

INCLUSIVE GROWTH THROUGH COLLECTIVE BARGAINING IN DENMARK

Søren Kaj Andersen (FAOS)

June 2018

Case report for the CAWIE 3 project



This research received funding by the European Union.

All statements in this publication reflect the author's view only. The European Commission is not responsible for any use that may be made of the information contained in the document.

Corresponding address: ska@faos.dk

Publisher: KU Leuven

HIVA RESEARCH INSTITUTE FOR WORK AND SOCIETY
Parkstraat 47 box 5300, 3000 LEUVEN, Belgium
hiva@kuleuven.be
<http://hiva.kuleuven.be>

© 2018 HIVA KU Leuven

No part of this publication may be reproduced in any form, by mimeograph, film or any other means, without permission in writing from the author.

Summary

This case report investigates collective bargaining in post-financial crisis period with a special focus on whether the bargaining parties – employers’ organizations and trade unions – are actively engaging in new strategies and practices of inclusive growth through collective bargaining. The report shows that the bargaining system has remained stable throughout the period. No significant institutional changes have occurred in the bargaining system and basic employer and trade union strategies and practices has to a large degree remained stable too. There are a number of explanations behind the enduring stability. Firstly, the institutional strength of the bargaining system based on the role of the Confederation of Danish Industries (DI – Dansk Industri) and CO-Industri (The Central Organisation of Industrial Employees in Denmark); the bargaining parties behind the Industrial Agreement. These two organizations make up the main axis of the Danish collective bargaining system in the private sector, setting the framework for collective agreements in other parts of the private sector. Secondly, this is done via a tight coordination in bargaining process first and foremost on the employers’ side, but on the trade union side as well. Still, the coordination of the bargaining process goes even further, as the public conciliator can interlink the different sector agreements and make them part of a total settlement proposal (mæglingsforslag), which then is sent for approval both among trade union members and the legally competent bodies among employers. Both the employer and the trade union side can oppose proposals that are out of sync with what DI and CO-Industri agreed upon in their break-through agreement. Consequently, the interlinking of agreements ensures a high degree of coordination. Thirdly, ‘inclusive growth’ is not explicitly a concept that is part of trade union or employer strategies or policy formulations. However, especially the trade unions emphasise that growth via a ‘fair’ wage for all is an inherent part of the bargaining strategy and that the bargaining coordination is a decisive element in securing the fair wage for all in the reoccurring bargaining rounds. Furthermore, coordinated bargaining and the inter-linking of agreements is seen as decisive in order to shelter against the development of a low-pay segment in for instance parts of private services where unionization is relatively low.

1 Introduction

After years of economic crisis and austerity policies growth and job creation and specifically ‘inclusive growth’ has become part of the Europe 2020, the EU’s growth strategy for the current decade. As part of this strategy, EU aims to create more and better jobs and enhance social inclusion. Inclusive growth is economic growth that generates decent jobs, gives opportunities to all segments of society, especially excluded groups, and distributes the income and non-income gains from prosperity more equally across society. Debates on inclusive growth is related to discussions on growth and inequality and the distribution of income in the wider society. At the same time, experts from leading macro-economic institutions such as the IMF and the OECD have repositioned their views on institutions and social inequalities affecting long-term growth (Berg, Ostry, & Zettelmeyer, 2012; Cingano, 2014; Jaumotte & Osorio-Buitron, 2015; Ostry, Berg, & Tsangarides, 2014). The CAWIE3 project builds on this body of research, but it reformulates the challenges ahead. There is an increasing awareness that collective bargaining may foster economic growth and social inclusion. Both policy comments and studies, many in the field of economics, have renewed this insight. An important contribution to the expertise in the field of industrial relations in Europe is the awareness that wage policies, while still a responsibility of the Member States, may need to be coordinated through social dialogue and not constraint by single directives and monetary policies. However, the strategies to realise growth through coordinated bargaining need to build on deeper insights into national

experience on the specific character of collective bargaining in different member states. This includes the strategies, roles and positions of the social partners – employers' associations and trade unions as well as strengths and weaknesses, the presence or absence of coordination processes.

The CAWIE3 project includes thematic reports and national case reports from Belgium, Finland, France, Italy, Spain, UK, Netherlands and Denmark.

2 Goals and method

The aim of this country study is to investigate how and to what extent the social partners – i.e. employers' organizations and trade unions - are actively engaging in new strategies and practices of inclusive growth through collective bargaining in the developing post-crisis period. Three sub-questions will be guiding this investigation: (1) Growth through wages via a 'fair' wage for all; (2) the role played by coordinated bargaining in order to obtain this and; (3) how this might or might not shelter against the development of a low-pay segment. It is an integrated part of the study to uncover, whether or not social partner representatives refer to the inclusive growth concept or strategy, and how it is or could be translated into practice.

The applied method is primarily semi-structured interviews with top-level representatives of dominant employers' organizations and trade unions. Accordingly, the aim is to bring forward a nuanced investigation into the strategies, internal debate and considerations on both sides of the bargaining table with regard to collective bargaining in the developing post-crisis years. In this sense, this report is first and foremost qualitative in describing and discussing key-actors positions, motivations, etc. in the bargaining process. Documents and relevant literature is included as well. Nine top-level representatives of employers' organizations and trade unions have been interviewed and three of the interview-sessions were duo-interviews with a policy-strategist (top-level bargaining representative) and a socio-economic expert (e.g. chief economist). Thanks to all these representatives for taking time to participate in the project – see list of interviewees in annex.

Three sectors/levels are in focus in this report. Firstly, the confederation level due to the importance of bargaining coordination at this level in the Danish context. Secondly, manufacturing as this is the key-bargaining sector setting the framework for the agreements concluded in the rest of the private sector and thirdly, retail as rate of unionization and bargaining coverage is comparatively lower in this part of the labour market, which eventually might affect wage trends negatively.

In the following basic data and information on manufacturing and retail is briefly be presented.

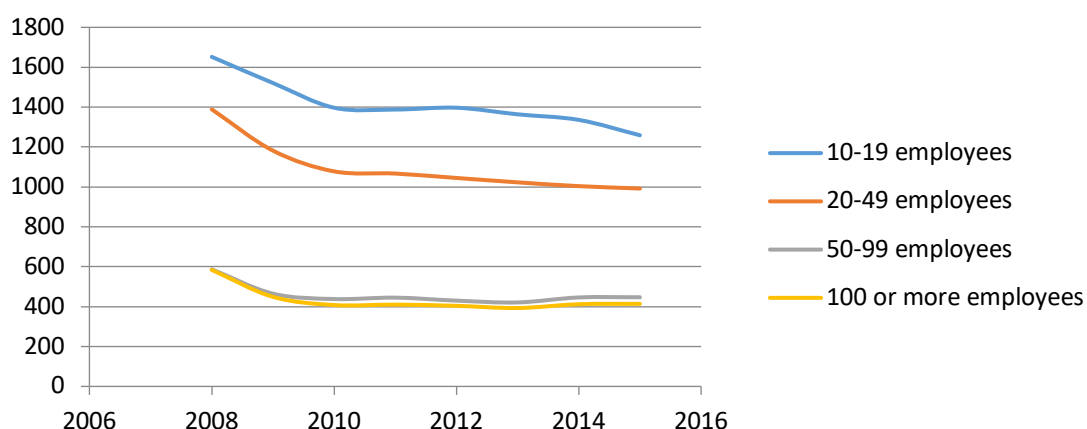
2.1 Manufacturing

Manufacturing in Denmark consists of a broad range of industries. Still, dominant industries are food industries covering 22 per cent of total manufacturing revenue. Subsequently, the machinery industry followed with 21.5 per cent, the pharmaceutical industry with 11.8 per cent and chemical industry and oil refineries with 8.9 per cent of total manufacturing revenue (all figures 2016). Looking back over the last ten years the position of the food industry is characterised by status quo, while the revenue has increased significantly in the machinery industry, where especially the production of engines, wind turbines and pumps has contributed to the growth. In addition, the pharmaceutical industry producing medicines, ancillary equipment and medical devices has increased its revenue.

Reflecting that the Danish economy is a small and relatively open economy, export markets are of major importance to Danish manufacturing. In 2016, almost 65 per cent of total manufacturing turnover came from exports. The different Industries export share fluctuates greatly. Wood, paper and printing industries show the lowest export share, 28.4 per cent. The pharmaceutical industry the highest, 90.3 per cent. Electronics follows with 87.2 per cent, the machinery industry with 77.5 per cent and furniture and other industries by 76.7 per cent in total emphasizing the importance of exports for manufacturing and the wider Danish economy (Danmarks Statistik 2017). Another way of characterizing manufacturing in Denmark is done by Statistics Denmark when they split manufacturing into four sub-groups: (1) Investment goods: means of production for example machinery; (2) Middle products: materials to further processing by other industries at home or abroad, like chemical products; (3) Lasting consumer commodities for example furniture and; (4) Non-lasting consumer commodities for example clothing, food and medicine (Danmarks Statistik 2017).

The overall importance of manufacturing for the Danish economy has, nevertheless, been shrinking over the last 50 years. This includes a dramatic drop in manufacturing turnover and employment during the financial crisis and a partial recovery in the years since then. The manufacturing share of total employment decreased from 23.1 per cent in 1968 to 10 per cent in 2016 corresponding to almost 275 000 employees. In autumn 2008, the financial crisis led to a decline in manufacturing output of more than 25 per cent up to the end of 2009. However, since 2010 manufacturing output has been growing and by the end of 2016 reached a level above the peak of 2008 (Danmarks Statistik 2017). Still, manufacturing employment has not improved in the same way.

