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Social Dialogue and the public services in the aftermath of the economic crisis: strengthening partnership in an era of austerity

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1. Introduction¹

This report includes the findings from the Danish part of the EU-funded research project *Social Dialogue and the public services in the aftermath of the economic crisis: strengthening partnership in an era of austerity*. The aim of the report is to address and discuss three overall research questions:

1. What changes have there been in job levels, terms and conditions of employment and patterns of work organisation in the public services in recent years?
2. How have these changes been designed and implemented and to what extent has social dialogue contributed to the change process at national and sectoral level?
3. How have institutions of social dialogue influenced industrial relations processes/outcomes in the public services?

A further aim is to discuss if the austerity measures are mainly about quantitative cuts or if they take the form of qualitative (more structural) changes - or a combination of both.

This first section includes a description of the division of responsibilities for public services and the basic features of the public sector employment relations model (ER-model) in Denmark. The second section describes various dimensions of the austerity measures, including the role of the social partners in these. The third section is divided in two. The first part describes and discusses the local government sector with a special view on the local authorities' economic situation and the social dialogue that take place in the local authorities - whatever in the form of collective bargaining or other types of regulation. The second part of section three includes two local government case studies. The fourth and final section presents the conclusions of the report.

1.1 The responsibilities for public services and the size of the sector

The responsibilities of the three main areas for public services – state, county/region and municipalities - were changed at the so-called Structural reform, implemented in 2007, when 273 municipalities were amalgamated to 99 and 14 counties were liquidated and replaced by 5 regions with a narrow range of responsibilities. The aim of reform was to create economies of scale and to improve welfare service by reshuffle the division of responsibilities between the three main areas. The municipalities (local governments) were a net-gainer of

¹ Some sections of this report are also found in the paper by Mikkel Mailand and Nana Wesley Hansen: 'Public service relations in an era of austerity – the case of Denmark. Paper to the Special Seminar 'Public service employment in an era of austerity: from cutback management to structural reforms? ILERA World Congress, Philadelphia, July 2 -5, 2012'. The final draft of the report was written in November 2012.

areas of responsibility at the reform. The areas of *municipal* responsibility are now (Indenrigs- og Sundhedsministeriet 2006):

- Social area
- Childcare
- Initial schooling (up to 10th grade)
- Education for adults with special needs
- Elder care
- Health (minority of sub-areas)
- Activation of unemployed and employment service
- Integration and language skills of immigrants
- Water, gas and electricity and rescue service
- Culture (sub-areas such as libraries, music-schools, sport-facilities, etc.)
- Local roads

The responsibilities of the *regions* are:

- Health (most subareas, incl. hospitals, practitioners and special practitioners)
- Institutions for a number of groups with special needs
- Regional development
- Earth pollution
- Raw materials
- Set-up of public traffic companies

The responsibilities of the *state* are now:

- Policy, defence and juridical system
- Foreign relations and foreign aid
- Overall planning of health area
- Tax
- Education and research (except for above mentioned)
- Social area (only one subarea)
- Roads and railways
- Overall nature, environment and planning tasks
- Culture (only a few sub-areas)
- Industrial grants
- Receiving asylum seekers

The number of employees in the municipal sector is 443.000, in the regional sector 122.000 and in the state sector 183.000 (Statistics Denmark 2012).

1.2 Basics of the Danish public sector employment relation system

About 32 percent of the Danish workforce is employed in the public sector. This share has remained relatively stable over the past 20 years despite increasing privatisation and outsourcing of public services. The employment figures include a larger share of part-time employees compared to the private sector. Thus, the share of individuals working in the public sector is probably larger than the 32 percent (Ibsen et al. 2011). Public employees are distributed within the three tier public sector structure, but the large majority of the employees work within the municipalities.

In Denmark, the austerity measures and other responses to the crisis have been implemented through a public sector ER-model characterized by relatively limited legislation, bipartite collective agreements at all levels with high coverage rates, (ad hoc) tripartite social dialogue, an extensive system for employee involvement, and relatively strong trade unions. This is an ER-model where one could expect the social partners to be playing a more than marginal role in the responses to the crisis and also – in the case of the trade unions – to attempt to resist at least some of the government's crisis related policies.

In model terms, the Danish public sector ER-model comes closer to the 'model employer' than the continental 'sovereign employer' (Bach & Bordogna 2011). In the latter, the employment relations are unilaterally determined by the government, and collective bargaining is absent or severely restricted. In the former, the public sector is based less on isolating the public sector from conventional processes of employment relations, such as collective bargaining, but concentrate on the state posing as an example to other employers. The Danish case has also – together with the other Scandinavian countries – been described as a variant of neo-Weberian welfare state that has adopted their modernization efforts earlier and more rapidly than central European countries (Politt 2007). Research of the pre-crisis public sector has found NPM-reforms to be introduced in Denmark, but these have been described as 'moderate' and as not having bypassed or side-lined trade unions. The basic features of the public sector ER-system remain unchanged and the ER-model has shaped the type of NPM introduced (e.g. Ejersbo & Greve 2005; Ibsen et al. 2011).

