behaviours.

The latter ‘threat’ is the major focus of this article and four main areas of changing structures and behaviour will be reviewed: the weakening of trade unions, the decentralisation of collective bargaining, the influence of the EU and migrant workers, and employment and unemployment policies. The specific discussion of these four areas will highlight the changing relationship between the state, labour and capital and in particular how the changing relationship can influence the future of the ‘Danish model’ and the flexicurity approach. On that background, we end up asking: when are the changes so fundamental that we can no longer talk about the ‘Danish Model’ and flexicurity?

## The rise and possible fall of the ‘Danish Model’ of employment relations

The transformation towards high-wage, high-skill economy was part of the social democracy economic and social approach which promoted a strong economy and high productivity through an emphasis on education and upskilling, workplace democracy (employee ‘voice’ and influence) and equality and equity. The post-1950s economic upswing was characterised by investments in education, public sector activities (including kindergartens so women could join the labour market) and localised active labour market programmes. Similar public policy approaches could be found in other Northern European countries but since the ‘Swedish Model’ ran into trouble in the 1980s-1990s there has been considerable focus on the ‘Danish Model’ of employment relations. It was a strongly solidaric approach which was build around the traditional *self-determination* of employers and unions and emphasised the role of collective bargaining and employer-union collaboration,

including ideas such as solidaric wage bargaining and income compression. Thus, while the state was active in developing welfare measures (including income redistribution through taxes and transfer payments), education and training programmes, and massive infrastructure projects there was limited intervention in the labour market. Generally, labour market regulation was stipulated through collective employer-union actions and very limited state intervention (which was normally prompted by joint employer-union suggestions). Danish employment relations is also influenced by that several channels of employee participation in the workplace had been implemented prior to the 1980s (Knudsen, 1995).

Besides this ‘voluntarist nature’ of Danish model, it is important to consider the importance of comprehensive state intervention and its interplay with labour market changes.

“The Danish “flexicurity” model has achieved outstanding labour-market performance. The model is best characterised by a triangle. It combines flexible hiring and firing with a generous social safety net and an extensive system of activation policies. The Danish model has resulted in low (long-term) unemployment rates and the high job flows have led to high perceived job security.” (Andersen et al., 2011: 1).

The comprehensive role of the social safety net means that most low paid employees will seldom suffer a drastic income reduction in the short term and many important employment entitlements are only partly dependent on having continuous employment. This creates a highly mobile workforce and many Danish workers will change jobs and experience short periods of unemployment. In that sense, labour market mobility is similar to the US trends where an economic down- or up-turn prompts an immediate employment reaction. The average unemployment duration in Denmark tends to be less than 4 months and while this has drifted upwards following the Global Financial Crises, average unemployment duration is still low: “Still, workers that lost jobs in the midst of the recession found employment rather soon: 60% after 13 weeks and 80% after 26 weeks.” (Andersen et al., 2011: 3). While the ceiling on unemployment benefit payments provides a financial incentive to rejoin employment for higher paid workers, the activation measures are very important for low paid workers and there is a considerable degree of compulsion (financial punishment) to be actively involved in these measures. Still, as the economic crisis has dragged on there has been more and more debate about the sustainability of flexicurity. Even a fierce advocate as Peter Auer has suggested that we might be witnessing the end of the Danish Model (Auer, 2009) and there is a more sceptical approach to the flexicurity paradigm (Smith, 2011).

On the other hand, as neo-liberal thinking permeated public policy approaches in many OECD countries in the post 1980 period, the Danish/Scandinavian approach stayed remarkably different and successful:

“Despite high taxes, high unionization rates, and egalitarian income distribution they demonstrated from the mid-1990s to 2008 that it was possible to improve competitiveness, secure macroeconomic balances, lower unemployment, and engage a high proportion of women, youngsters, and senior people in economic activity, while state institutions played a large role in the economy” (Kristensen & Lilja, 2011: vii).

Several Danish trends were rather different to the neo-liberal thinking which had become embedded in the post-1980 period: union density topped in the mid 1990s, the public sector was still expanding post 2000, and high income tax rates (for most employees) and significant public transfers are still in place.

However, it is our contention that recent economic thinking has been influenced significantly by neo-liberal thinking. This can be seen in the rise of New Public Management ideas which have facilitated – after strong resistance from public sector employees – fundamental changes to collective agreements, work organisation and decentralisation of decision-making in health, education and social welfare (Mølgaard 2013). As discussed below, there have been changes made to the unemployment system and active labour market approach for several decades. In particular, there has been a more punitive approach to unemployed and that has had considerable influence on equality.