Figure 1: Manufacturing: Number of businesses, 2008-2015

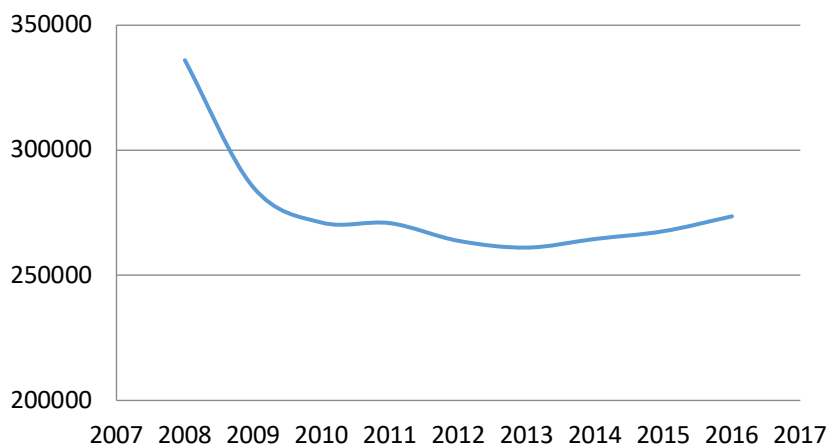


Source: Statistics Denmark, Business sector in general, GF3

Many manufacturing companies reduced their workforce as the financial crisis hit, but more than that many companies – especially among the smaller ones – closed down from 2008 to 2010 (see figure 1).

Employment in the manufacturing has been growing slightly since 2014 (see figure 2). However, the employment has by far not reached the 2008 level. In spite of the overall decline in employment since 2008 some sub-sectors have increased the number of employees, as in pharmaceuticals where employment has increased by 45 percent, compared to 2008.

Figure 2: Manufacturing: Number of wage earners, 2008-2016



Source: Statistics Denmark, Labour, income and wealth, RAS300

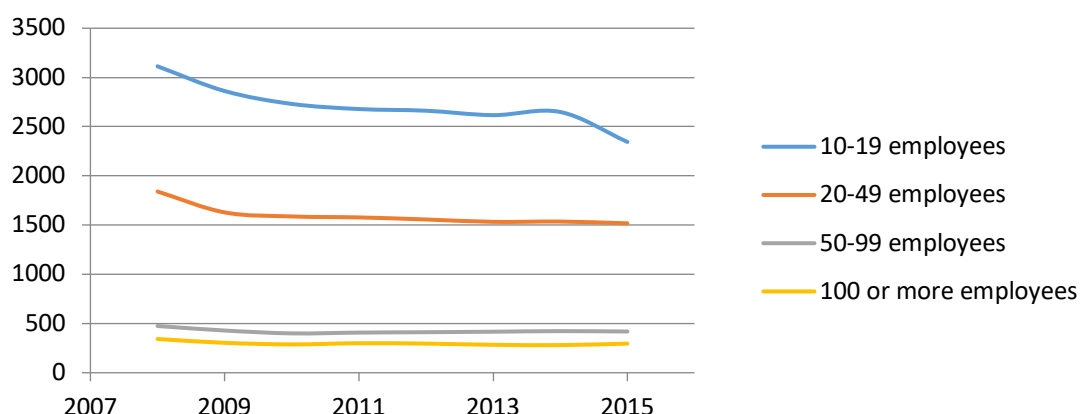
2.2 Retail

Danish retail consists of a diverse group of retailers which includes large convenience stores, supermarkets, discount supermarkets, larger chain retailers like DIY-centres, chains in sports and clothing etc. as well as a large range of smaller specialised shops.

One dominant trend in Danish retail is that still more retailers become part of chains of stores. This trend is evident within diverse parts of retail like convenience stores, supermarkets, DIY-stores, clothes, etc. A number of more specific trends can be identified since the off-set of the financial crisis. Among convenience stores there has been a noticeable move towards discount. The number of discount convenience stores has thus grown by 22 per cent since 2008, while the number of other types of convenience stores has fallen sharply. At the same time, the number of groceries and day-care kiosks has fallen (Dansk Erhverv 2018).

As the financial crisis hit, the number of businesses in retail dropped. Especially the smaller retailers were affected by the crisis, while the share of larger retailers has stayed more or less stable thorough the post crisis years. Focusing on retailers with 10-19 employees there is an additional decline from 2014 (see figure 3). Taken together this could suggest that what we have seen since 2008 has been an interplay between the economic downturn and long-term structural changes where large retailers and chains of retailers become still more dominant.

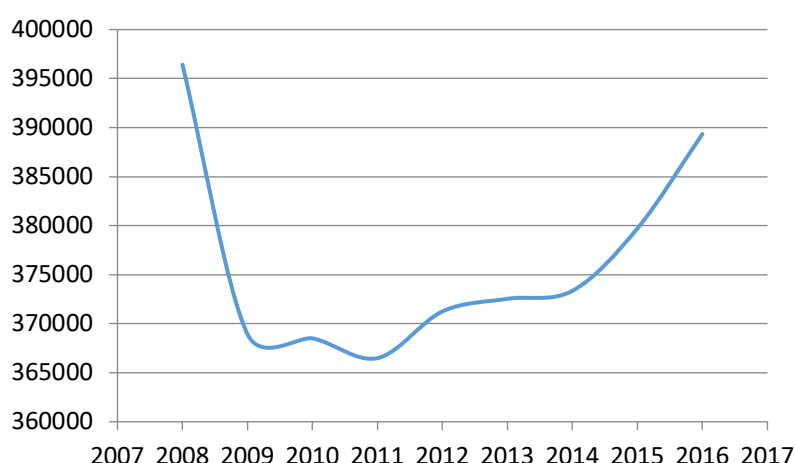
Figure 3: Retail: Number of businesses, 2008-2015



Source: Statistics Denmark, Business sector in general, GF3

The number of employees in retail were clearly affected by the financial crisis as employment dropped sharply in 2008-2009. However, employment levels have increased particularly since 2014, although, in 2016 not fully regaining the 2008 level of employment. Compared to manufacturing employment (figure 2) we do find a more positive trend in retail, suggesting that jobs lost in manufacturing to some extent has re-gained in retail.

Figure 4: Retail: Number of wageearners, 2008-2016



Source: Statistics Denmark, Labour, income and wealth, RAS302

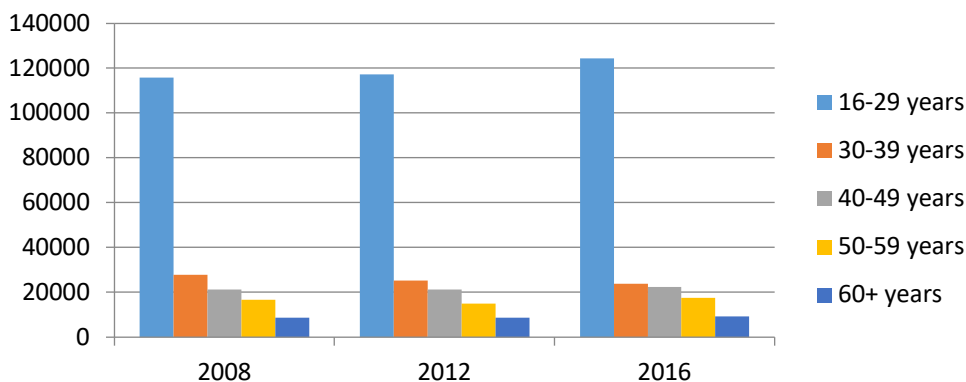
In 2016 a little less than 750 000 persons were employed within retail and transport, representing just above 25 per cent of total employment in Denmark¹. Many retail workers are part-timers and especially in convenience stores and supermarkets we find many employees working outside standard working hours. The 2012 liberalization of the Shopping Act regulating opening hours, means, that it is only mandatory to keep shops and stores closed on certain public holidays. Accordingly, work outside standard working hours has grown considerably since.

The by far most dominant group of workers in retail are young workers between 16 and 29 years of age (see figure 5). Sometimes these young workers are referred to as 'workers in transit' as they are working in retail for maybe a

¹ Statistics Denmark <https://www.dst.dk/da/Statistik/emner/nationalregnskab-og-offentlige-finanser/regionale-regnskaber/regionale-regnskaber-brancher>

year or two while they are studying at high school, the university, etc. Accordingly, it seems evident that many of these young workers move to other parts of the labour market as they get older.

Figure 5: Retail: Age distribution, 2008-2016



Source: Statistics Denmark, Labour, income and wealth, RAS300

The decline in the number of smaller shops and stores over the last decade is to some degree explained by the emergence of e-commerce. Especially in recent years has e-commerce accelerated. Over the past four years, has the trading turnover in the Danish online market increased by 78% reaching 11.2 billion euro in 2017. So far, this count for 13 per cent of all goods sold, however, if the increase in e-commerce continue we will just in a few years see a much larger share of total sales via e-commerce (DIBS 2017).

E-commerce across borders has increased too, thus, Danish retailers are faced with international competition. In 2016, almost 1/3 (about 31 per cent) of Danish e-commerce went abroad. The comparable figure in 2014 was 1/4 of Danish e-commerce. It is estimated that the Danes will continue to spend a little more of their e-commerce abroad over the years to come. These trends not only affect the number of physical shops and stores, this affects employment in Danish retail too. Many retailers combine physical stores with e-commerce, consequently, new jobs will emerge in storekeeping. However, if e-commerce goes across borders it might lead to loss of jobs (Dansk Erhverv 2016).

3 Collective bargaining structure and context

A comparatively high rate of unionization, a majority of private sector employers organised in employers' associations and a high level of collective bargaining coverage are well-known characteristics of the Danish labour market. Back in the late 1970s, The Confederation of Danish Employers (Dansk Arbejdsgiverforening, DA) formulated the idea that the bargaining system should be reformed paving the way for a more decentralised wage formation, but it was not until the early 1990s that these thoughts were realised. In the industrial relations literature it has often been emphasised that employers and their organizations are the decisive factor in determining the structure of the collective bargaining (Sisson 1987, Due and Madsen 1996: 832-40). The development in the Danish collective bargaining system is no exception. In 1989, DA implemented a structural reform that created the basis for sector-wide organizations placing the employers in manufacturing in the lead. The result was a shift in bargaining competence from the confederal organizations to sector-level organizations. The main objectives were increased flexibility in the bargaining system, primarily through the decentralization of negotiations and a reduction

in the number of agreements based on the principle "one company - one agreement - one organization" (Due et al 1994).