The collective agreements cover wages and all issues of working and employment conditions, and a developed codetermination system with codetermination committees on occupational as well as local level has been established. Social partners establish general wage scales and terms and conditions at the overall level (state, region or municipalities) which are then integrated into individual agreements for different occupations. However, wage reforms since the 1990s have introduced local-level wage bargaining. This allows for individual or group supplements at the administrative unit/workplace. Legislation is limited, but plays a role, most importantly in the form of the Salaried Employees' Act, which includes a minimum of three month of notice for public employees after a three months trial period. Yet an important feature of the Danish ER-

model (that Denmark shares with the other Nordic countries) is a declining and limited number of civil servants with special statutory employment protection. Civil servants are in general covered by collective bargaining, not unilateral regulation (Due and Madsen 2009; Ibsen et al. 2011).

Applying a modified version of Clegg's (1976) terms of collective bargaining level, coverage and scope can provide a more detailed account of the collective bargaining system. Regarding the *levels* and *scope*, all three main bargaining areas - state, regions (health) and municipalities – have a two tier structure, where the first (highest) tier is subdivided in two. The most important part of the first tier is sector-level bargaining, that normally takes place every second or third year. During these bargaining rounds the state, the regional and the municipal employers respectively bargain with the trade unions, or more precisely with bargaining cartels (coalitions) made up of representatives of these. The negotiations cover the overall costs for the bargaining round as well as cross-occupations working and employment conditions (this can include issues related to working time, employment conditions, training, social benefits, senior conditions, working environment, etc.). The first tier also includes organisational bargaining, which takes place more or less simultaneously with the sector-level bargain. Here the individual trade unions bargain themselves on all occupation-specific parts of wages, pensions and working conditions within a decided economic frame. Moreover, development of various projects is often agreed at this level. In times of tight budget, there can be very little to bargain on at this level.

The local level is the second bargain level. This has gained in importance due to the partial decentralisation mentioned above. In the municipalities and the regions, around 7 per cent of the wages were in 2010 set at this level, whereas the figure for the state was 10 percent (Hansen 2011). It is the individual trade union which decides who represents them locally. As a general rule it is a trade union related shop-steward who bargain. Other issues than wages can be bargained on as well. This is the case for, inter alia, working time, training and policies for senior employees.

Regarding *coverage*, collective bargain cover no less than 98 percent of the employees in the state sector. The remaining 2 percent covers employees who solely have individual contracts or whose pay and conditions are unilaterally regulated by legislation (Due & Madsen 2009: 360). No statistics exist for the regional and municipal sector, but the collective bargaining coverage is estimated to be at least as high as in the state sector (personal conversation with Jørgen Steen Madsen, FAOS, October 18, 2012). One of the reasons that the coverage of collective bargaining is so extensive is that also civil servants are covered by legislation, as mentioned above.

These high percentages do not imply, however, that collective bargain is the sole important type of regulation of pay and conditions. Legislation – not only for civil servants but for other groups as well – plays a role, most importantly so when it comes to employment conditions (terms of notice etc.), holiday regula-

tion, leave of absence due to childbirth and working environment issues. On these issues you find 'double regulation', i.e. regulation by both collective agreements and legislation (Due & Madsen 2003). Moreover, in the higher parts of the job hierarchy individual agreements as supplement to the collective agreements are widespread. Finally, the abovementioned local pay negotiations can take place with individual employees, though for most occupations in the municipalities it is normally shop stewards who bargaining on behalf of groups of employees.

Clegg's (1976) study has a narrow Anglo-Saxon focus on collective bargaining. But two other forms of social dialogue are worth mentioning in connection to public sector ER. One is the ad hoc tripartite social dialogue, which also involve social partners from the public sector. The other one is the codetermination system. In 1996 the health & safety councils (sikkerhedsudvalg) were incorporated into the codetermination system in order to improve the status and attention given to these issues as well as to strengthen cooperation between management and employee representatives. The merged codetermination committees provides the employees with rights of consultation and to some extend also codetermination on personnel policies of all kinds, and health & safety issues. Information and consultation on personnel related issues connected to the municipal budget, restructuring, outsourcing/privatisation are also included. The committees are not the place for wage-bargaining, but local wage policies can be discussed in these.

The codetermination committees are obligatory at all levels with budget and personnel responsibility. Thus committees at the higher level provide frameworks and general guidelines for those at lower. In the municipalities, for instance, codetermination committees can be found covering the whole municipality (Hoved-MED), specific occupations (Fag-MED) and specific public institutions (Lokal-MED).

2. Austerity – measures, drivers, consequences and role of the social partners

2.1 The drivers and types of reform

Some of the previous and present governments' policies and proposals have had – or will have – direct or indirect impact on the job level and employment relations in the public sector. Although the policies are all related to the crisis and some include austerity elements, the *drivers* behind them are not exclusively about improving public finances, as will be clear from the following descriptions. Most of them combine this aim with a long term aim to increase labour supply – the exemptions from this is the tax reform 2009, the stimulus packages 2009 and 2010 and the Kickstart 2012-13, which all aim at stimulation labour demand rather than supply and does not include austerity elements, and the trust reform.