Inequality has been increasing in Denmark since the mid-1990s when the gini coefficient was at 20.6 amongst people at working age (15-64 years old). The gini coefficient then increased to 24.3 at the end of the 2000s (OECD StatExtracts). Although the gini coefficient increase was most significant during the 2000s the wage inequalities cannot explain it all but only partially as can be seen from Table 1 as the highest and medium paid wage earners have had higher increases than the lowest paid group of employees.

Table 1. *Nominal wages for various groups, Denmark.*

|                            | 2002   | 2004   | 2006   | 2008   | 2009   | Wage increase<br>2002-2010, per<br>cent |
|----------------------------|--------|--------|--------|--------|--------|---|
| Top managers               | 515240 | 543765 | 566251 | 612821 | 603955 | 17                                      |
| Employees at highest level | 366832 | 383322 | 402414 | 432299 | 438897 | 20                                      |
| Employees at mid-level     | 299722 | 316508 | 332507 | 357878 | 363418 | 21                                      |
| Employees at basic level   | 231526 | 240866 | 256987 | 274020 | 272584 | 17                                      |
| Employees at low level     | 216508 | 217240 | 231663 | 247754 | 247605 | 14                                      |

Source: Danmarks Statistik, Statistikbanken.

Since the mid-1990s, the political debate has been dominated by demographics issues. Labour market policy has sought to lift the supply of labour because of demographic changes (the ‘greying’ of the workforce) and the prospect of too many people living on public transfer payments. Incentives to increase labour market participation have been hotly debated, resulting in substantive cuts for the unemployed. Unemployed and other social welfare beneficiaries have basically been told that the main route to improve their living standards is in finding paid employment.

Another way of increasing job search incentives could have been higher wages for low paid work (in order to establish a larger gap between low wage jobs and unemployment/social welfare benefits). This has gained little currency in the public policy debate as it could undermine Danish competitiveness. In fact, wage increases had been rather modest, even during the economic upswing prior to 2008 since Danish firms were faced with competitiveness issues and considerable outsourcing of jobs were taking place. Thus, collective bargaining rounds resulted in very modest general pay rises at around 2 per cent annually – except in 2007 and 2008 when the bargaining rounds in the private and public sector respectively ended up with wage increases at around 4 per cent annually. International competitiveness has gained further importance since the Great Financial Crises and since 2008, bargaining rounds had resulted in real wage reductions, with general pay rises being in the 0-1 per cent band.

Interestingly, the growth in inequality has yet to made ‘working poor’ a major political issue (for a discussion of ‘working poor’, see Westergaard-Nielsen, 2008; Rasmussen & Lind, 2012). This is partly because the rise in unemployment has been contained in a comparative sense (Danish unemployment is low compared to most other European countries). While the negative consequences of unemployment and inequality have featured in the Danish media, including OECD’s warnings about social unrest and low economic growth and media reports of the possible consequences of the ‘precariat’ (Politiken, 2012; Standing, 2011), the main focus has been on employment patterns. Although this has featured many articles on the plight of young people, the integration in the EU labour market and the influx of foreign workers has questioned the suitability and sustainability of the ‘Danish Model’.

## Regulation and issues in the labour market

As mentioned, the Danish labour market is relatively sparsely regulated and is reliant on collective action and agreements. Legislation does not include anything about pay and wages and contains only a few regulations on working time – almost entirely derived from EU directives. Such key employment conditions are subject to collective bargaining and only around 60 per cent of the private sector is covered by collective agreements. This means that norm-setting is very important since, in principle, many employees have to negotiate their main conditions themselves.

### *The weakening of trade unions*

The total membership rate for all trade unions in Denmark peaked in the mid-1990s at 73 per cent and has since then decreased to around 67 per cent. It is especially among unions affiliated to the Danish peak organisation LO that membership losses have been significant. While unions affiliated to the FTF and the AC main organisations and especially unions outside main organisations have had recorded an increase in their membership. The LO is still the key peak organisation but its position is under threat. From organising two thirds of all trade union members, the LO's share of total union membership has fallen to around half of all union members. This constitutes a loss of around 300,000 members since the mid 1990s.

