

# **The Danish Model: Erosion or new stability**

**FAOS' research program 2019-2023**

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### **The Danish model: Erosion or new stability**

Danish trade unions continuously lose members, although they in recent years have managed to slow down the decline. Recruitment of new members are difficult because job growth takes place in areas where the trade unions have not traditionally been strong.

In the employers' associations a still limited but growing group of employers opt out of the collective agreements and become so-called associated members.

The recent collective renewals have been dramatic. In two subsequent public sector bargaining rounds the need to reform the collective bargaining model was discussed; some even argued that the model did not work in the public domain at all.

In the wake of the private sector collective bargaining round in 2017, there has been an intense debate about coordinated bargaining and the linking of the collective agreements, which ensures a uniform development of wages and conditions across industries – a cornerstone in the Danish model.

Furthermore, there are still discussions about labour migration, atypical employees and the emergence of digital platform companies. Can the Danish model cope with the pressure or is the model's foundation about to erode?

Despite these trends, it has been 20 years since the last major conflict on the Danish labour market. There has been isolated conflicts within the public labor market. However, overall employers' associations and trade unions have managed to negotiate solutions through the crisis years.

Furthermore, in recent years, a number of tripartite agreements were concluded, driven by the government, but the social partners have been able to deliver what was needed to get the agreements signed. Accordingly, in spite of diverse interests and tensions internally on both the trade union and employers' side, the social partners are able to sign agreements with the government on significant societal challenges.

Considering the stable relationship between the employers, trade unions and governments in office, including twenty years without major labour market conflicts, then maybe we are facing a new phase of stability?

The FAOS research program 2019-2023 will, on the one hand, focus on the cracks in the foundation under the Danish Model and, on the other hand, the continued ability to find solutions in spite of many and diverse challenges.

### **Core areas and focus areas**

In the period 2019-23, FAOS' research program will unfold within seven project themes that will be presented below. The seven project themes are not ranked equally, as they are divided into core and focus areas, respectively.

The *core areas* of FAOS' research is the organizational and collective bargaining system in the Danish labour market. Thus, there is a focus on the organizational development on both employee and employer side, including member development, mergers, cooperative relations, etc. Likewise, there is a focus on the collective agreements in the private and public labour markets, including the process of negotiations.

It is at the workplaces that the collective agreements are implemented. This is why agreements and cooperation within the workplaces are also part of

FAOS' core research. The same applies to various types of European Union (EU) initiatives such as labour law directives, verdicts from the European Court of Justice as well as EU policy recommendations and coordination with implications for labour market regulation in Denmark.

Linked to the core areas are selected *focus areas* that have a particular topicality. In this research program, we focus on three specific areas. They deal with foreign labor, the future labour market (including digitization and atypical employees) and the value chains of companies, respectively. The detailed content of the core areas and focus areas are elaborated below.

While research activities in the core areas are financed mainly by the program grant, research in focus areas are financed mainly by supplementary project grants. The majority of FAOS' research activities during the program period will take place in the core areas.

One of the ambitions for the coming program period is to write and publish books in relation to FAOS 'core areas. Further, we will publish articles in high-ranking international and Danish journals, research notes and chronicles as well as articles in daily papers, newsletters etc. Within the focus areas, we will publish the same type of publications, but the scope will depend on project funding.

## Project themes

Below we present the seven project themes that creates the framework for research projects in the program period. The project themes cover both core and focus areas of research.

### First project theme

#### **The collective bargaining systems – continuity and change**

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

FAOS' analyses of the collective bargaining systems are primarily relational analysis that closely studies the actors in the negotiation process. However, outcomes of the bargaining process is part of the analyses as well. The collective agreements are closely linked with labour market legislation as well as social, educational and employment policies, formulated in e.g. tripartite negotiations

Overall, the research into collective bargaining systems and political regulation on work and welfare will, firstly, focus on procedural issues, in the form of the negotiating processes between the negotiating parties as well as internally on either side of the negotiating table. Secondly, the research will focus on substantive issues, that is, the content of the agreements – including developments in the balances between the different dimensions of flexicurity.

FAOS' research in this project theme will focus on the following issues:

- *Continuity, changes and challenges in renewal of collective agreements in the private and public sector*
- *Is the legitimacy of the coordinated bargaining system being challenged?*

- *How does the private and public bargaining system develop in relation to each other?*
- *How does the bargaining model and welfare state interact?*

### Second project theme

#### **Labour market organizations - development in structure and memberships**

The two former trade union confederations, LO and FTF have joined forces in a new joint confederation, Fagbevægelsens Hovedorganisation (FH) which brings together non-academic employees from both the private and the public labor market in the same confederation. This is a historic change. The hope is that the new confederation can help to stop membership loss that especially the LO has experienced since the mid-1990's. Former FAOS studies have shown that the degree of unionization is particularly low in private services, transport and retail. The question is whether that development can be reversed within these as well as other sectors.