With regard to the question if these austerity and other crisis related measures are mainly quantitative measures (cutbacks that does not imply major qualitative changes) or if they should be classified as qualitative (that involve major structural changes in the institutional set-up, delivery, eligibility or the like of the service) the initiatives presented below are mostly of the quantitative type. However, it could be argued that reform of the early retirement scheme (that de facto phase out the scheme) and the reform of disability and the flex-job scheme (which might lead to a substantial reduction in the number of young disability pensioners) include path-breaking elements that could be classified as serious qualitative changes.

2.2 The measures²

This section will focus on the governments' austerity measures and other crisis related measures since 2008.

The liberal-conservative government in power from November 2001 until September 2011 initially responded to the crisis in 2008 by introducing stimulus-packages. These packages were followed by budget cuts and welfare reforms combining austerity measures with measures to increase the labour-supply in the long term. More specifically, the liberal-conservative government most important policy responses to the crisis included:

- The *tax reform from 2009* that reduced marginal income tax was introduced in order to stimulate the economy. The reform reduced tax-income by a total of 3.7 billion euro by reducing the tax-burden on especially high- and middle income groups. Marginal taxes for the highest income were reduced from 63 to 56 percent (penge.dk)

² Includes measures up to mid-2012

- *Stimulus packages 2009 and 2010* to boost the economy, including, inter alia, stimulus for the construction sector. The aim was in to increase public investment with 30 percent in 2009-10, but only 1/3 of this was realized (Politiken 23 August 2011). In August 2011, the liberal-conservative government announced a growth packet on 1.3 billion euro, but they lost the election in September 2011 and there plan was therefore not carried through
- *The recovery plan 2010 (including unemployment benefit reform)* – to be implemented via, inter alia, the Annual budgets 2010 and 2011 - was the first real austerity measures. Among other things, it postponed some of the tax-reduction included in the 2009 tax reform; introduced an 0.5 percent cut of all ministries budgets; introduced a ceiling on tax-reductions for unemployment incurrence contributions; and included an unemployment benefit reform which reduced the maximum unemployment benefit period from 4 to 2 years. In 2011, the municipalities budget were - as a result of the recovery plan - cut with a total of 0.6 billion euro. The national interest organization of the municipalities, Local Government Denmark (KL), has conducted a study showing the unequal distribution of the budget cuts, caused by the crisis and the austerity measures as well as by other factors. The study shows that 20 percent of the municipalities have experienced a reduction of their budget of 4 percent or more from 2009-11 (KL 2011)
- *Reform of the early retirement scheme in 2010*. Until 2010 employees and self-employed aged 60-64 had the opportunity to take early retirement on transfer income that mostly was tax-financed. The reform implied a gradual liquidation of the scheme. The liberal-conservative government estimated that this would improve the budget on 2.1 billion euro p.a. when fully implemented. The reform is expected to increase labour supply and employment, but might also lead to increasing unemployment in case the economic situation does not improve and there therefore will be too little demand for senior employees
- *Proposal to reform disability pensions and the flex-job scheme³*, inter alia, by blocking access to disability pension for persons less than 40 years of age, reducing wage-subsidy to high-income flexi-jobbers and introducing new paths to support disabled reintegration in the ordinary labour market. Estimated savings of 0.3 billion euro p.a. when fully implemented – according to the liberal-conservative government. This reform was not passed in Parliament before a new government took office in September 2011.

³ The flex-job scheme is permanent wage-subsidised jobs on reduced hours and special conditions for disabled people. In 2011 70.000 persons was employed in flex-jobs, half of these in the public sector.

The Social Democrat-led centre-left government that came into office in September 2011 has continued cutting the budgets, but has also planned some more employee and trade union supportive initiatives. The most important crisis- and/or public sector related initiatives of the new government - many of which are included in their '2020-plan' (Regeringen 2012) - are:

- *Stimulus package ('Kickstart')* 2012-13. This package attempt to stimulate the economy by investing 2.3 billion euro in public infrastructure and other public spending in 2012 and 2013. The package is part of the annual budget of 2012
- *Tripartite negotiations*. The social partners and the government were in late May and early June 2012 having tripartite talks in order to make an agreement with the aim of improving competitiveness, growth and employment. More specifically, the aim was to create 20.000 new jobs and improve public finance by 0.5 billion euro. The issues on the table were increased labour supply (working time especially), education and training, youth unemployment, social dumping (due to labour migration), the steering of active labour market policy, and finally work environment. The talks broke down in mid-June due to some trade unions disapproval of increasing working time. These trade unions found it difficult to explain to their members why labour supply should be increased in times of relatively high unemployment (which has increased from 2.5 percent in 2007 to the 2012 figure of 6.9 percent of the workforce).
- The *tax reform 2012* will – if passed in Parliament - most likely reduce tax on labour. The tax relaxations on labour will be financed by reducing the opportunities for tax reduction on housing loans and changing the automatic prize-regulation on unemployment benefits and other transfer incomes
- A *reform of disability pensions and the flex-job scheme* along the line of the proposal of the previous government
- A so-called '*trust-reform*' aiming at reducing control of public sector employees and the time these use on reporting in order to allow more time for the core tasks of delivering quality welfare service. However, this reform is accompanied with a government aim for a more widespread use of evaluations in the public sector – obtaining both of these goals simultaneously will be challenging. The Parliament has not yet been presented with a proposal of this reform.

