



WP4: Case studies Denmark

Industrial Relations in the pork value chain

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1. Introduction

This report is part of the *Meat-Up Ffire project - Fairness, freedom and Industrial Relations across Europe: Up and Down the Meat Value Chain* under DG Employment. The overall aim of the project is to improve the expertise and knowledge of industrial relations through analysis and research in the specific field of the pork value chain.

This report is the Danish contribution to Work Package 4. It consists of two case studies in the Danish pork value chain.

The two cases chosen is a major pork farm and the biggest slaughter house along the pork value chain in Denmark, Danish Crown.

The cases are chosen with the purpose of investigating how actors along the value chain perceive conditions in the business as well as how industrial relations are at work place level. WP2 and WP3 from Denmark showed – compared to many other countries – that industrial relations along the pork value chain in Denmark are highly institutionalized rather orderly, with a union density of 90 per cent in processing and app. 25 per cent in farming. Interestingly, foreign labour is unionized to the same degree as national labour which is unusual compared to other countries. Furthermore, working conditions in general are considered good (again in international comparison).

Thanks a lot to the interviewees from the farm and Danish Crown. Without their time and valuable inputs, it would not be possible to investigate and analyze the challenges and possibilities along the pork value chain.

The list of interviewees is to be found in the Appendix of this report.

2. Case 1: A major pork farm

Background

Denmark has approximately 3,200 pig farms as of 2019. The farms are getting still bigger, and the half-life is 7 years. In 2025 the number of farms will be approximately 1,600 farms and the remaining farms will be bigger.

The farm production in Denmark is very effective – in 1985 a sow in average produced 19 piglets, in 2015 it produced 32. Furthermore, the production pattern has changed and Denmark is today producing a substantial number of piglets for export (see WP 2 for further information).

The case farm – a holding company

The farm visited is among the bigger farms and as such represents the future of Danish pig farms. The farm has been in the family for generations and the present owner took over from his father in 1991.

The farm is actually also a holding company with a surplus of 1.125 million euro and equity of 6.7 million euros. The farm has a website, where a profile of the company is presented as well as the business strategy and the employees.

Production and structure

When the company was established in 1991 it consisted of 50 hectares. Since then, they have invested constantly and basically ‘geared’ their investments as much as the banks allowed. Today, the farm has 550 hectares of land and lease another 500 hectares. Crops from the land makes an important contribution to fodder for the animals. The production takes place on six farms. The herd is a so-called ‘full-line’ as it consists of all three segments along the first part of the pig value chain:

- 1,800 sows
- 55,000 piglets
- 54,000 slaughter pigs.

This is a bit unusual as most farms concentrate on one segment. However, the owner consider this a risky business:

“Most famers chose to have piglets and sows OR slaughter pigs. Due to the competition [on wages in slaughter houses], half the piglets in Denmark are going abroad. Most farmers are having either-or. I have another philosophy – I like to have as much of the value chain as possible.”

Furthermore, half the fodder is produced ‘in-house’ on the fields owned and leased. However, the farmer wants to enhance the production of fodder, so as much as possible is produced on his own land. The motivation is to a large degree the drought in 2018, where farmers in general were hit hard; while the prices on fodder rose due to the drought, prices on pig meat stayed stable.

“I would like to control as much as possible in the feed – to minimize risks. We had a really bad harvest last year [2018]. Fodder went up, meat did not – and we got caught in between.”

In 2018 the bottom line was zero – as oppose to the budgeted surplus of 1 million euros – all due to the drought and the high prices on fodder.

The farmer has started a 2.4 million Euros renovation project, where he is merging two farms.

The farm has 20 employees – 10 Danish and 10 foreigners. There are three team leaders – one for sow and piglets; one for slaughter pigs; and one for the fields. They move around between the different farms and are responsible for the fodder and growth of the animals.