In the wake of the employers' structural reform, the number of member organizations in DA was reduced from 150 to 51 in less than one year (Due et al. 1994). Today DA has 13 member organizations. Thus, there was a clear centralization of employer interests in fewer and larger organizations. The most important organization that emerged from these processes of amalgamations was the Confederation of Danish Industries (DI – Dansk Industri) established in 1992. A number of employers' associations within manufacturing formed DI. However, over the years DI included still larger groups of employers within branches like energy, retail, services, transportation and the food processing industry. Often DI is referred to as the most powerful lobbying organization in Denmark. Still, DI also became the key player on the employers' side in collective bargaining and – importantly in this context - chose to maintain and reform the multi-employer bargaining system, despite the desire by some significant employers to implement a more radical decentralization of the bargaining system. Evidently, trade union strength mattered for the employers' choice of strategy as the unions over all organised more than 70 per cent of wage earners. Dismantling the national bargaining system would be no easy task. Hence, both the Danish employers' organizations and trade unions found shared interests in retaining but also reforming the system of multi-employer bargaining (Madsen et al. 2016).

Following the centralization of employers' interest representation, the second part of the reform was to delegate bargaining competencies to the parties at the company level. It was first and foremost negotiations on wages and the scheduling of working hours that was delegated to the individual company. In this sense, bargaining over pay and working time changed from standardised provisions in national agreements, to various kinds of flexible pay and working time systems negotiated at the company level, as well as more individualised negotiations on pay.

Among all the employers' organizations within the DA 80–85 per cent of the employees are today covered by so-called *Minimum Wage Agreements* where only the minimum pay rate is set at national level; actual wages have to be negotiated at enterprise level. Some even have figureless agreements without wage provisions. The remaining 15–20 per cent have their wages negotiated nationally at the sector level via so-called *Standard Wage Agreements* (DA 2014). Accordingly, most of the collective agreements have become 'framework agreements', where the wages and scheduling of working hours are set at the workplace – though with the increase in minimum wage or minimum pay rates as a (standard) minimum (Andersen et al. 2014). It is important to note that negotiations at workplace level are the responsibility of management and shop stewards. The latter ensures trade unions the possibility of supporting and monitoring workplace bargaining and therefore also to maintain some degree of coordination of initiatives at workplace level.

Seen in a broader view the process of decentralization has been described as 'centralised decentralization' meaning that interest representation was centralised, such as manufacturing and other groups of employers in DI, while bargaining competencies were decentralised although in a coordinated way (Due et al. 1994). Other observers called this form of decentralised bargaining as 'organised decentralization' (Traxler 1995).

Definitely, the urge to decentralise bargaining competencies were pushed forward by the employers since the early 1990s, but in the bargaining process, this led to new opportunities for the trade unions. The incorporation of labour market pensions in the bargaining system and the ability to gain increased contributions for pensions over consecutive bargaining rounds became an important goal for the unions especially in the 1990s. Moreover, funding for further education and training,

Confederation of Danish Industry (DI)

DI has around 10 000 member companies within manufacturing, knowledge service, retail, transport and private services. DI member companies employ 420 000 employees in Denmark and approximately 1 million employees internationally.

The most important collective agreements DI negotiates collective agreements with CO-Industri and a number of other trade unions.

wage supplements during sickness and maternal/parental leave and other issues can be characterised as ‘welfare topics’ that increasingly have become part of the collective agreements (Madsen et al. 2016). These welfare topics have become increasingly important in the renewal of the collective agreements as wage increases in the minimum pay systems by definition have limited importance at the national bargaining tables, due to the workplace bargaining. Thus, the welfare topics and the costs they imposed on the employers became more important and gained increased support among regular members (Due and Madsen 2006). Further, it marks a difference compared to wage negotiations in many other countries – e.g. Germany – as wage negotiations (regulating the minimum pay) as well as negotiations on conditions including ‘welfare topics’ all take place at the same bargaining table. It is often argued that this creates a ‘room for manoeuvre’ or flexibility with regard to outcomes in the bargaining process (Due and Madsen 2006).

The dominant employer organization the Confederation of Danish Industry, DI, represents more than 60 per cent of the total payroll within the Confederation of Danish Employers, DA (DA 2012). Consequently, the DI has a leading role in renewals of collective agreements together with their counterpart CO-Industri (The Central Organisation of Industrial Employees in Denmark), which is a negotiating umbrella organization covering trade unions in manufacturing.

The DI and CO-Industri are spearheading negotiations on renewals of collective agreements, meaning that this is the key-bargaining sector, which sets the pattern for wage increases and labour cost in general in all other private sectors. More than that, specific new agreements on e.g. enhanced access to further education and training or increased wage supplements during parental leave will typically be copied in agreements covering other sectors like construction, retail, etc. This principle has been in force since the beginning of the 1990s and there has only been a single instance – in 1995 – when an agreement in another sector was concluded first.

This process involves quite a lot of coordination both within the trade unions movement and among the employers’ organizations. However, especially among the latter as the DA executive committee must approve the renewal of collective agreements, *de facto* emphasizing the dominant role of Danish Industry, DI, not accepting any employers’ organization entering into any agreement going beyond the economic framework stipulated in the Industrial Agreement (Industriaftalen) concluded by DI and CO-Industri. Put differently, this rather strict coordination ensures the DI that wages and other costs regarding labour do

not exceed the level they have accepted. Over the years this regime of coordination has caused controversies among the employers’ organizations in DA. Often it has been smaller member associations, which have had agreements concluded with their trade union counterpart turned down by the DA executive committee.

The Danish Confederation of Trade Unions, LO, coordinates collective bargaining in the various sectors, too. Still, the LO is in no position to veto any agreement concluded. The basic difference between the DA and the LO here being that the relatively strong trade unions - metal workers union, clerical workers union, etc. – never has been willing to delegate that kind of competence to the LO, whereas the dominance of DI among the employers’

CO-Industri - The Central Organization of Industrial Employees in Denmark

CO-Industri was founded in 1992 and today consists of nine unions of which the most important are the Metal Workers Union (Dansk Metal), the Union for Unskilled Workers in Manufacturing (3F Industri) and the Union for Commercial and Clerical Workers (HK/Privat).

The member organizations in CO-Industri represents 230 000 workers covering workers employed on a time-rate basis as well as technical and administrative workers employed on a salaried basis. All member organizations in CO-Industri are members of The Danish Confederation of Trade Unions, LO.

CO-Industri negotiates collective agreements with the employers in DI – The Confederation of Danish Industry. Further, CO-Industri has entered into collective agreements with a number of industrial enterprises outside DI.

The agreements concern pay systems, working time, holidays, days off, maternity leave, pay during illness, pension, education and training, rules of employment and notice, shift and night work, mental health and safety at work etc.

organizations means that Danish Industry by and large is able to set the rules of the game in the employers' confederation, DA.

Still, the coordination of the bargaining process goes even further as the public conciliator plays a key role in the Danish collective bargaining system. If the negotiations in a specific sector does not result in a renewed agreement, the conciliator convenes mediation. If the negotiating parties still are unable to reach common ground, the agreement is transferred to the so-called 'interlinking' allowing the conciliator to chain this agreement to the agreements completed successfully by the bargaining parties in other sectors. Thus, the non-renewed as well as the renewed agreements are gathered and made part of a total settlement proposal (*mæglingsforslag*), which then is sent for approval both among trade union members and the legally competent bodies among employers. The public conciliator involves DA and LO in the process of writing up the settlement proposal and the proposal will only be finalised if none of the parties objects. In other words, LO and DA can oppose proposals that are out of sync with what DI and CO-Industri agreed upon in their break-thorough agreement (Ibsen 2013). Consequently, the interlinking of agreements ensures a high degree of coordination, while the direct bargaining parties lose some of their autonomy in negotiations, and individual trade unions voting 'no' usually have to live with the result of the proposal nevertheless.

An important argument for the interlinking of the sector agreements for the LO trade unions is that this ensures that all groups on the private labour market will get by and large identical improvements in wages and conditions when collective agreements are renewed. The important point here being that the enhanced terms and condition that the workers in manufacturing gain in the first agreement concluded, sets the pattern for what workers in construction, retail, cleaning, hotel and restaurants, etc. will get. As we shall return to below this in a sense signifies an 'inclusive growth policy' as part of the bargaining system.

More than this, the coordination of wage development goes beyond the private labour market and include the public sector as well. Due to the sheer size of the public sector labour market – employing around one third of all wage earners – some form of linking public sector wage trends to the private sector is a topical issue. The most important tool in linking wage developments in the public sector to the private sector is the so-called Regulatory Settlement (*Reguleringsordningen*), introduced in 1983, which ensures an approximately parallel wage development in the private and public sectors. The main principle is that public sector wage increases are regulated by 80 per cent of private sector wage increases. If the public sector becomes wage leader there will be a downward regulation by 80 per cent public sector wages as well. Thus, it ensures that public employees wage trends keep up with the private sector while at the same time hindering that the public sector employees become wage level leaders. Once again, this emphasises that the key-bargaining sector, manufacturing, is setting the pace for wage trends on by and large the entire Danish labour market. There is a broad political consensus behind this principle and specifically the Regulatory Settlement, a consensus, which also includes the larger part of employers' associations and trade unions (Andersen et al. 2014). However, this does not hinder recurring debates on the Regulatory Settlement. A more recent example occurred in during the financial crisis, as the wage development of manufacturing workers completely froze due to the collapse of international markets, while the agreed wage increases for public sector employees meant that they outran private wages. As a result, public sector employees in accordance with the Regulatory Settlement so to speak 'owed' unjustified wage increases before negotiations on renewing their agreements in 2010. Controversies on how to interpret the Regulatory Settlement continued in the bargaining rounds in the public sector in 2015 and 2018. This has nourished ideas of dismantling this regime of wage coordination, still, so far it has only led to a number of adjustments of the settlement.