Although the share of employers joining employers' associations has been stable for many years, this is not only a sign of continuity and stability. Conditions for companies are constantly changing, not least under the impression of increasingly strong international competition, which entails new demands on employers' organizations. FAOS' research has shown that many employer organizations have managed to change strategies, among other things by developing a number of new services to the companies as a supplement to the traditional role as employer organization. For some, it has also meant a new composition of member companies, which is partly due to the emergence of new industries and thus also to new types of companies with other traditions for cooperation and negotiation.

FAOS research will in particular focus on the following questions:

- *New professional and employee identities in a "conglomerate" labour movement*
- *Professional mobilization - new communication and/or new activism*
- *Employer strategies - recruitment and retention*
- *Employers - services and agreements*

### Third project theme

#### **Local negotiations and the company based agreement model**

In recent years, several collective agreements have paved the way for local agreements that deviate from the sector agreements. The prerequisite for such decentralized bargaining is, however, strong and representative parties at company level. If the local parties are able to reach local agreements, the company often achieves increased efficiency and competitiveness. One can imagine that many companies succeed in creating win-win agreements where both management and employees see benefits. However, what happens if management and shop stewards cannot find common ground? Are there companies where local agreements are regarded as zero-sum agreements – that is, where only one party is winning? This raises a number of questions for the Danish model locally:

- *Implementation and administration of sector agreements at company level – successful or not?*
- *Strengths and weaknesses in the decentralization of the bargaining system*
- *Coordination of collective agreements - the experience of management and shop stewards*

#### Fourth project theme

##### **The Danish model and the ambiguous relation to Social Europe**

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

The main actors in the Danish labour market, as in several of the other Nordic countries, have a ambiguous relation to European social and labour market regulation. On the one hand, it is appreciated that Denmark often have been used as a role model on the European scene when it comes to social and labour market regulation. This has given Denmark an influence beyond what one might expect for such a small member state. On the other hand, the Danish organizations have generally tried to fence in the Danish model by claiming the principle of subsidiarity. We will look into these areas in the research program:

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

#### Fifth project theme

##### **Future labor market: Digitization, atypical employment and challenges for agreements and legislation**

Digitization means that some jobs and job functions are automated and others are replaced. There is therefore a need for new forms of continuing training. Atypical employment – also linked to digital platforms – includes opportunities for both employers and employees in the form of increased flexibility and as a "stepping stone" for full-time employment. However, the atypical employees, often defined by part-time employees with few weekly working hours, fixed-term employees and temporary agency workers, have a lower degree of unionisation and collective coverage than the average on the labour market. In addition, the trend suggests that more Danes will combine an employment relationship with income as self-employed, including jobs via digital platforms. Overall, digitization and atypical forms of employment thus pose questions to

existing agreements and legislation. During the program period, we will focus on issues like these:

- *Digital platforms such as labour market integration*
- *Digital automation, employment and continuing education*
- *Hybrid work and the Danish model*
- *How do the labour market organizations relate to atypical employees?*
- *Where are the atypical employees employed, how and why?*

#### 6<sup>th</sup> project theme

##### **Value chains and changing labour relations**

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

- *What drives changes in the value chains and how does it affect the labor market relations in the industries that are changing?*
- *What are the challenges of changing value chains for trade unions and employers' organizations?*
- *How do value chain changes and the Danish model play together?*

#### 7<sup>th</sup> project theme

##### **Labour migrants - recruitment, qualifications and integration**

Foreign labour has played an increasingly important role on the Danish labour market for more than a decade. However, it is questionable if Danish companies are able to recruit, retain and integrate foreign labour in a situation where European competition for labour is intensified. Furthermore, previous studies raise the question of whether the foreign workers have the right competencies, and whether Danish companies are able to utilize the competencies of foreign workers. Finally, there is still discussion about whether foreign workers obtain wages and conditions in accordance with the collective agreements – a discussion fuelled by a relatively constant flow of social dumping cases. This then raises questions about whether the social partners are able to find solutions to these challenges or if labour migration remains an area of conflict complicating the renewal of collective agreements.

- *Recruitment and retention - when does integration succeed?*
- *Foreign labour and education - does it work?*
- *Social dumping - common solutions or new challenges?*