2.3 Consequences for job levels, wages and working conditions

The impact on these measures on *wages and working conditions* could be estimated to be relatively limited. There is a *direct* impact on income security from the unemployment benefit reform and the reform of the voluntary early retirement scheme, and there is a direct impact on pay and conditions for employees

in flex-jobs from the reform of disability pensions and the flex-job scheme. The trust reform, if implemented, could be expected to impact working conditions of large section of public sector employees directly. The impact of the other measures on public sector ER and job levels are *indirect*. It is important to note, also, that since all reforms but the trust reform are cross-sectoral they do have as much (or as little) impact in the private sector than in the public sector.

Other austerity measures – related specifically to the local government area - will be discussed in section 3. These have in general had greater and more direct impacts on wages and working conditions.

When it comes to the impacts on job levels, there is no doubt that the crisis related policies have contributed to declining job level in the public sector. The job level in the public sector peaked in 2Q 2010 with 842.000 employees. The net job loss had reached 18.000 (2.1 percent) in 3Q 2011, bringing public sector employment down to 824.000 (AE Rådet 2011). This is a substantial, but compared to similar developments in many other EU countries limited reduction in public sector employment, and does not change the situation with a little more than 30 percent of all employees found in the public sector.

However, when estimating the consequences of the crisis related policies, it can be difficult to separate the consequences of these from other factors such as the demographic development, digitalization, outsourcing and the abovementioned Structural Reform from 2007. Intended or unintended consequences of all these have been declining number of employees and indirect pressure on wages and working conditions.

2.4 Role of the social partners

Regarding *government policies*, the recent tripartite negotiations in 2012 under the new centre-left Government is the only of the above mentioned government initiatives where the social partners have been more than superficially involved. Some of the other policies – not least the unemployment benefit reform and the reform of the voluntary early retirement scheme – were introduced by the previous liberal-conservative government despite strong protests from the trade unions. This lack of involvement has also been seen in relation to other work and employment related initiative than those mentioned above. The lack of involvement comes after a three year period with some involvement of the social partners from the same liberal-conservative government (Mailand & Ibsen 2010; Mailand 2011). It is very likely, however, that the social partners also will be involved in the trust reform, if and when this is initiated.

In terms of *the trade union reactions*, there have - apart from the protest aired in media - also been some membership-related protests, among them a one-day large-scale manifestation on June 8, 2010 organized by the largest Danish trade union confederation (LO) and a number of their member-organisations directed against the conservative-liberal government's austerity measures. But

in general, manifestations and other forms of protests have been few in numbers - and there have not been called to general strikes.

Since the involvement of the social partners in the crisis related policies as described has been limited stronger social partner – or trade union - reactions could have been expected. A number of issues might explain this. Firstly, as will be described in section 3, the role of the social partners in addressing the crisis issues has been much stronger on the sector-level. Second, austerity measures have been relatively modest and although unemployment has raised a lot, it is still below EU-level. Thirdly, strike actions of most kinds are in general relatively rare in Denmark. The latest general strikes were in 2008 and 1998 in connection with renewals of collective agreements. When Denmark in some quantitative studies of industrial actions - at least until relatively recently - score relatively high on workdays lost due to industrial action (e.g. Bodorgna & Cella 2002; Hale 2008), this is – apart from the abovementioned rare large scale strikes - mainly due ritual strikes connected to the renewal of workplace agreements in the private sector.

3A. Local government – structure and trends

3A.1 Structure and economy of the local authorities

The local government sector is by far the greatest of the three main areas of the public sector (see section 1.1) in terms of both employment and areas of responsibility. The tasks of the municipalities could be summarised as in section 1.1. An alternative division into areas is the one that is used by KL in connection to annual accounts and budget of welfare service⁴. In order of budget size the areas are:

- Schools
- Day-care
- Old people
- Administration
- Disabled
- Other services
- Children and young people with special needs
- Environment, traffic, etc.
- Health

Apart from the national austerity measures described above, two other types of regulation include element of austerity for the local government sector. The first is the annual Economic Agreement ('økonomiaftale') between the Government (Ministry of Finance) and KL. The agreement is negotiated annually. No changes have been made in this process after the crisis, but the crisis has naturally had an effect on the outcome (see below). The municipalities compliance with the agreement are controlled by the Government in two rounds: Firstly, regarding the extent to which the municipalities respect the Economic Agreement in their *budgets* (planned spending), which are finalised in June each year. Secondly, it is controlled if their annual accounts (i.e. de facto spending which is reported only early the following year) remain within the limits of the Economic Agreements. In case of non-compliance, the municipality can be sanctioned economically.