CSR and full control along the value chain

This farmer will not engage in export of piglets for feeding in other countries. One thing is the risk of African swine pest – but more importantly, he is alert about the ‘politics of pig production’:

“It is a political risk – there is a political focus on the export of piglets. Nobody understands why we produce piglets in Denmark, only to drive them to Poland, Romania, Italy. Even I think this is strange.”

He does acknowledge that it more expensive to slaughter in Denmark – but as a member of the Cooperation Movement (he is in the board of Danish Crown), he finds it vital that he and the movement controls as much as possible in the value chain.

“I might earn a bit less, but I have a solid business. I am part of the Cooperation Movement, I want to get parts of the value addition in as many links as possible along the value chain.”

But the international competition makes it especially difficult to keep slaughtering and processing in Denmark.

“I work hard to have a competitive production in Denmark because I believe that we have to have the whole value chain here – breeding, growth and slaughtering. But it is damn difficult when they have so different working conditions in countries around us.”

His consideration is that processing can go abroad – because locals have special requirements. However, even though the unprocessed meat goes abroad, Danish Crown still has influence; recently, Danish Crown invested 40 million Euros in a processing facility in Shanghai.

Industrial Relations at the farm

The farm has 20 employees – about half are from abroad, mainly Romania and Slovenia, while the remaining are Danish nationals. All employees are organized in a trade union and the farm has a collective agreement. The monthly wage is 23-24,000 DKK (3,200 Euro) per month plus pension. Generally, the farmer appreciate that the collective agreement stipulates the wage level and working conditions, and he also appreciate that the employers’ organisation can handle problems related to working conditions. However, there are also challenges.

The farmer is cooperating with two unions. 3F (Fagligt Fælles Forbund – United Federation of Danish Workers) is the main trade union which most of the organized employees in farming are members of, and it is the trade union that his employers’ organisation has a collective agreement with. In the farmer’s capacity as member of the board in Danish Crown and chairman of the interest organisation Danish Slaughterhouses, he also has experience on NNF (Food Worker’s Union – NNF Denmark). While cooperation with 3F has sometimes

been problematic, as they use pretty hard means to obtain collective agreements with farmers, the perception of NNF is quite different:

“NNF understands the situation. We actually have common interest to work to make any company strong and profitable.(...) In the slaughter houses, we have really been able to cooperate with the union and obtain good results. They understand that we have to have a competitive business along the value chain. NNF understands that. (...) We have a very open dialogue.”

Labour shortage → foreign labour

The farmer already started recruiting foreign labour back in the 1990's. A major local factory was expanding and sucked up pretty much all labour in the area, and that motivated the farmer to look for labour abroad. Today, it is generally difficult to get young people to work within farming. The farmer tries to get young people to work after school and some are continuing, but generally it is difficult to get young Danes to work in the sector. Hence, the recruitment of foreign labour, who are also considered more mature than young Danish workers.

Half the employees are foreigners, mostly from Romania and Slovenia. While in general Ukrainians are popular in Denmark, this farm prefers workers from an EU-country as the paper-work is easier. The employees are seldom educated in farming, but they are highly motivated to work abroad, and that is crucial for the employer. After three months it is clear if they are cut out for the work and they get a 2 year education.

Many of the employees from these countries are members of the trade union 3F, but the employer does not discuss union membership with them. Their wage is exactly the same as for the Danish workers as they follow the collective agreement.

The culture between the different nationalities is quite significant, and even employees from one country can be very different. This farmer has hired quite a few from the poorest part of Romania (East) – de facto Romas – and consider them very good labour.

“This is super labour. They only have problems understanding why they are getting wage when they are sick. They don't understand why they cannot work more per week so they can get home to the family.”

Both the employer and the employees find the system too rigid:

“This is one of the stupid elements in the Danish system: I can only employ them for 160 hours per month four weeks, otherwise we have to pay overtime. The collective agreement is not flexible enough here.”

Ideally, both parties would prefer a system where the foreign employees would work for example 60 hours per week for four weeks, and then have two weeks

off. But the collective agreement does not allow this. The farmer cannot afford to pay overtime if he wants to stay competitive.