4 Trends and strategies after austerity

The Danish collective bargaining system has remained stable throughout the financial crisis as well as in the subsequent years after austerity. Consequently, no significant institutional changes in the bargaining system took place. There are a number of explanations for this stability, both within the bargaining system and in the interplay between the bargaining system and labour market policies based in legislation. *First*, the Minimum Pay System covering the larger part of the private sector - cf. above – includes annual negotiations at workplace level on wage adjustments. As the financial crisis led to a steep decline in export demands, wages froze or even dropped in many manufacturing companies. Eventually this affected wage trends in the wider labour market and set off historical low wage increases as the crisis hit the real economy. As inflation followed suit, negative real wage trends only appeared in a few quarters, while very slim real wage increases became the pattern in the years from 2010 and onwards (Andersen and Ibsen 2016). As the Danish currency is pegged to the Euro devaluating the currency or adopting a policy of a floating currencies as Sweden and Norway was not an option. Accordingly, it could be claimed that the actual effect on the Danish economy was an ‘internal devaluation’, affecting wages trends and public spending (Mailand and Larsen 2017; Andersen et al. 2014). *Second*, the so-called flexicurity policies especially highlighting the interplay between a relatively easy access to dismiss workers, relatively high unemployment benefits and active labour market policies meant that companies facing faltering demands could reduce the number of employees on short notice. *Third*, this did trigger debates on the need to expand the existing short-time work schemes on the Danish labour market aiming at keeping more workers in jobs. Some trade union representatives as well as managing directors in some large firms in manufacturing emphasised that the German *Kurtzarbeit* schemes were much more favourable than the Danish as they covered workers on reduced working hours up to 24 months while the Danish was limited to 30 weeks. Still, no changes were initiated mostly due to resistance among employers’ organizations but also trade unions withheld their support for an extended scheme, arguing that the flexicurity policies secured workers transition from non-competitive to competitive companies (Andersen 2015). *Fourth*, the strong coordination on the employers’ side, the role of the conciliation board in interlinking agreements in various branches – c.f. above –, played a role in securing the stability of the bargaining system throughout the crisis. An additional stabilizing element was trade union moderation often in public debates referred to as “awareness of the crisis” meaning that economic downturns and job losses simply moderated trade unions demands (Ibsen et al. 2011).

4.1 Strategies in the bargaining process

Reflecting the overall stability of the bargaining system the basic strategies of employers’ organizations and trade unions have more or less remained unchanged over this period. Still, as we shall see below certain strategic elements have definitely influenced the negotiations in the aftermath of the crisis.

A representative of the Confederation of Trade Unions, LO, emphasises that there are two basic aims for the bargaining member organizations in the LO. First, to ensure growth in real wages, meaning, that based on not least economic forecasts and not least data from the so-called Statistical Council (see textbox), it is pivotal for the unions in LO to get nominal wage increases that over the typically 2-3 years covered by the agreements will set off real wage growth. Second, everyone should have their share of the gains from the bargaining process. More specifically, the aim is to secure more or less identical wage increases across the various collective agreements including more or less identical access to diverse forms of goods and benefits introduced via the agreements. The latter could be enhanced access to parental leave, sick leave, further training, etc. all this mentioned, in order to highlight that wages as well as various benefits and goods are negotiated at the same bargaining table. For the LO the interlinking of agreements negotiated in various sectors by the public conciliator is a key-element in ensuring that all the LO groups – metal, construction, service workers, etc. – will benefit by and large equally from the renewal of the collective agreements.

Prior to the bargaining process LO sets up a Bargaining Committee (*Forhandlingsudvalg*) with representatives from the LO and representatives from all the member federations that are going to negotiate with the employer side. In the committee economic trends and conditions are evaluated typically based on the latest report from the Statistical Council. Further, they discuss if there are any special issues that the unions want to bring to the bargaining table like pensions, further training, work/family life balance, etc. There might also be specific issues for certain groups; for instance a few years back the government initiated a liberalization of the legislation governing the retail opening hours. This increased the scale of odd working hours in retail and eventually affected the renewal of the agreements in retail. The overall aim of the Bargaining Committee is to match or harmonise demands and expectations among the LO member federations. As the metal workers and other federations within CO-Industri go first in the bargaining process with their counterpart, other LO federations will often advance specific challenges and issues within their bargaining area, that they want CO-Industri to keep in mind or even bring to their bargaining table when concluding the breakthrough agreement. A prominent example from recent years has been social dumping, a major concern among construction workers unions, but less so within CO-Industri and among the metalworkers. Evidently, this has caused some controversies as unions in construction have claimed that the CO-Industri leadership has failed to address this issue properly in the negotiations with Danish industries, DI (Andersen and Ibsen 2014). All in all the balancing of expectations in the Bargaining Committee is a kind of soft coordination among trade union federations in the LO.

In the Confederation of Danish Employers (DA) a representative emphasises that the preparations for a bargaining round includes a thorough economic analysis, an evaluation of issues that seem to occupy the trade union side and therefore might be brought forward at the bargaining table, as well as an analysis of trade unions power positions. The latter including trends in unionization in specific sectors, etc. For DA an inherent part in preparing for

The Statistical Council (Statistikudvalget)

The Statistical Council plays an important role especially prior to rounds of collective bargaining in establishing shared understandings of basic indicators on the Danish economy. The task of the council is to assess continuously the actual development of labour costs in Denmark and abroad. More specifically the council's tasks are:

- to analyze and assess the development of direct and indirect labour costs in Denmark and abroad
- to follow price developments and developments in real wages

The committee prepares an annual status report based on the latest statistics on wages, prices and productivity trends. The committee consists of the Ministry of Finance (chairman), the Ministry of Economy and the Interior, the Ministry of Employment, The employers' confederation, DA and The Trade Union Confederation, LO. Since March 2011, a representative from Denmark's Central Bank participates in the meetings with the status of observer and analysts.

The Statistical Council dates back to 1987 and was part of the so-called Joint Declaration (Fælleserklæringen) often coined as the most important tripartite agreement reached on the Danish labour market. Among other things, it paved the way for wage restraint, job creation and labour market pensions.

bargaining is to identify certain gains they will pursue in the bargaining process. That might be increased flexibility in specific parts of the agreements – e.g. on scheduling working. As mentioned above the DA executive committee must approve agreements concluded by the member organizations, thereby emphasizing the much stricter coordination on the employer side compared to the LO. Still, a DA representative underline that the aim is to create a “shared understanding” among the member organizations about the conditions and goals on the employer side. Put differently, it is not about assigning a “mandate” to the individual member organizations.

Over the years there have been internal struggles in the DA about the understanding of the ‘the room for manoeuvre’ for the individual member organizations to conclude agreements with their trade union counterpart. Still, it is non-negotiable that the Confederation of Danish Industries (DI) due to its size will be first mover in setting the pattern for the others together with their counterpart, CO-Industri. Traditionally it has been argued that DI and CO-Industri should go first as they represent the - in the Danish context – very important export-oriented manufacturing industries. In other words, the sheltered home market-oriented sector cannot - and should not - set the pace for wages and costs. Today, DA representatives stress that DI and CO-Industri go first primarily because DI by far is the dominant employer organization, thereby recognizing that member organizations in for instance construction and retail are exposed to cross-border competition too. In addition, it is important to understand that the Industrial Agreement – concluded by DI - CO-Industri - not only set the overall framework for wages and costs, moreover, it sets the guidelines for new provisions in the collective agreements. For instance, enhanced parental leave schemes, new rules on the scheduling of working time, etc. Some stipulations introduced in the Industrial Agreement fit poorly to conditions in e.g. retail or construction. Accordingly, it is accepted within the DA that member organizations in their agreements, together with the trade union counterpart, can decide to deviate from the Industrial Agreement. It takes a bartering where new provisions in the agreement replaces the ones from the breakthrough agreement. DA emphasises that the member organization should be able to demonstrate that the value of the alternative provisions matches what is stipulated in the Industrial Agreement. This is often referred to as the need to ‘capitalise’ the value of specific provisions in the agreements. If the DA finds that alternative provisions do not comply with the agreed mandate, they will disallow the agreement. This has happened on several occasions over the bargaining rounds in recent years. A prominent example from recent years was rules on chain liability making main contractors responsible for subcontractors being covered by collective agreements. For example, the master painters’ employers’ association concluded such an agreement with the painters’ union in 2014, which DA rejected. This both caused internal discussion in the DA and frustrations on the trade union side, arguing that decentralised bargaining at sector level was undermined by the interference of the DA (Andersen and Ibsen 2014).

4.2 Manufacturing

Turning towards the sector level the CO-Industri leadership underlines the responsibilities of ensuring that not only the unions within CO-Industri acquire a reasonable outcome in the bargaining process, but that all the LO unions (retail, construction, etc.) find that they have been taken into consideration. This of course reflects that the Industrial Agreement sets the framework for negotiations in rest of the private sector labour market. Another delicate balance goes between what should be negotiated at centralised level versus at company level. A basic rule-of-thumb is that one third of cost increases should be negotiated at national level while two thirds should come from the company level. Still, a lot depends on the specific circumstances in the ongoing round of negotiations. For instance, during economic recessions shop stewards often state that they find it hard to obtain reasonable gains, and therefore urges their leadership in the centralised negotiations to go for the larger part of potential wage and cost increases.