Within this economic framework the municipalities have extensive freedom to prioritise. Two factors are important. Firstly, although the Economic Agreements are specified for the individual municipality it is allowed that some municipalities spend more if others spend less – the Economic Agreements only have to be respected on the aggregate level. Secondly, it is allowed for the municipalities to spend more on some budget lines and less on others – again, it is

⁴ 'Municipal service' - also labeled 'welfare service' or 'public services' - does not include 'activation of unemployed and employment service'.

the aggregate level that counts. These features reflect the relative autonomy of the municipality ('Det kommunale selvstyre') that despite of centralisation in recent years still applies in many regards and also includes the right to set local authority taxes, which make up more than 50 percent of their earnings.

The development in the Economic Agreements, the total budgets of the municipalities and their annual accounts in recent years is shown in table 1. The table shows varying, but modest increases in the *Economic Agreements* in the years following the economic crisis when measured in *nominal prices* (financial resources not adjusted for inflation). However, regarding public services in *real prices* (financial resources adjusted for inflation, which is not shown in the table) this represents a 4 percent reduction from 2009 -2012. In real prices the reduction in the *budget* for public services is 5 percent 2009-2011 and 10 percent for the *annual accounts* (using the price-index from Statistics Denmark).

Table 1: Local authorities' economy in nominal prices

	Economic agreement, total billion d.kr.	Budget, net public services billion d.kr.	Annual accounts, net public services billion d.kr.
2009	286 (219 net public services)	228	233
2010	310 (228 net public services)	231	233
2011	315 (233 net public services)	228	222
2012	340 (247 net public services)	237	n.a.
2013	344 (232 net public service)	n.a.	n.a.

Source: Regeringen/KL: Aftale om kommunernes økonomi (forskellige årgange) – *The Government and Local government Denmark: Agreement on the economy of the municipalities* (various years) .

Moreover, the table shows that the Economic Agreements for 2013 for the first time include declining financial sources (in nominal prices) for public services. It can also be seen that the municipalities in 2011 for the first time planned to spend less on public services than they were allowed to according to the Economic Agreement, but ended up spending even less than budgeted - on public services as well as on all other main budget headings that are not shown in the table. It seems that the municipalities have 'learned the lesson of the crisis'. One of the implication of this might be that maintains of e.g. schools and public playgrounds are postponed. Regarding the reduced spending on administration it has been suggested that the explanation could be that the long-awaited economies of scale of the structural reform from 2007 are now finally showing up (OAO 2012).

3A.2 The 2011 bargaining round in the municipal area – and beyond

Apart from reactions to the Government's austerity measures and other crisis related policies directly, a reaction is embedded in the renewal of the national-level collective agreements (see section 1.2 for the basic of collective bargaining in the three main parts of the public sector). The results of the public sector collective bargaining round in 2011 - that took place when the lay-offs were expected, but most of them still not implemented - were very meagre from a trade union perspective. In relation to wages, the outcome was a wage-freeze for 2011 and very limited wage-increases in 2012 in all three main sectors - the state, the regional and the municipal. As a result, wage increases in the whole period until the next collective bargaining round in 2013 will most probably be below real wages. To some extent this was expected due to the economic context and the so-called 'regulation-mechanism' ('reguleringsordningen') that ties public sector wage to the wage-development in the private sector, although with some delay. The existence of this mechanism implied that public sector employees 'owed' the public employers money when the negotiations started. In a rare situation, as the present, where the economic conditions went from very favourable to very unfavourable within a very short period, the 'regulation-mechanism' will work as a hidden austerity measure.

Apart from the agreement on wages (which also implied that no national-level financial resources were allocated for local wage-setting) the result included, inter alia, flexibilisation of the central codetermination committees' agendas, increased job security for shop stewards, and – in the agreement for the municipalities - a security fund for some employees made redundant.

The trade unions only managed to get very few of their demands through in the bargaining process. Most trade unions had expected some kind of compensation in the form of job, employment or income security or other benefits in exchange for the wage restraint. But all the trade unions' demands on job security (e.g. prolonged terms of notice, redundancy payments) were rejected. These demands were clearly related to the crisis and the increasing number of redundancies in the public sector – and they were inspired by similar agreements from the collective bargaining round in the private sector in 2010. However, in the municipal sector the employer part (KL) proposed in the very end of the negotiation process a 'security fund' to finance further training for workers made redundant as a kind of compensation for all the rejected demands. The fund was financed by some unused pension funds and could therefore be seen as free of expense for the employers. Importantly, it was only in the municipal sector that that an agreement on this issue was included.