Table 2: *Trade union membership in Denmark (000s)*

|   | 1985  | 1995  | 2000  | 2005  | 2009  | 2010  | 2011  |
|---|-------|-------|-------|-------|-------|-------|-------|
| Work force*                                       | 2.434 | 2.547 | 2.614 | 2.640 | 2.677 | 2.676 | 2655  |
| LO  | 1.119 | 1.208 | 1.167 | 1.142 | 987   | 955   | 917   |
| FTF   | 309   | 332   | 350   | 361   | 358   | 358   | 356   |
| AC  | 74    | 132   | 150   | 163   | **133 | 137   | 139   |
| Outside main organisation                         | 198   | 190   | 203   | 227   | **340 | 354   | 366   |
| Total union membership                            | 1.700 | 1.809 | 1.802 | 1.799 | 1.665 | 1.631 | 1.603 |
| Membership rate                                   | 70    | 73    | 72    | 72    | 68    | 67    | 67    |
| Main organisations' share of total membership (%) |       |       |       |       |       |       |       |
| LO  | 66    | 65    | 62    | 60    | 54    | 53    | 52    |
| FTF   | 18    | 18    | 19    | 19    | 20    | 20    | 20    |
| AC  | 4     | 7     | 8     | 9     | 7     | 8     | 8     |
| Outside main organisation                         | 12    | 10    | 11    | 12    | 19    | 19    | 20    |

Source: LO 2011

\*Self-employed not included

\*\*The major changes in membership for AC and 'Outside main organisation' are due to the Engineers' and the Land inspectors' leaving the AC.

The main part of the LO membership loss is due to industrial and occupational changes. There are simply less workers in the trades and educational categories that typically are basis for a membership of a LO-affiliated union. The other side of this development can be seen in the membership gains among the FTF and AC unions which primarily organise employees in service industries and employees with a higher education.

Another important explanation on the LO membership decline is the success of trade unions outside main organisations in attracting new members. Interestingly, these trade unions are predominantly so-called 'yellow'

unions which do not subscribe to the classical collective action model of unions. Especially Kristelig Fagforening and the 'unions' belonging to the peak organisation called Det Faglige Hus (FK/TS, Fagforeningen Danmark, 2B Bedst og Billigst) have been successful. Det Faglige Hus has experienced a membership growth at 60,000 members in the last ten years while Kristelig Fagforening has got around 30,000 new 'customers' (as they call their members). Some of these new members choose the 'yellow' unions for ideological reasons (political and religious) but also economic reasons play a major role since the membership of these unions is relatively cheap. This is because 'unions' under Det Faglige Hus have no collective agreements and they offer only juridical support to the members (often attracting an extra fee) if members experience workplace difficulties or disagreement with their employer.

The rise in 'yellow unions' is associated with some significant changes to the role of unions. The changes to the unemployment insurance system that weakened the relationship between the union movement and the unemployment funds (for a detailed explanation, see Lind 2009). The decoupling of unemployment insurance from union membership has meant that a major economic motive for union membership has disappeared. Additionally, 'closed shops' have been banned since 2006 and this has constrained traditional unions in their attempts to keep out 'yellow unions' and non-union 'free-riders'. As can be seen from Table 2, the overall importance of 'yellow unions' has doubled (in percentage terms) in the first decade of the new millennium and there is no indication of this pattern changing in the near future. While it is still too early for a firm evaluation, it is obvious that the traditional union movement has some serious concerns about the membership growth of 'yellow unions'.

#### *Decentralisation of collective bargaining*

Decentralisation of collective bargaining started in the early 1980s when the key negotiations were no longer conducted by the peak organisation – LO on the union side and DA on the employer side. Instead single unions and union bargaining cartels became the main union negotiators while individual employer associations represented employers. Furthermore, comprehensive structural changes in the employer peak organisation, DA, during the early 1990s completed these 'decentralised' bargaining structures. Since then, the negotiations covering the private sector have been divided into 4-5 industry sectors and these sectoral negotiations have covered a number of industry and occupational agreements. The bargaining system in the public sector is divided into 3 areas: state, region and municipality. As the employer side is often very centralised, unions have been forced to negotiate through bargaining cartels.

Apart from a few company level agreements, this bargaining structure was still based on national coverage and only moved the bargaining from the level of main peak organisations to individual (national) trade union level. A more radical decentralisation change started in the early 1990s when the prevalent national wage system was changed into so-called 'flexible wages' negotiated at the workplace. This flexible wage system covers now around 85 per cent of all collective agreements and this means that the wage level bargained at national level only sets the 'floor', the minimum level for the wages bargained at workplace level. Instead there will be workplace wage adjustments – often several times during the period of national collective agreement.