The farm has a brand new house where foreign labour can live – temporary or more permanent – for up to seven people. Currently, only three is living there while quite a few have bought houses and brought their family to Denmark. Due to the risk of contamination, the employees are not allowed to bring food from their home country. The farm is providing full board for employees at the price of 105 Euros per month (800 DKK), and those who decides to live at the farm pays for the accomodation.

The cooperation movement

Knowledge sharing is quite widespread. If you have a problem on a farm, you discuss it with the neighbor.

“The knowledge sharing in Danish farming is awesome! If I have a problem, I talk to the neighbor and he gives me an advice. And I trust him – I trust he is giving me a good advice and will help me. You will not experience any other place in the world where you have such an open attitude. (...) We believe that 2+2=5 if you share knowledge.”

Not only the farmer, but also the three team leaders are part of ERFA-groups (Peer-to-Peer Groups), where they formally meet every six months –in the summer time every 2 weeks to discuss contemporary problems. A team-leader explains:

“We develop our genetics by sharing knowledge. That means that our piglets have the best genetics in the world. We share – it is not like in other countries where you keep new ideas to yourself.”

In Denmark there is an ongoing discussion on the integrator-model seen in the USA and in Spain – i.e. a system where all links along the pork value chain from fodder over breeding to final product is owned and controlled by one enterprise. The farmer consider the model smart with regards to control over the value chain, but efficiency wise it is not impressive.

“They have a staff turn-over of 75 % per year and they produce 25 piglets per sow while we are able to deliver up to 40 piglets per sow.”

Strengths of the Danish pig production

The farmer list up three elements where Danish pig production is state of the art: 1) Genetics, 2) Feeding efficiency 3), Environment.

He especially emphasizes the environment:

“Environment is very important as part of the discussion of sustainability. If you calculate the total CO2 produced per pig, then I am world champion! (...) We believe that we will be able to deliver positively to the agenda on sustainability.”

Danish Crown has promised to half the CO2 print before 2030. While genetics is a strength in Danish pig production, Danish farmers also sell out of the genetics. However, this farmer is not worried:

“You might have the right genetics – but part of it is management; if you cannot handle the genetics in the right way, you are not able to get full dividend of the genetics.”

Furthermore, when genetics are exported, a royalty is payed and delivered to Danish farmers.

Epilog: A typical farmer...?

The farm in this case study is among the 50 biggest pig farms in Denmark – out of 3,200 pig farms. The owner is vice-chairman of the interest organization Danish Agriculture & Food Council (Landbrug & Fødevarer), he is chairing the so-called ‘Company Board’ in the same organization and is member of the board in Danish Crown. He is without any doubt a quite powerful farmer in the Danish pig value chain.

Therefore he might not be the average Danish pig farmer. However, we know that the number of pig farms are decreasing and farms are becoming still bigger. In other words he might actually be an example of where Danish pig farming is heading – and an example of the professionalism in the Danish pig business.

3. Case 2: Danish Crown slaughtering and processing

Background

The slaughterhouses in Denmark has undergone a drastic change over the last two decades. Employment in slaughtering and processing of pork has gone down from 10,000 employees in 2008 to approximately 7,500 in 2016 – equaling 6,000 full-time employees. While the slaughter houses a decade ago was ridden by recurrent industrial conflicts, today the industrial relations along the value chain is relatively stable.

The case company – the biggest player in Denmark

Danish Crown food processing company is dealing primarily with meat processing of pork and beef. It is Europe's biggest pork producer as well as Europe's largest pork processing company. Danish Crown was originally formed in the 1990's as a merger between several slaughterhouses. Tulip is part of Danish Crown and is the food-processing part of the company. From 1990 and onwards Danish Crown took over pretty much every major slaughterhouse in Denmark and the pork division now consists of seven slaughterhouses in Denmark.

Danish Crown has the Cooperative Movement as a central part of its DNA. In 2010 the members of the Cooperation Movement voted to change Danish Crown from a cooperative to a joint stock company. However, the owners are still farmers – though now through a cooperative, *Leverandørselskabet Danish Crown Amba*.