Due to the limited space for introducing – from the employers’ point of view – costly new provisions in the agreement, the CO-Industri leadership underlines the importance of having certain gateways in the bargaining process. The introduction of the so-called Optional Salary Account (see textbox) is an example of such a gateway. The fundamental idea is to create a more flexible agreement for the workers, meaning, that over the life course different provisions will appeal to the individual worker. Accordingly, it contains improvements for young families,

Optional Salary Account (Fritvalgs lønkontoen)

The Optional Salary Account was introduced in the Industrial Agreement in 2007, where 1 per cent of the wage sum was set aside for optional use for the individual workers. In the 2014 bargaining round the account was increased to 2 per cent and again in 2017 to 4 per cent of the wage sum.

The Optional Salary Account can be used for:

- Salary related to leisure time (holidays).
- Two ‘childcare days’ off work if you have children under 14 years of age.
- 32 ‘senior days’ off work per year for the last 5 years before retirement age.
- To pay extra for retirement.

workers wanting extra days of and elderly workers who wants to reduce the working week. Some people in the trade unions movement are critical towards the optional account, arguing that it becomes impossible to mobilise workers when you go for individualised gains. Nevertheless, the CO-Industri leadership is convinced that individual choice will make the agreement more attractive for members. CO-Industri do not hide the ambition to lift the account in coming rounds of negotiations to 6 or 8 per cent of the wage sum. In CO-Industri it is recognised that among other things the Dutch life course saving schemes have inspired the idea to establish and extend the Optional Salary Account.

On the employers’ side The Confederation of Danish Industries (DI) has had a cautious but, nevertheless, positive

approach to the introduction of the account. Critique have been voiced among member companies on administrative difficulties and costs in handling the individual accounts and, further, it has been questioned what will happen to the company level bargaining on wages if a still larger part of the wage sum is taken aside for the account in the centralised negotiations.

A top management representative in DI emphasises that since 2008 the most important aim for the employer side has been to re-establish the competitiveness of Danish companies. The argument is that in the early 2000s and up to 2008 Danish companies lost one fourth of their competitiveness based on wage increases, failing productivity gains and fluctuations in foreign exchange rates. As the financial crisis hit the real economy around 200 000 jobs were lost in the private sector. This fundamental aim is mirrored in the renewal of the industrial Agreement in 2010, 2012 and 2015 with historical low pay increases and referred to as ‘crisis agreements’ – see also above.

The 2017 bargaining round was different as the Danish economy, finally, was improving and employment levels had steadily gone up. Apart from the doubling of the contribution to the Optional Salary Account a number of other benefits were improved, while the increases in the minimum pay rates – the only pay rates negotiated at centralised level – remained modest (Andersen and Ibsen 2017). On the trade union side this raised the expectations for rather significant wage increases in the annual workplace bargaining. However, in spring 2018 figures from local level bargaining show that increases remain to be modest. This prompted the CO-Industri leadership to act arguing that the shop stewards were absolutely loyal during the crisis and cautious in their demands. Accordingly, CO-Industri finds it unacceptable that wage trends are stalling. The Metal Workers Union has among other things published figures on the relationship between hourly wages and hourly productivity, which show that since around 2011 wages have not kept up with increases in productivity. The union launched an information campaign aimed at shop stewards and local branches of the union in order to encourage them to raise their demands in company bargaining. The discontent within the Metal Workers Union is also fuelled by employers’ continuously addressing labour shortage as the most pressing problem. In March 2018 the unemployment level among metal workers is down to 2.4 per cent indicating lack of skilled workers. The puzzle for the union is why this does not affect wage levels. Some argue that it seems like the market does not work.

Table 1: Wage developments by sector, 2010-2017 (percentage growth)

	2010	2011	2012	2013	2014	2015	2016	2017
Manufacturing	3.2	1.9	2.4	1.6	1.6	1.9	2.7	2.3
Construction	1.1	0.3	1.2	1.3	1.3	2	2.3	2.9
Private services*	2.9	0.9	1.8	1.3	1	2	2	2
DA in total**	2.7	1.2	2	1.4	1.2	1.9	2.3	2.2

*Private services includes wholesale, retail, hotel and catering businesses, transportation, IT and others

**DA is the confederation of Danish employers

Source: StrukturStatistikken, DA, May 2018

Among the employers in DI the response is somewhat guarded arguing that many different factors influence the overall figures on productivity and eventually the outcome of local wage bargaining. For instance, since 2008 many companies have been forced to close down. As these probably poor performing companies disappeared, the average productivity is likely to increase, notably, without any changes in productivity in existing companies. In spite of these recent debates on wage trends the union representatives recognise that seen over a longer lapse of time they have had a fair development in both nominal and real wage levels.

4.3 Retail

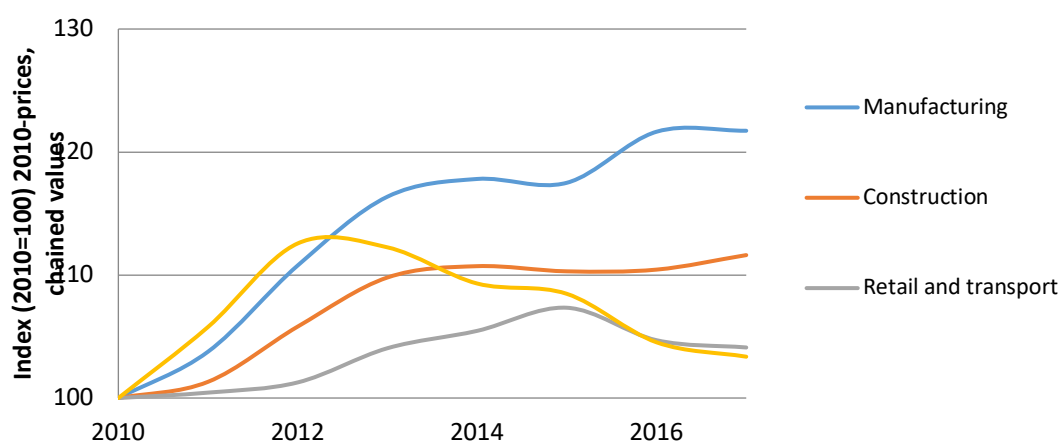
The Danish Chamber of Commerce (*Danske Erhverv*) negotiates collective agreements on behalf of a large number of service sector employers including retail. A top management representative explains that in the bargaining process they will never be the first to conclude an agreement and thus recognises that the Industrial Agreement should be the breakthrough agreement. However, he adds that the traditional idea that retail and other service sector are home market-oriented sectors, and by and large sheltered sectors, is not true anymore. E-commerce is a game changer in retail which not only mean that Danish retail companies include online trading today, but also that cross border e-commerce is continually increasing – c.f. above. This increases the need for employer coordination in the bargaining process. For instance, as shown above in the minimum pay system only the minimum wage rates are negotiated at centralised sector bargaining. The Chamber of Commerce representative underlines that increases in the minimum wage rates have a rather significant impact in retail as many employees only receive the minimum pay. Within manufacturing the share of workers on the minimum pay rate is much more limited; most workers will have pay levels clearly above the minimum rates. Accordingly, increases in the minimum pay rate might not be a big issue for the manufacturing employers in the Confederation of Danish Industries, DI. Representatives from both employers' organizations emphasises that coordination is close and well-functioning, but admits that disagreements occur from time to time.

Contrary, on the trade union side a chief negotiator from the Salaried Employees Union (*HK*), representing among other workers in retail, tells, that they spend time explaining their colleagues in CO-Industri that increases in the minimum pay in the breakthrough agreement is crucial for workers in retail. In the past this has caused some tensions between the unions, but the HK representative underlines that CO-Industri today is more attentive to the challenges that workers in retail are facing. Focusing on the latest rounds of collective bargaining, it is emphasised that the retail workers actually have gain slightly more per cent-wise compared to workers in manufacturing, among other things due to specific increases in allowances for night work.

Still, one main challenge in retail is the relatively low rate of unionization. A recent study shows that that in retail/delivery are only 32 per cent of the workers unionised (Toubøl et al. 2015). The liberalization of the legislation governing retail opening hours has led to an inflow of young unskilled workers, sometimes students,

working part time – often at odd hours – and especially in convenience stores. It has proved to be hard for HK to organise these young workers often moving on to other parts of the labour market after a couple of years (Ilsøe and Felbo-Kolding 2014). The relatively low level of unionization put pressure on the coverage of the collective agreements in retail, nevertheless, as larger chain retailers like DIY-centers, chains in sports and clothing, etc., become still more dominant, the coverage of the agreements increases as well. Often these chains do not want to risk being exposed in the media for undercutting or bypassing the collective agreements. An anxiety shared by both employers and trade unions is whether this pattern will be broken if large foreign chain retailers become more active on the Danish market.

Figure 6: Labour productivity by industry 2010-2017



Source: Statistics Denmark, National accounts and government finances, NP23

4.4 Productivity based negotiations

In the Industrial Agreement the provisions on wages begins by emphasizing that wage systems and pay levels at the individual company should be adjusted in order to enhance productivity, competitiveness and employment. Accordingly, productivity is decisive for wage bargaining. A top representative from the Confederations of Trade Unions, LO, underlines that the understanding of productivity trends is important and continues, that the Statistical Council is an important source in order to formulate shared interpretations of productivity trends. In the aftermath of the financial crisis, there were concerns about comparatively low levels of productivity gains in Denmark. In 2012 a government-initiated Productivity Commission was established to scrutinise productivity in various parts of the Danish economy. The results confirmed that productivity increases in recent years differed between sectors. In manufacturing positive trends have been stable since the financial crisis hit the real economy, while productivity in retail, construction and private services were stagnating (Produktivitetskommissionen 2014). These outcomes led to quite intense debates as both employers and trade unions in e.g. retail and construction questioned the calculations and interpretation of data in the Productivity Commission. Both in LO and in The Confederation of Danish Employers, DA, it is recognised that internal debates on productivity is a somewhat sensitive issue which eventually mitigate internal discussions. More or less everyone agrees that structural differences between the sectors to some degree explain differences in productivity gains (outsourcing in manufacturing means that only high-productivity production remains in Denmark, etc.). Still, the interpretation of specific data on productivity continues to be debated.