In the public sector, a limited form of decentralisation of wage setting was introduced in the late 1980s. This included the so-called 'Local Wage' system and the introduction of a more individualised performance pay system, 'New Wage', in 1998. Importantly, these new wage systems should support the modernisation programme of the public sector which was also begun in the 1980s. After a decade of significant scepticism among public sector employees and their unions, these decentralised and individualised wage systems have been firmly embedded and have increased the importance of wage incentives as a motivational factor amongst public sector employees.

There is no doubt that the decentralisation of wage setting has been a significant tendency during the past 20-25 years, but it is also evident that this decentralisation has not been completely and thoroughly implemented in a way where wages are completely individualised and work place decided. This is due to opposition both among

trade unions and from employers' organisations to control the general level of wages in accordance to competition in the globalised economy.

The present system has been termed 'centralised decentralisation' (Due et al 2006) or 'coherent fragmentation' (Lind 2004) to describe that it is an exaggeration to label collective bargaining in Denmark as decentralised. Especially in an international comparison such a terming would be imprecise. Nevertheless, this development has resulted in a change of power in favour of the employers, in particular, since workplace wage settings are not subject to industrial action (Kristiansen 2004). As such, pay levels have been more influenced by workplace economic conditions and the employer's "ability to pay". Undoubtedly, this has strengthened the identification of the employee to his/her workplace and this has probably undermined the support of the traditional solidaric wage approach of Danish unions.

### *The European Union and migrant workers*

In Denmark, EU regulation is met by a great deal of scepticism. First and foremost among the employers who prefer to have a completely free market where competition can unfold, but also among the trade unions who are very sensitive to the protection of the collective bargaining system (Knudsen & Lind 2012b). This so-called 'Danish Model' has during many years been a sacred cow considered untouchable. First and foremost because it is the bargaining system and the collective agreements that are the existential condition for the trade unions: a weakening of the bargaining system by legislating on essential elements of the exchange and deployment of labour will weaken the trade unions further.

It is preliminary the consideration to this voluntarism which makes the trade unions to reject legislation, including common coverage of the agreements which – if implemented as widespread as for instance in France – would remove the main parts of the uncertainties about the wage level and other working conditions for workers in Danish and foreign companies.

The third issue to be mentioned here is highly related to the Danish membership of the European Union which is built upon the free movement of goods, capital, services and labour. From the early days of membership the concern for migrant workers from poor member states selling their labour in Denmark was termed 'social dumping' and this concern has been accentuated in recent years.

Workers from the EU can legally work in DK as employees in a Danish company or as employees in a foreign company that operates in Denmark. In the first case the foreign workers are subject to exactly the same rules and conditions as Danish workers are. In the second case the employment relationship is regulated by the posted worker directive which is implemented via Danish legislation. According to this legislation, a foreign company must follow Danish legislation and agreements that regulate the area where the work is done. In both cases this is quite clear if the regulation is done by legislation which it is concerning safety at work, holidays, the legislation on white collar workers, equal treatment of men and women and equal pay etc.

Both Danish and foreign companies can, of course, ignore these regulations. Foreign companies may perhaps to a higher extend than the Danish intentionally or unintentionally violate these rules.

Social dumping happens typically concerning issues not covered by legislation but either covered by collective agreements or not covered. In case the foreign worker is employed in a Danish company that is part of a collective agreement, this agreement will be respected and although the foreign worker is paid lower wages than the Danish colleagues – because the agreement contains local and individualised pay – this does not mean social dumping. If the company does not have a collective agreement, some key elements as wages and working time are not regulated (apart from some sparse working time regulations derived from the EU working time directive) and will be negotiated directly between the employer and the worker. In other words, such cases are open for social dumping. A trade union can intervene by demanding a collective agreement and, in case this cannot be obtained, proceed with legal collective action which may include picketing involving other unions.

A foreign company providing services in Denmark with its normally employed workers it is subject to the legislation based on the directive on posted workers. In principle, the worker shall be paid as Danish workers within the same area. The problem is that the directive only secures a minimum pay and that it is written from the assumption that collective agreements stipulate a general level of pay or there exist other general regulations of pay that set the level of pay in a given area. Although such companies have to register and follow the rules, underpayment can easily happen: the state has formally the responsibility to control if rules are respected, but in reality the trade unions are the main controllers.