Danish Crown has production in Denmark, a number of European countries as well as China. The company has market access to more than 130 countries worldwide. Danish Crown has a turnover of app. 13.5 billion Euros and export accounts for some 3.3 billion Euros. This is 22 per cent of the Danish overall food export and accounts for approximately 4 per cent of the total Danish export. 26,000 people worldwide are employed in Danish Crown.

The empirical focus for this case-study is a slaughter house and a processing factory under Danish Crown. The slaughterhouse employs some 1,100 – the majority are men. The processing company employs app. 250 employees – about 205 of these are on the production line.

Industrial Relations in slaughter and processing

Generally, the industrial relations within slaughtering and processing has changed from conflictual to rather cooperative over the last decade. While strikes were quite prevalent in the 20th century and the in the beginning of the 21th century, the last decade has been more cooperative on company level. The reason for this is a realization within the sector that international competition is getting still fiercer and robotization is inevitable. Hence, the union NNF seems to have embraced the development and wants to have a say in the development. This is confirmed by a shop steward in a slaughter house:

“I’m not that intimidated by the new technologies. We have to take it – otherwise we will be left behind.”

Shop Stewards, slaughter house

All workers on the shop floor in the slaughter house are members of NNF. It is different in processing where 142 out of 205 employees on the shop floor are members of NNF. The remaining are either members of an alternative union (like the Christian Union) or not organized at all. The shop stewards attitude is quite clear regarding these. The moment, a person is getting a job, the message is clear:

“You are now working here and you have free choice of union. We in NNF have the collective agreement. If you are not member, you cannot ask me about anything but the size of your work clothes and your shoes. I will always say hi to you and be nice to you and smile. But if you need help regarding further training, the competence fund etc., I cannot help you.”

Shop Steward, Processing

He furthermore explains to all employees how the union and the employers’ organization are solving problems at an early stage – before it develops into a conflict.

The tendency is that elder employees are members – while many younger employees refrain from trade union membership:

“The old ones are almost all members of the union: ‘That is how it was - that is how it is – that is how it is best’, they say. But most of the young people – they don’t want to be members.”

Shop Steward, processing

Management does not actively encourage membership of a trade union, but appreciates that negotiations are institutionalized.

Constant information about the development along the value chain

In the slaughterhouse the employees are wearing earmuffs as protection against noise. However, the muffs also has a radio and several times a week the shop steward informs the employees about the general development along the pork value chain. The shop steward considers this an important reason why there is less industrial conflict.

Some 10 years ago, slaughter houses were known for strikes and industrial conflict. We don’t see that much more...

“I don’t know if you paid attention to this, but all employees has a radio on their ears. I can talk to all employees. We inform them about what is

happening in world; about swine pest, the prices of pork on the world market. They get all the news about what is happening in this area. That has helped a lot. Before we did that... Often a strike started based on a misunderstanding, they did were not informed. (...) They know now what it means for the pork business when Trump makes an embargo against China.”

Shop Steward, slaughter house

This is one expression of a change in the relations between management and employees.

Another issue was distance between top management and floor. Management has over the last 3-4 years made an extra effort to connect to employees and especially shop stewards, and likewise shop stewards are trying to inform before potential conflicts – all in all leading to a more cooperative culture.

All in all, more information and dialogue seems to have changed a conflictual relations to a more cooperative relation.

Labour shortage → foreign labour

Lack of labour has been a problem, but due to proximity (the slaughter house is close to the German border) it has been possible to recruit from Germany. While it has been flawless due to the fact that most employees (and shop stewards) speak German, it has been more problematic to integrate Polish workers as there is a major language barrier.

“Most Polish speaks Polish – and nothing else. They are good colleagues. But the language, it is frustrating. To explain them about piece work – they think management want to cheat them. It is difficult to understand even for a Dane. So NNF has hired a Polish as translator – but it is also difficult for him to understand the system.”