Figure 6 is an index showing gross value added in four different sectors. Clearly, manufacturing has increased the added value since 2010, while construction and retail/transport have increased less. Travel agents, cleaning and other operational services depict a more obscure trajectory. Below we will return to how these trends in productivity has influenced understanding on what is fair wage trends in different sectors.

5 The role of collective bargaining in realizing inclusive growth

The phrases ‘inclusive growth’ and ‘social market economy’ are not really part of the vocabulary among social partner organizations in Denmark. However, when asked, the representative of The Trade Union Confederation, LO, emphasise that these concepts cover important issues for the Danish trade union movement. Firstly, in securing jobs for all, meaning that everyone who wants a job should be able to get one. The so-called flexicurity policies aim to make the labour market more open to young people as well as different vulnerable groups on the labour market. Key in this context is the employers’ relatively easy access to hire-and-fire employees, which eventually creates a relatively open labour market with a comparatively high level of job turnovers. Secondly, the LO representative emphasises a ‘fair wage’ for everyone and highlight what can be termed an implicit understanding among the social partners that a job that cannot provide a Living Wage has to go! The basic assumption is that both employers and trade unions take on a shared responsibility when technological changes, enhanced international competition etc. undermines the value of a specific job. Put differently, there should be no race to the bottom.

On the employers’ side representatives confirm that they have no ambitions to reduce wages or go below the stipulated minimum wages in the collective agreements. However, they do emphasise that they encourage wage competition, meaning there is room for competition on pay levels within existing wage scales. In principle, this position also includes competition between different collective agreements in specific parts of the labour market. Accordingly, disagreements exist between employers and trade unions. One example concerns wage levels for posted workers. Both sides agree that minimum wage levels stipulated in the collective agreements has to be respected, but there is no shared agreement on what should be the ‘customary wage’ for a posted worker. Especially unions in construction argue that the result is posted workers typically receiving the minimum wage, while native workers have significantly higher wages (Arnholtz and Andersen 2016).

All trade union representatives underline the bargaining system spearheaded by the Industrial Agreement setting the framework for negotiations in the rest of the private labour market and the subsequent linking of all agreements via the public conciliator is decisive for – what some of the representatives’ coin as – the inclusive character of the bargaining system. Thus, arguing that unions in private services such as cleaning, hotels and restaurants as well as in retail and transport easily could be left behind, if they were left to negotiate on their own. Several union representatives refer to the German labour market and the raise of the ‘working poor’ in especially private services as an example to avoid. Back in the 1970s the so-called solidaristic wage policies were high on the agenda for the LO trade union movement (Due et al. 1994). The basic idea was to secure extraordinary wage increases for low paid groups. The union representatives state that the linking of the agreements today expresses a similar solidarity. Further, they add that the linking also includes new or enhanced goods and benefits gained in the collective agreements.

Representatives of the Confederations of Danish Industries, DI, point to the rather efficient wage floor based on the stipulated minimum wage rates in the collective agreements and stress that the minimum wages are linked to the reservation wage, meaning transfer payments like unemployment benefits, etc. As these transfer payments are comparatively high in Denmark the minimum wage levels tends to be comparatively high as well. This partly

explains the compressed wage structures on the Danish labour market. The DI representative highlight that there is no significant difference between what a Danish manufacturing company pays a well-qualified worker compared to a German company, however, there is a significant difference in what a low-qualified service worker can earn in Denmark compared to Germany. The DI representatives recognise that this could be termed 'inclusive policy' and add that these policies constitute an inherent part of the so-called flexicurity policies.

The fact that the dominant employers' organizations accept and support the strong coordination of collective bargaining between sectors and thereby *de facto* the initiation of inclusive policies are based on the understanding that the bargaining system offer the employers a well-functioning regulatory system that can ensure the competitiveness and profit performance of Danish companies. Further, it mirrors power relations between relative strong trade unions and employers' organizations. More specifically, DI representatives highlight two decisive conditions for their support of the coordinated bargaining system. First, a high level of flexibility - not only the external flexibility in relatively easy access to hire-and-fire workers (flexicurity) - but also a maximum of internal flexibility which concerns the functional flexibility of workers meaning the ability to take on different tasks. This leads to the second condition that companies have access to workers with the right qualifications, which includes both internal and external education and training as well as recruiting foreign labour.

5.1 Subsidised employment

One specific element of inclusiveness concerns various forms of subsidised employment, which is relevant in this context as we find a relatively large share of subsidised employment in retail. On the positive side this creates job opportunities for a quite heterogeneous groups of persons who have difficulties in getting an ordinary job. In the Confederations of Trade Unions, LO, the representative stresses that this might help persons in a vulnerable position getting a foothold on the labour market. In the larger picture subsidised jobs is part of the policies making Denmark perform comparatively well with regard to active labour market measures. However, he emphasises that a potential dilemma is that subsidised employment might crowd out ordinary jobs.

The representative from the Salaried Employees Union, HK, adds that they are sceptical about the scope of subsidised jobs in especially convenience stores. They suspect that some stores misuse the access to subsidised employment as they organise this in a form of rotation where still new workers are recruited to these jobs, aiming simply to have access to cheap labour. Accordingly, only few workers obtain the opportunity of moving from subsidised to ordinary employment.

6 Collective bargaining priorities and challenges

6.1 Views on fairness

Even though economic inequality has increased in Denmark in recent years, Denmark remains one of the most equal economies in Europe. The Gini coefficient of equalised disposable income in Denmark was 27.6 in 2017 going up from 25.1 in 2008². Analysis of this increase in inequality point to a number of different factors for potential explanations. Changes regarding transfer incomes play a role as political reforms over the last twenty years have lowered benefit rates for specific benefits compared to wage rates. In the same way, tax reforms have contributed to this development as for instance the marginal rate of taxation has been lowered. Looking at earned

² EU-SILC survey, April 2018.

income some analyses suggest that technological innovations have increased the demand for high skilled labour while automation and outsourcing of jobs have decreased the demand for low skilled labour. This argument mirrors an international debate on *skill-bias* highlighting a development, which strengthen the bargaining capacity of high skilled labour while weakening it among the low skilled (DØR 2016, Ploug 2017). Furthermore, this has led to some speculations whether the arrival of quite large groups of migrant workers from Eastern and Central Europe from 2004 and onwards first and foremost working in low or unskilled jobs might have affected wage trends among low income groups. There are figures showing that wage gains for these groups have diminished compared to other groups on the labour market (Pedersen 2017). Still, what is happening among the low-income groups might be more nuanced than that, as we also can identify a growing group of young people working in retail, hotels and restaurants and other forms of service jobs characterised by being unskilled and getting a relatively low income. They might be students or having a sabbatical before starting at the university. Accordingly, some trade union representatives refer to them as workers ‘in transit’, hereby emphasizing, that they relatively quickly are moving towards other parts of the labour market for more permanent employment.

Turning towards the collective bargaining system 80-85 per cent of wage earners are covered by the so-called Minimum Wage Agreements indicating that actual wage levels have to be negotiated at company level. Crucial for the bargaining strength on the employee side is a relatively high rate of unionization among the workers and the presence of shop stewards. Often we find both in manufacturing and therefore tend to find a fairly well organised employee side in wage negotiation in individual companies. Contrary in retail where unionization is relatively low – just above 30 per cent (c.f. above) – and the presence of shop stewards much scarcer than in manufacturing. Wage data show that since the early 1990s a gap has developed slowly in wage levels for manufacturing workers versus workers in retail and other private services (Andersen et al 2014). Still, lacking company level bargaining strength might not be the only explanation for the increased wage gap. It could also be that qualification demands have increased within manufacturing but not to the same degree in retail, meaning that over the years we find still more skilled workers or even workers with some form of advanced education in manufacturing. Accordingly, we would expect that a change in the skill composition will be reflected in wage levels as well.

However, the absence of company level bargaining in retail might imply no local adjustment of wages. The representative from the Salaried Employees Union (HK) explains that especially workers in discount convenience stores experience pay lags. These workers might not have a shop steward, still, the collective agreement give them a right to a ‘talk on pay’. Nevertheless, according to the HK representative it is quite a barrier to pass for many of their members to ask the store manager for a pay raise. In order to overcome these challenges HK is pushing for agreements on local wage settlements. Convenience store chains, like the German based Lidl and Aldi, have entered into such agreements in recent years.

People working in other parts of retail like for instance the wholesales (plumbing, heating, sanitation, electricity, steel, etc.) are in a somewhat different position, according to the HK representative, as these workers typically need to have a certain expertise about the products they sell. Furthermore, they often construct a certain level of trust towards the customers. Overall, they are in a better position to obtain certain bonus schemes that eventually will increase their income. We find somewhat the same pattern of bonus schemes – they might be individual or collective – in special commodity stores (clothes shop, watchmakers, pharmacies, toy stores, etc.).

Both trade union and employers’ representatives argue that the somewhat diverse wage trends like the increased gap between manufacturing workers and private service workers are linked to the diverse trends in productivity growth. Even though the figures on productivity growth are disputed there is a shared understanding that productivity growth in manufacturing outpace the service sectors. Accordingly, it is perceived as somewhat fair that this is reflected in manufacturing wage trends. Further, some representatives emphasise that as the Industrial

Agreement set the pace for wage trends and costs in all the other agreements - including the service sectors - there is a risk that overall costs for a service worker go beyond the value he or she creates. Therefore, it is seen as a necessary flexibility of the minimum wage system that local level negotiations can lead to quite diverse outcomes both within industries as well as across industries.