Also here can trade unions by following the normal procedures demand a collective agreement. After the Laval and Viking cases in 2005 made it uncertain if it was legal to take collective action against a foreign company with posted workers a legislation was passed in Denmark in 2008 that such an action was legal provided that the foreign employer was informed about the normal level of pay. Apart from the uncertainty on how clear such information must be in a decentralised and individualised wages system, there is from a juridical point of view no difference in procedures for Danish and foreign employers.

The relatively few reports available on wages and working conditions among migrant workers show that the biggest differences between Danes and migrant workers can be found in foreign companies with posted workers. The migrant workers are in general lower paid than the Danes, their working environment is poorer, they work longer hours, the intensity of work is higher and a number of other living conditions are worse, and they are to a much lower degree member of trade unions and covered by collective agreements (Hansen & Hansen 2009, Arnholtz & Hansen 2011, Pedersen & Thomsen 2011).

It is a bit uncertain how many foreign workers there are in Denmark, but according to national databases the number of persons who stay in Denmark because they are working here has been increasing from around 40.000 in 2008 to 60.000 in 2011 despite the economic crisis. Persons from the EU amounts to more than half of these persons (jobindsats.dk).

A 100 per cent coverage of collective agreements would, however, not solve the entire problem with low pay. Most collective agreements contain some very flexible elements – not least regarding wages. Some agreements on white collar work have none paragraphs on the wage level and for most workers the wages are negotiated at the individual plant. Only 16% of employees covered by the collective agreements of the main employer organisation, the DA, are paid according to a fixed and nationally bargained wage level ('normal pay') where the wage level is the same for all in the industry. 62% are paid wages that are bargained at the shop level on the basis of a minimum pay system ('minimum pay') and 22% of the employees are covered by agreements with no fixed pay level (numbers are from 2007: DA 2010). This means that around 85% must negotiate their wages at the work place, and this is what causes the problem for a foreign employer and was a main issue in the Laval-decision: what exactly is the level of pay for a foreign worker when the directive on posted workers mentions 'minimum pay'? In many cases (where there is a collective agreement) this would mean the level of the minimum pay system, and it is often only 50% of the actual pay.

An effective reduction in social dumping would be that the wage level that is called 'normal pay' was made the norm for the specific area by means of legislation. Or perhaps even more effective: a 'normal pay' for the entire labour market could be set by a commission in the same way as the system that was normal in Australia years ago called 'awards'. With such a system the weakest in the labour market would be protected against underpayment and social dumping could be avoided – at least the part that does not violate legislation and collective agreements.

A middle road instead of legislation and common coverage of the agreements would be a centralisation of the collective bargaining and expand the system of 'normal pay'. It would simultaneously remove some inequalities in the labour market and the distribution of incomes and reduce competition among the workers and further solidarity, but the problem is that it does not solve the problem with the companies that do not have a collective agreement (1/3 of the private sector employees are not covered by a collective agreement). If the labour market parties absolutely shall avoid legislation, this could be a solution.

Yet another option could be that some collective agreements – and not all – in special vulnerable industries were expanded to cover the entire industry. Such a system of blanket coverage is introduced in Norway with relative success (Eldring et al 2011). The decision on blanket coverage is taken by a commission (*tariffnemnd*) where employers and trade unions are represented and the reason for this system is explicitly to secure that foreign workers get the same level of pay and other working conditions as Norwegian workers

### *Unemployment and employment policy*

The unemployment insurance has always been very important to the workers and the trade unions and in a broader perspective for the functioning of the labour market. The level of the social compensation in case of unemployment is not only important to the standard of living for the individual unemployed but also to the competition in the labour market and the level of wages: with no legal minimum pay in Denmark the level of unemployment benefits to a high degree will be the lowest level of pay an unemployed person will accept.

At the major reforms of employment policies during the 1960s and 1970s the unemployment insurance was changed in two important aspects. Firstly, unemployment benefits were raised to 90 per cent of former wages (with a general maximum at 90 per cent of average pay) which meant that low paid workers were compensated by 90 per cent of former wages while higher paid workers had a lower compensation rate. Average compensation rate was, however, around 80 per cent during the 1970s. Secondly, the state financed excessive expenses in case of high unemployment rates (via general taxation).