Nevertheless, it can be argued that the trade unions succeeded in blocking the employers' aims regarding, e.g., increase in the share of wages set at local level, increased working time, and a movement from collective to individual bargaining at the local level. To what extent this can be regarded as victories for

trade unions depends on two issues: Firstly, whether these employer demands should be seen as short-term or long-term aims. Seen from the perspective of the employers the demands were most certainly part of a long term strategy. In this perspective, the employers' success - or lack of it - in fulfilling these aims should be judged in a long-term perspective. Secondly, at least one of the issues – i.e. increasing the share of local-level wage-setting – has support from some of the trade unions. Both of these facts should be taken into account in the evaluation of the result from the collective bargaining round in 2011.

In total, the outcome of the 2011 bargaining round was not very dramatic. Although state, regional and municipal employers took advantages of their stronger power position and acted tougher than usual to the confusion of the trade unions, the bargaining round did not lead to any dramatic changes in wages, working conditions, challenges of employee rights or any other basic qualitative features of the public sector employment regulation system.

Hence, so far the crisis and the austerity policies have not led to any important structural changes, although both the process and the outcome of the collective bargaining round 2011 reflect a change in power relations between the public employers and trade unions. The collective bargaining round is more of the quantitative type than the qualitative type. It remains to be seen if the public employers will really walk down the 'tough' path and try to introduce more qualitative changes. If so, some challenges arise. Tougher public employers might help balancing the budgets and pave the way for some NPM tools, but might also make joint solutions to longer term challenges in the public sector more difficult. Likewise, an increased focus on budget control will, when combined with the trade unions wish to defend real wages, be an unfavourable context for the aim of further development of local wage setting, because trade unions under these conditions focus on protecting real wages of the employees by maximising wage increases at sector-level/organisational level bargaining leaving few resources for the local-level bargaining. However, the reported development since the bargaining round 2011 shows that although this might be a barrier to local wage-negotiation, it does not stop it. There are also other financial resources than those provided during the sector-level bargaining round (Hansen 2011).

After the bargaining round there have been mixed signs on the development of the social dialogue. On the one hand, there have been signs that the less compromising attitude of the national level public employers might not be a transitional phenomenon. Apart from the still slow economic recovery, increasing pressure from the Ministry of Finance on KL to act 'tougher' and emphasize the management prerogative might be of importance for national level public sector ER in the coming years. On the other, the time after the conclusion of the 2011 bargaining round shows that the public sector social partners can still take new

joint initiatives⁵. To address ‘wider societal challenges’ on the edge of traditional content of collective agreements the social partners for the state municipal sector agreed to have a new form for dialogue with the participation of elected chief-negotiators in between the collective bargaining rounds. Hence, in winter 2011-12 the social partners defined four themes to be discussed in the period prior to the 2013 collective bargaining round. The four themes were:

- Labour supply: how to secure labour supply in the future under increased demographic pressure. Questions about the psychological working environment, absence due to sickness and disability pensions also falls under this theme.
- Development of competences/further training
- Quality and job-content (‘kvalitet og faglighed’): This theme is clearly related to the second theme and is addressing the issue of how to sustain/increase job-satisfaction and the quality of service when the service budgets are diminishing
- The inclusive labour market: During the collective bargaining round 2011 the trade unions tried to introduce limits for the use of subsidised jobs and flex-jobs in that they found displacement is taken places in areas for low-skilled, where these types of jobs make up to 50 percent of the total number of employees.

In relation to the three latter themes three reports formed the basis of the discussions at three meetings during spring 2012. The labour supply theme was also planned to be addressed in the tripartite talks that started in May 2011 (and ended without results one month later). Therefore no report was written on this theme.

On the trade union side the aim was to provide the social partners at the municipal and institutional level with tools to address these issues as well as obligations to take action on them. However, this is where the agreement with KL stops, in that KL did not find it correct that the public sector social partners at the sector in this way should steer and evaluate local initiatives.

Apart from addressing ‘wider societal challenges’ it is likely that the aim of the new bipartite forum also is to try out a new form of dialogue other than collective bargaining in a period where the outcome of the collective bargaining rounds are expected to be limited due to the economic context. This initiative could be seen as being of the type modernization rather than a cutback type.

⁵ The source of the information about this forum is the national workshop (see Appendix A). Similar upgrading of social dialogue in between the collective bargaining rounds has taken place in the regional sector and, to some extent, in the state sector.

3A.3 Variety of cutback management in the local authorities

Before addressing how austerity has been addressed in two specific municipalities, it is important to emphasise the variation in the cutbacks between the different municipalities from 2009-2012:

- 7 municipalities have experienced service budget cuts of more than 7 percent,
- 18 have faced 5 -7 percent service budget cuts
- 50 have faced 2-5 percent cuts
- 19 have experienced 0-2 percent cuts, while in
- 4 municipalities have experienced increased service budgets (KL Momentum, February 14, 2012).

One possible conclusion that follows from the figures is that although cutbacks on the service budgets always have consequences, so far most municipalities have avoided - on average across welfare areas – very dramatic cutbacks as those known from other EU countries.