Shop Steward, slaughter house

It has also been possible with some success to integrate Syrians and other refugees – with support from the Danish state. However, the shop stewards points out that there also are Danish labour that need a helping hand to get a foot-hold on the labour market.

Approximately one third of the employees are foreigners – that goes for both the slaughter houses and processing. In general, management’s impression is that the foreign labour is very loyal and stable. Employees from other countries are willing to work under a certain hardship in a slaughter house, and especially refugees are highly motivated.

As pointed out in WP3, the foreign labour in slaughter houses are organized to the same degree as Danish labour – that also goes for the employees in this slaughterhouse. Furthermore, the shop stewards in both processing and slaughtering are very active in integrating foreigners in workplace. They help

out in many regards including courses in Danish and explaining the collective agreement. During our interview and visit in the slaughter house, several employees contacted the shop steward for questions and help; half of them were non-Danish. On the processing plant, they have courses in cooking where the employees use written recipes as a tool to learn Danish.

Health & safety: When the good will has negative consequences...

Obviously the slaughter business is very hard health wise, and not least the piece work system is putting pressure on the workers.

Some years ago, the labour inspectorate changed the demands for piece work. The inspectorate made a maximum of 220 % (!) in piece work in boning as they considered it the limit a person could do. However, at the time each worker had several tasks and as such a variation in the work. As management in the slaughter houses could not optimize the piece meal further, they changed the work organization from being based on work stations to being based on assembly line. The result is more health and safety problems due do repetitive work.

“The line is very fast – same movement all the time. That was a huge mistake! A huge mistake. Management could not use that for anything, we could not produce. It was a ‘victory’ for the Labour Inspectorate, but it really did not work in the real world, in the slaughter house.”

Shop Steward, slaughter house

Epilog: Typical shop stewards...?

Neither the shop steward in the slaughter house nor the shop steward in processing might be the average shop stewards. The shop steward in the slaughter house is member of the board on Danish Crown, he is member of the negotiation committee in NNF – the committee negotiating the collective agreement for the slaughter workers and he is chair of all shop stewards in Danish Crown.

Likewise, the shop steward in the processing company is member of the board in Tulip (the food processing division of Danish Crown), he is member of the Danish Crowns main works council (koncernsamarbejdsudvalg) as well as Danish Crown education council (uddannelsesudvalg) and is vice president in the European Works Council with members from UK, Poland and other countries.

Discussion

Overall, the interviewees are quite proud of the Danish production along the pork value chain. There is an ongoing awareness about quality, and Danish pork meat is considered among the best in the world – both in quality and measured in carbon foot-print, which is also an important issue when branding the pig value chain.

However, all along the pork value chain – from politicians in interest organizations, farmers, shop steward in the slaughter house to management in processing and slaughtering – there is a detectable concern about how actors along the Danish pork value chain is treating our treasures. Genes and the DNA of Danish pigs are sold abroad and so is machinery and robots as well as turn-key slaughterhouses. This as a source of major concern amongst actors along the pork value chain in Denmark

Another issue is the coherence of the Cooperation Movement. Sometimes, when farmers are unsatisfied with the price they get for their pig they send it to Germany for slaughtering – ‘to teach Danish Crown’! Again, parties from all links in the value chain – except a few farmers – consider it a problem that farmer sometimes do not quite understand how intertwined the value chain is in Denmark. As a shop steward expresses it:

“They are sawing of the branch they’re sitting on. They own the slaughter house, but send their own pigs to be slaughtered abroad!”

Shop Steward, processing

Appendix – methodology

The data for the case studies are based on five interview – three in Danish Crown and two on the farm. Furthermore, information on the farm and Danish Crown was trawled on the internet and via research on the companies' markets situation and economic position in the pork value chain.

The interviewees were

- The owner of the farm
- A team leader on the farm
- The HR-manager of Danish Crown
- A shop steward in a slaughter house in Danish Crown
- A shop steward at Tulip (processing under Danish Crown)

The interviewees were found through unions and employers' organisations.