6.2 Precarious work

In the Danish context the term 'precarious' work is clearly an import from European debates and when the term appears in specific debates both trade union as well as employers' representatives tend to be sceptical about the relevance of the term. Still, the representative from the Confederations of Trade Unions, LO, underlines, that in spite of the scepticism towards 'precariousness' the issue of 'atypical' employment is high on the trade union agenda. Thus recognizing there exists a group of employees working outside the open-ended fulltime contract, while at the same time emphasizing that the larger part of these workers are not in any precarious position. If we define atypical employment as part-time workers, fixed term workers, agency workers, self-employed without employees and any combination of these it comprises 35 per cent of the workforce (Scheuer 2017). Since 2008, we have seen some increase in atypical employment especially in part-time employment and within this group quite an increase in persons working short hours; for instance, less than 15 hours per week. Agency work was about halved when the crisis hit but has gained pace since then. Seen from the European perspective Denmark has a comparatively high level of part-time employment – often explained by the high rate of employment among women – while other forms of atypical employment is less widespread than in other European countries (Larsen and Mailand 2018).

The LO representative explains that an overall strategy for the unions at the bargaining table has been to ensure that ordinary workers (in open-ended fulltime jobs) would not be costlier for the employers than for atypical workers. In other words, it became an objective to secure wages and conditions for atypical workers on par with ordinary workers. Apart from explicitly including agency workers, fixed-term workers, etc. in the existing collective agreements one of the key aims in recent rounds of renewal of agreements has been to lower or remove requirements on seniority regarding for instance pension entitlements, full pay during sickness, etc.

In the Confederation of Danish Employers, DA, there is some frustration on the debates regarding atypical employment as these groups basically should be covered by the collective agreements in the specific sectors and therefore have access to wages and conditions like ordinary workers. A DA representative recognise that there are surveys showing that some atypical workers do not get what they are entitled to and ask the question whether certain barriers exists hindering all atypical workers access to goods and benefits of the agreements (Scheuer 2017). One potential barrier in this context could be that atypical workers simply are not aware of their rights. If you are working in a non-unionised workplace and there is no shop steward around, your knowledge on the rights and provisions in the agreements might be scarce.

Focusing on the Industrial Agreement and the two latest rounds of collective bargaining in 2014 and 2017 the issue of agency workers proved to be delicate and hard to handle for the negotiating parties the *Confederations of Danish Industries*, DI, and CO-Industri (*The Central Organisation of Industrial Employees in Denmark*). As the scope of agency work slowly came back more or less to the same level as prior to the crisis, it became evident that the pattern of use of agency work between sectors had changed. Thus, there had been a relative increase in agency workers in manufacturing. Trade union representatives were somewhat puzzled by this development as a widespread understanding has been that the employers' relatively easy access to hire-and-fire workers is a key-explanation for the relatively low level of agency work in Denmark. There are still uncertainties about the driving forces behind this change, but employer representatives emphasise the need for increased flexibility due to still

shorter order horizons and more compressed production cycles. The more frequent adjustments of the workforce make it both administratively smoother and less costly to have agency workers as a buffer to fluctuation in production. In the last two rounds of renewal of the Industrial Agreement new provisions were agreed upon among other things giving the shop stewards access to more detailed information on why agency workers are brought in and on the conditions they are offered (Andersen and Ibsen 2014, 2017). A more persistent controversy concerns the representation of agency workers. As they are employed by the agency they are in principle covered by the representative bodies and eventual shop stewards within the agency. However, they are covered by the collective agreements in the company that hired them and where they work. This has led to diverse practices where shop stewards and management in some manufacturing companies have agreed upon including the agency workers, while others stick to the rules underlining that agency workers should not be part of the user company's representative bodies (Navrbjerg and Larsen 2017).

A specific debate, but nevertheless relevant with regard to precariousness, concerns gig or platform workers. The Danish Confederation of Trade unions, LO, has prioritised investigating and debating the conditions for the platform workers. Like in international debates on platform work, a decisive question concerns whether these workers should be defined as self-employed or employees, or put differently, whether the platform itself should be considered an employer with all the obligations that imply or not. In the employers' confederation, DA, they have insisted that no new legislative steps are needed as the existing regulation clearly states when someone should be seen respectively as an employee and as self-employed. A DA representative explains that platform or gig work is still a both new and quite limited phenomenon, which implies that we do not really know how the platforms will develop. A scenario the DA wants to avoid is the introduction of legislation that eventually limits the potential on growth and employment in the platforms.

For quite some time a number of Danish platforms have been in dialogue with trade unions. The platforms basic motivation seems to be that they wish to convince both customers and platform workers that they aim for fair conditions for the workers as well as stability and quality in their services. In spring 2018 Hilfr.dk, a Danish platform for cleaning in private homes, signed a collective agreement with 3F, the United Federation of Danish Workers. The agreement gives room for the individual worker to decide whether he or she will appear as 'employee' or 'self-employed'. Further, the agreement guarantees people who work on the platform sick pay, holiday allowance and a contribution to their pension. So far, it is a pilot agreement running for 12 months, however, the parties aim for a permanent sector agreement, which eventually should include the dominant employers' organization, the Confederation of Danish Industries, DI, who has been assessor in the formation of the pilot agreement. Whether this will pave the way for bringing still more platforms within the framework of collective agreements is yet to be seen.

Finally, with regard to precariousness it should be mentioned that the presence of a relatively large group of migrant workers from especially Poland, The Baltic States and Rumania still lead to debates on social dumping. Particularly, the LO representative emphasises that sheltering workers against social dumping is a priority for the trade union movement. Various research show that the larger part of the migrants obtain wages and conditions that follow the stipulations in the collective agreements, still, they might not be on par with native workers (Andersen and Felbo-Kolding 2013). A closer look at the different groups of migrants reveals that posted workers and other groups of short-term migrants are more exposed to breaches or evasions of collective agreement and could at least partly be characterised as workers in a 'precarious' position (Arnholtz and Andersen 2016).

7 Conclusion

The overall aim in this report is to investigate whether the social partners (employers' organizations and trade unions) are actively engaging in new strategies and practices of inclusive growth through collective bargaining in the developing post-crisis period within the European Union. Summing up on the specific Danish trajectory both employers' organizations and trade unions basic strategies in the bargaining system has remained quite stable. This includes that no significant institutional changes in the bargaining system occurred in this period. Highlighted explanations for this stability were the Minimum Wage System that we find in the larger part of the private sector, and which quickly led to local level wage adjustments as the crisis hit. Further, the so-called flexicurity policies characterised by the interplay between a relatively easy access to dismiss workers, relatively high unemployment benefits and active labour market policies. Moreover, this stability shows the institutional strength of the collective bargaining system especially with regard to the role of the Confederation of Danish Industries (DI – *Dansk Industri*) and CO-Industri (The Central Organisation of Industrial Employees in Denmark); the bargaining parties behind the Industrial Agreement. These two organizations make up the main axis of the Danish collective bargaining system and this is by and large accepted by all other major organizations both on the trade union and the employer side.

In the following, we shall highlight main insights from the Danish case departing from the key-elements presented in the beginning of this report on (1) growth through wages via a 'fair' wage for all; (2) the role played by coordinated bargaining in order to obtain this and; (3) how this might shelter against the development of a low-pay segment. Critical reflections on these key-elements will be included.

Trade union representatives emphasise a main aim in the collective bargaining process is to secure a 'fair wage' meaning a Living Wage for individual workers, otherwise, the job has to go. A race to the bottom is not accepted. Employers' representatives confirm that they have no ambitions to reduce wages or go below the stipulated minimum wages in the collective agreements. Nevertheless, they do encourage wage competition, meaning there is room for competition on pay levels within existing wage scales. This has led to hard-to-dissolve controversies on for instance the 'customary wage' for a posted worker. One could argue that the unions seek to take wages out of the competition between companies, while the employers persist in the flexibility of wage scales as well as the acceptance of competition between different collective agreements covering identical groups of workers. The latter not being any major phenomenon on the Danish labour market, but revealing basic differences in social partners' viewpoints.

Wage dispersion on the Danish labour market is comparatively limited. Still, studying wage trends in different sector over time shows that wage increase in e.g. private services, including retail, cannot fully keep up with manufacturing. In spite of productivity gains in different industries is a somewhat delicate issue among both trade unions and employer there exist some kind of shared understanding that productivity gains have been most outspoken in manufacturing over the last ten years. Accordingly, it is to some degree accepted that wage increases have been higher in this sector. However, other potential explanations are part of the ongoing debate on wage trends. This includes technological innovations and increased demand for high skilled labour strengthening their bargaining position while automation and outsourcing of jobs have decreased the demand for low skilled labour and consequently their bargaining position; the so-called *skill-bias*. Further, the presence of migrant workers from Eastern and Central Europe is often brought forward as an explanation for stalling wage trends among low-income groups.

In spring 2018, a broader debate on modest wage increases has emerged especially among chief economists in different trade unions. In spite of high levels of employment and corresponding low levels of unemployment and employers' representative continuingly addressing the challenges of labour shortage, wage increases remain modest. Apart from trade union economists, university economists have stated that the stalling wage increases are 'puzzling' and 'mysterious'. Potential explanations are that workers and shop stewards fear outsourcing of jobs; employers' easy access to foreign labour or labour migrants; and that the challenge of labour shortage is exaggerated, due to among other things unregistered unemployed³. Bottom line is that there are quite some uncertainties about how to interpret the current wage trends.