During the 1970s this insurance system was expanding including more and more groups in the labour market (employers, students, soldiers, part-time employees) and the access to unemployment benefits was widened by longer periods of entitlement and weaker demands and controls on the unemployed. This changed in 1979 when the first limitations in the access to unemployment benefits were implemented. Ever since, the unemployment insurance has been made less attractive by numerous cuts that have increased the tests on the unemployed (availability), reduced the period for claiming benefits from, in principle, without limitations in the early 1980s to 2 years in 2013, and cut the level of compensation of the benefits to the former wages with more than 30 per cent since the early 1980s (LO 2006).

The so-called 'active labour market policy' was developed in the 1950s and 1960s from ideas mainly from Sweden (the Rehn-Meidner model) but was never as ambitious in Denmark as in Sweden. It was designed to support general economic policies to strengthen economic growth, combat unemployment and inflation and secure an acceptable level of social justice (redistributive policies). In theory qualification and geographical imbalances between various segments in the labour market should be reduced by education and training of unemployed at one segment to qualify them for another segment where demand exceeded supply of labour and then caused inflation, or, in case of unemployment at one geographically segmented market, induce workers to move to a segment with excess demand.

Since the 1993 labour market reform, activation of the unemployed has been a main pivot for this 'active labour market policy'. These activation measures have increasingly had their main legitimacy in disciplining the unemployed to take a vacant job (Møller et al 2008). In general, the tendencies in unemployment policy during the last 10-15 years have been a) to reduce the access to the unemployment benefits, b) induce more activation (job offers, training, education) on the unemployed and c) reduce temporary or permanent withdrawal from the labour market (by abolishing the leave schemes, abolishing the early retirement scheme for 50-60 years old and making the early retirement scheme less attractive). These changes have been executed with explicit reference to structural problems and 'bottlenecks' in the labour market and the fear of not having the sufficient amount of labour to secure welfare in future.

The cutbacks in the unemployment insurance and the deployment of the activation policies as a disciplining – and not qualification - measure for the workers the employment policy has changed profoundly since the 1970s. The main intention is not to compensate workers who have lost their job, but to strengthen the incentives to take a job and increase competition in the labour market in order to reduce the wage level. Labour market flexibility is not longer achieved through social security based upon relatively high unemployment benefits and



opportunities for training and education for the next job, but rather flexibility is based upon fear of unemployment and poverty.

### **Conclusion: the crisis and changing patterns of employment relations**

The changing patterns of employment relations as described here – the weakening of trade unions, decentralisation of collective bargaining, EU regulations and migrant workers, and lower welfare ambitions in employment policies – are important factors for the increasing inequality and expanding poverty. But they are also clear indications on a changing relationship between state, capital and labour and this has highlighted how the supporting structures of the ‘Danish model’ and the flexicurity approach have been weakened in recent years.

There appears to be three major alignments happening: the economic and social rationale of public policy is shifting, the supporting structures are becoming weaker and EU integration is exposing the weakness of the ‘Danish Model’ of employment relations. It is our contention that it will be difficult for the ‘Danish Model’, including the associated flexicurity approach, to withstand these pressures. This could enhance further the rise in inequality and union density decline which have been contributing factors to our original questioning of the suitability and sustainability of ‘Danish Model’.

While the Danish labour market trends are still very benign – surely only Danes researchers can lament that union density is “down to” 67 per cent – there are clear warning signs as traditional unions are struggling. There are also significant contextual changes as public policy thinking, social welfare supports and active labour market measures have moved slowly away from the classical social democracy thinking. These cornerstones of the social democracy have been reduced considerably and they have been under constant attack since 2008. There is also the issue of social democracy losing political power at an alarming rate as neo-liberal and new public management thinking is espoused by the media, many policy advisors and academic researchers.

The recent changes have been the main focus of this article but the current situation is the result of changes which have been happening for a long, long time. These changes have undermined the ‘Danish Model’ and it may be a situation where so-called improvements, minor changes and adjustments become ‘death by a thousand cuts’. In particular, we are concerned that social welfare measures and in particular support of beneficiaries, unemployed and ‘working poor’ is no longer seen as integrative to a well-functioning economy. For the first time, senior ministers are arguing publicly that cuts in unemployment benefits have a wider, *positive* impact in keeping wage increases at bay and that this is crucial to economic recovery. It seems that there is a long distance from considering trade union interest representation as not only legitimate but also a vehicle for economic prosperity by fighting for solidaristic pay and a fair compensation in case of unemployment.

It may be overstating things saying that all is rotten in the state of Denmark but some basic and successful values are gradually withering away.

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