3B. Local government case studies

The following two case studies were selected after consulting with the public sector social partners. The consultations took place as part of a workshop with the participation of the social partners in June 2012 (see Appendix A). In relation to this issue – which was only one of the issues on the agenda - the social partner representatives were prior to the workshop asked to come up with suggestions pointing at municipalities where the crisis could be said to have had an effect and where the local social partners jointly have addressed these challenges in an efficient or even ‘innovative’ way (in accordance with project description).

Prior to workshop the social partner representatives asked their local departments for suggestions. Referring to these, a little less than a dozen possible municipalities were discussed. After the meeting, two municipalities were selected, which according to the descriptions given by the sector level social partners fulfilled the criteria: Silkeborg Kommune and Mariagerfjord Kommune. Both municipalities are situated in the peninsula of Jutland.

Silkeborg Kommune is the more urban of the two in that the city of Silkeborg with 42,000 inhabitants is the 14th largest city in Denmark, situated within one-hour commuting distance to the 2nd largest city in Denmark, Århus. The municipality has 89.000 inhabitants. Silkeborg is one of only 7 municipalities, which have seen a reduction in the service budget at more than 7 percent (7,1 percent) in the period from 2009-11 (KL Momentum February 14, 2012).

Mariagerfjord Kommune is found a bit further to the North in Jutland. The largest town in the municipality is Hobro with only 11,000 inhabitants, whereas the municipality has 42.000 inhabitants. Mariagerfjord Kommune has been less hard hit by service budget cutbacks, which stand at 4,8 percent for the same period (e-mail information from KL Momentum, September 10, 2012). This is, however, still above the national average.

Both cases include a general description of the cutbacks among the employees in local government – but the main focus is on the so-called ‘skole-området’ (school area) covering basic education up to the 9th/10th grade. The area is one of the largest policy areas which the local authorities have responsibility for in Denmark both in terms of budget size and number of employees.

Where nothing else is stated the source of the two following sections is the interviews conducted in the two municipalities (see Appendix B).

3B.1. Mariagerfjord Kommune

3B.1.1 Cutbacks across the municipality

The cutback on 4.8 percent in the service budget of Mariagerfjord Kommune from 2009-11 has contributed to declining overall number of employees (measured in fulltime equivalents, see table 2), although the reduction of 2.5 percent

in the number of employees is far from the most dramatic reduction in Danish municipalities.

Table 2 – Total number of local authority employees in Mariagerfjord Kommune

	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011
Number of employees	3.141	3.246	3.282	3.295	3.200

Source: FLD, Det Fælles Kommunale Løndatakontor - *The collective municipal wage statistics office.*

A few months after the negotiations on Mariagerfjord Kommune's annual budget for 2010 was closed in 2009, the budget had to be reopened to allow for further cutbacks. The budget for 2010 included in the end cutbacks on 21,5 million DKK (€ 2.9 million). In 2011, the cutbacks reached 30 million.

The trouble for the municipality has continued in recent years. In mid-2012, when planning the budget for 2013, the municipality applied the Ministry for Economy and Foreign Affairs for increasing the municipal taxes to finance a foreseen deficit on 43 million DKK (€ 5.7 million) – an opportunity which municipalities with special challenges have. The Ministry allowed only for increased taxes for 20 million DKK (€ 2.7 million). The municipality might finance the rest by postponing planned investments projects (P4 Nordjylland, September 19, 2012).

The municipalities' codetermination committees - at various levels - have been involved in the cutback processes, but the timing of this has been a matter of controversy. Some representatives have called for an earlier involvement in order to - among other things - to have a real opportunity to take part in the work with proposals for rationalisations and cutbacks (Hovedudvalg 2009).

3B.1.2 Cutbacks in the school area

Apart from some minor cutbacks when four municipalities were amalgamated into Mariagerfjord Kommune in 2007, it had until 2009 been possible to exclude the school area from the cutbacks. However, when the 2010 budget was reopened in 2009 it was decided that the budget for the schools should be cut with 4 percent (15 million DKK, € 2 million).

But this was not all. The amalgamation of four municipalities into one in 2007 did not lead to any major changes in the school structure or to any lay-offs and a political proposal to change the school structure towards fewer and larger schools following the establishment of the new municipalities was also rejected. However, in 2009 - around the same time that the budget was reopened - it was decided to change the school structure, which de facto implied closing 10 out of 18 schools. The discussion was influenced by the demographic development and a teaching philosophy supporting larger units, but the decision was surely also under influence of the tighter budget. The new school structure implied a

further 4 percent reduction in the budget which together with addition cuts brought the (permanent) reduction in the budget for the school area up to 10 percent. The cutbacks were gradually implemented in 2010 and 2011.

A third initiative was related to the cutbacks described above. In 2011 a local agreement between the municipality and the local trade unions on the teachers working time was agreed upon. In brief, the agreement included savings on the budget and work intensification, as well as financial resources for further training which was used in a way that diminished the number of lay-offs (see below).