With regard to collective *bargaining coordination* all the larger LO trade unions recognise that the interlinking of the sector agreements ensures that all groups on the private labour market will get by and large identical improvements in wages and conditions when collective agreements are renewed. Herby also recognizing the role of the public conciliator in linking the agreements, and if necessary that the conciliator includes sectors where the bargaining parties have not been able to reach an agreement. Crucial in this context is that the enhanced terms and condition that the workers in manufacturing gain in the first agreement concluded, sets the pattern for what workers in construction, retail, cleaning, hotel and restaurants, etc. will get. Thus, they emphasise that bargaining coordination supports an 'inclusive growth policy' although this an unfamiliar term.

In spite of the general acceptance of the interlinking of agreements, especially construction workers voiced their critique in the aftermath of the 2017 bargaining round. They argued that the bargaining process and particularly the ballot linking all sector agreements into one settlement proposal (*mæglingforslag*) was 'undemocratic', as single sectors – like the constructions workers – even though they voted 'no' were forced to accept the mediation proposal by a total 'yes'. One of the criticisms put forward was that the legitimacy of sector-based negotiations was undermined by the hard coordination of the Confederation of Danish Employers (DA). During the bargaining process, a rumour said that DA had a veto-list list of subjects that member organizations were not allowed to comply with. One of the suspected subjects on the veto-list were chain liability making main-contractors responsible for wages and working conditions in sub-contracting companies comply to the relevant collective agreement (Andersen and Ibsen 2017).

Prior to the 2020 bargaining round it seems likely that there will be discussions on how to secure legitimate bargaining processes in each sector and trade union representatives will probably question the rather heavy-handed coordination on the employers' side and ask for a matching coordination on the trade union side. Still, it is questionable whether the trade union federations are willing to transfer bargaining competencies and thereby coordination capabilities to the trade union confederation, the LO. With regard to the interlinking of agreements via the public conciliator, it seems evident that the trade unions will continue to support this proceeding. The risk that groups that are not that well-organised like private service workers will lose heavily, if they are forced to bargain on their own, is simply too high.

Even though not likely, a break down in the interlinking of collective agreements and thereby the rather forceful coordination of bargaining could lead to a significant increase in *low-paid* work. Figures show that wage gains among the lowest paid have diminished compared to other groups on the labour market, still, it is uncertain what is driving this trend. It could be an increased presence of migrant workers from Central and Eastern Europe in unskilled jobs. It could be a growing group of quite young workers in private services – including retail – most of them possibly in some kind of transition from e.g. high school to further education and eventually a more permanent job. Overall, the social partner organizations tend to agree that the coordinated bargaining system creates a rather

³ The daily paper "Berlingske Tidende", 15 May, 2018.

solid wage floor on the Danish labour market. A high level of collective bargaining coverage and a high rate of unionization are important preconditions for making sure that the wage floor remains solid. Hence, the faltering attempt to organise the larger part of workers in retail as well as in other form of private services might eventually endanger the solidity of the wage floor. In Denmark we find no statutory minimum wage, or any form of extension linked to the collective agreements. In 2015 this was confirmed by the trade union confederation and the employers' confederation, LO and DA respectively, as they signed a declaration of intent stating a number of different things regarding the relationship between the two confederations. Among them that a statutory minimum wage or any form of extension linked to the collective agreements would be incompatible with the Danish bargaining system. This led to quite intense debates in parts of the LO trade union movement. For instance, the service and hotel and restaurants workers in the United Federation of Danish Workers, 3F, are still arguing for extending at least parts of the collective agreement in the private service sector via legislation. Still, a clear majority of LO trade unions reject the idea, emphasizing that wages should be regulated via collective agreements and not legislation.

References

- Andersen, S.K. (2015). "Making Sense of Change and No Change in Employment Policies" in Borrás, S. and Seabrooke, L. (eds.) *Sources of National Institutional Competitiveness, Sense Making in institutional Change*. Oxford University Press
- Andersen, S.K. and Felbo-Kolding (2013) *Danske virksomheders brug af østeuropæisk arbejdskraft*. Report. FAOS, Departement of Sociology, University of Copenhagen.
- Andersen, S.K. and Ibsen, C.L. (2013). *Forligsmuligheder på den smalle vej ud af krisen* Research note. Copenhagen: University of Copenhagen.
- Andersen, S.K. and Ibsen, C.L. (2014) *OK2014 Vejen ud af krisen*. Research note. Copenhagen: University of Copenhagen.
- Andersen, S.K. and Ibsen, C.L. (2016) *OK2017 Konkurrenceevne og tryghed. Forligsmuligheder under et usikkert opsving*. Research note. Copenhagen: University of Copenhagen.
- Andersen, S.K., Døvik, J.E. and Ibsen, C.L. (2014). *Nordic labour market models in open markets*. Report 132, ETUI, Brussels.
- Arnholtz, J. and Andersen, S.K. (2016) *Udenlandske virksomheder og udstationerede arbejdstagere i bygge- og anlægsbranchen*, København: FAOS, Sociologisk Institut, Københavns Universitet.
- DA (2012). *Arbejdsmarkedsrapport 2012*. København: Dansk Arbejdsgiverforening.
- Danmarks Statistik (2017) *Erhvervslivets sektorer, Statistiske Årbog 2017*, København: Danmarks Statistik.
- Dansk Erhverv (2016). *E-analyse 2016*. København: Dansk Erhverv.
- Dansk Erhverv (2018). *Analyse: Aktuelle trends i butikslivet*, marts 2018.
- De Økonomiske Råd (2016) *Dansk Økonomi. Efterår 2016*.
<https://www.dors.dk/files/media/rapporter/2016/E16/e16.pdf>
- DIBS (2017). *Dansk e-handel. Alt du skal vide om e-handel i Danmark 2017*. København: DIBS.

- Due, J. and Madsen, J.S. (1996). *Forligsmagerne – de kollektive forhandlingers sociologi*. København: DJØF.
- Due, J. and Madsen, J.S. (2006) *Fra Storkonflikt til Barselsfond - Den danske model under afvikling eller fornyelse*, København: Jurist- og Økonomforbundets Forlag.
- Due, J., Madsen, J.S., Jensen, C.S. and Kjærulf, L. (1994). *The Survival of the Danish Model*. Copenhagen: DJØF Publishing.
- Ibsen, C.L. (2013). *Consensus or coercion: Collective bargaining and third party intervention*. Phd. Dissertation, FAOS, Department of Sociology, University of Copenhagen.
- Ibsen; C.L., Andersen, S.K., Due, J. and Madsen, J.S. (2011). “Bargaining in the crisis: A comparison of the 2010 bargaining round in the Danish and the Swedish manufacturing sectors”. *TRANSFER: Review of Labour and Research*, Vol. 17, no. 3 pp.323-339.
- Ilsoe, A. and Felbo-Kolding, J. (2014) *Samarbejde om arbejdstid og uddannelse – veje til rekruttering og fastholdelse I dansk detailhandel*. FAOS, Department of Sociology, University of Copenhagen.
- Larsen, T.P. and Mailand, M. (2018). “Lifting wages and conditions of atypical employees in Denmark – the role of social partners and sectoral social dialogue” in *Industrial Relations Journal*. Forthcoming
- Madsen, J.S., Due, J. and Andersen, S.K. (2016). ‘Employment relations in Denmark’ in Bamber, G., Lansbury, R. Wailes, N. & Wright, C.F. (ed.) *International and Comparative Employment Relations. National regulation, global changes*. 6th edition. London: Sage Publication; 208-236.
- Mailand, M. and Patricia Thor Larsen (2017) *Bargaining and Social Dialogue in the Public Sector (BARSOP) National report Denmark*. Copenhagen: University of Copenhagen.
- Navrbjerg, S.E. and Larsen, T.P. (2017) *Forhandlinger på arbejdspladsen – når centrale overenskomster anvendes lokalt*. FAOS Research note no. 156. Copenhagen: University of Copenhagen.
- Pedersen, J. (2017). “Kapitel 4. Lønudvikling, løndannelse og økonomisk ulighed” in Ploug, N. (eds.) (2017). *Økonomisk ulighed i Danmark*. København: Jurist- og Økonomforbundets Forlag.
- Ploug, N. (eds.) (2017). *Økonomisk ulighed i Danmark*. København: Jurist- og Økonomforbundets Forlag.
- Produktivitetskommissionen (2014) *Slutrapport: Det handler om velstand og velfærd*. København: Produktivitetskommissionen.
- Scheuer, S. (2017). *Atypisk beskæftigelse i Danmark*. LO-dokumentation Nr. 1/2017.
- Sisson, K. (1987). *The Management of Collective Bargaining*. Oxford: Basil Blackwell.
- Toubøl, J, Ibsen, C.L. and Larsen, A.G. (2015). *Udviklingen I den faglige organisering på det segmenterede danske arbejdsmarked 1995-2012*. FAOS Forskningsnotat 147. Københavns Universitet.
- Traxler, F. (1995) ‘Farewell to Labour Market Institutions? Organized versus Disorganized Decentralization as a Map for Industrial Relations’ in Crouch, C. and Traxler, F (eds.) *Organized Industrial Relations in Europe: What Future?* Aldershot: Avebury: 3-19

Annex

Persons interviewed

Pernille Knudsen, Deputy Director General, The Confederation of Danish Employers (DA, Dansk Arbejdsgiverforening)

Martin Steen Kabongo, Head of Collective Bargaining, The Confederation of Danish Employers (DA, Dansk Arbejdsgiverforening)

Allan Lyngsøe, Chief Economist, The Danish Confederation of Trade Unions (LO)

Kim Graugaard, Deputy Director General, The Confederation of Danish Industries (DI, Dansk Industri)

Anders Søndergaard Larsen, Deputy Director, The Confederation of Danish Industries (DI, Dansk Industri)

Claus Jensen, President of Danish Metalworkers' Union (Dansk Metal) and President of CO-Industri

Thomas Søby, Chief Economist, Danish Metalworkers' Union

Laurits Rønn, Managing Director, Danish Chamber of Commerce

Kim Jensen, Head of Collective Bargaining, Salaried Employees Union – Section Retail (HK/Handel)