In the area of the schools there are three relevant trade unions. The one organising the majority of employees (the teachers) is Danish Union of Teachers (DLF). The Danish National Federation of Early Childhood Teachers and Youth Educators (BUPL) organises the pedagogical staff that are present both at the schools and the institutions for after-school care. The third union, Trade and Labour (FOA) organises cleaners, home carers, some technical staff, etc.

When the *budget was reopened in 2009* the school department (Skoleenheten) contacted the trade unions at the time that cutbacks could be foreseen, but before the political decision about the cutbacks were taken. This was done in order to discuss what actions could be taken to limit the number of redundancies and to implement the lay-off, which had to be taken, as correctly and gently as possible. The school department suggested a model including either a severance payment of a few months (which is not normal practice in the sector) or an increase in pensions (at a level around € 70 per month). The model was targeted at employees close to retirement. The trade unions agreed to limit their demands for severance payment in order to limit the number of lay-offs. The draft schedule for the whole process was agreed with DLF and BUPL separately in November 2009 – the political decision to implement it was taken in December 2009.

The model was used extensively among the teachers where around 65 senior employees signed up for it – this was more than 10 percent of all employees. Although the same model was offered to the pedagogical staff, no senior employees signed an agreement in this area. This was mostly because there were no employees among the pedagogical staff close to the retirement age.

The model has also been used in relation to the budget costs and the restructuring process in the years following 2009. Moreover, there has been set-up 'job-bank' like arrangements (although they have been called differently by the actors involved). There has been some variation between the different groups of employees with regard to how these job-banks have worked. In some cases, they have included a guarantee that persons made redundant would be offered a new job (temporary contract or open-ended contract) in case of vacancies if their formal qualifications were right. For other groups the guarantee only included a guarantee for a job-interview in case of vacancies.

A third measure related to the budget cutbacks and restructuring process is a job-rotation project from 2012. As a result of the restructuration process which led to fewer and larger schools, a larger number of teachers was sent on further training courses. The financial resources for these courses were provided by the working-time agreement mentioned above. The job-rotation project has reduced the number of vacancies. In contradiction to the cutback and school restructuring processes, not only the school unit and the department for pay and personnel were involved, but also the local job centre.

3B.1.3 Evaluation of processes and results

Overall, the attempts to reduce the number of lay-off as a result of the political decision to cut 10 percent of the budget must be said to have been a success. The number of redundancies has been reduced to 10 -15 teachers and pedagogical employees (out of more than 600 employees) over two years. Especially the senior agreements have contributed to this, but also the job-rotation project and the fact that most vacancies have not been re-staffed when a person has moved job or has been promoted. However, another effect of the efforts to save as many jobs as possible have mostly like been an increase in the share of temporary positions, although no statistics confirm that this was provided.

Both employers and trade unions were satisfied with the approach of their counterpart. Both sides were described as having participated constructively towards the joint aim of reducing the numbers of redundancies. Whereas the trade unions' interest in this is self-evident, the employer side emphasised that the dual and simultaneous challenge from budget cuts and school restructuring made it important to have a clear schedule and to limit redundancies, so as to avoid insecurity and absence due to sickness among the employees.

The joint interest and open attitudes of the actors involved together with the early actions created a decision making process that the actors were satisfied with. Apart from working for the common overall aim of reducing the number of redundancies, the trade unions played their role as 'watch-dog' to secure that all decisions were in accordance with labour law/collective agreements. In only one case – about wages and working conditions of a teacher that was forced to move from one school to another as part of the restructuring process - the parties could not agree and the case ended in a municipal appeal committee. Whereas the employer-trade union relations seem to have been relatively harmonious and constructive the same is not the case with the relations among the relevant trade unions. DLF and BUPL took different stands in relation to the school restructuring, where BUPL wanted to protect the jobs of the employees from the remaining eight schools, whereas DLF by not doing so made all employees potential targets for lay-offs, but this did not represent a real problem. The real problem is to what extent pedagogical employees can take up positions at the schools. This is an on-going issue – extension of the one group of employees leads to reduction of the other. This zero-sum game might be part of the

explanation for the sometime tense relationship between BUPL and DLF in Mariagerfjord Kommune.

3B.2. Silkeborg Kommune

3B.2.1 Cutbacks across the municipalities

As stated above, Silkeborg Kommune is one of the municipalities that have faced the largest cutbacks in the service budget. Moreover, it was one of the municipalities that first faced large-scale cuts after the crisis. Cutbacks were known in the municipality also prior to the crisis, but the largest annual cutback in the municipality is nevertheless from the crisis period. In early 2010, after the municipality in mid-2009 had presented a budget they themselves had described as 'robust', the liquidity/solidity was so low that the municipality was in danger of being put under economic administration by the Ministry of Internal Affairs. To get the economy on the right track again the city council agreed to reduce the 2011 budget with DKK 250 million (€33.5 million). A hiring freeze was introduced and the process of selecting employees who would be dismissed started already in spring 2010.

The local trade unions were involved in the cutback process through the Central Codetermination committee (HovedMED). The trade unions were at meetings in this body informed about the background for the city councils decision to reduce the budget with 250 million DKK (€ 33.3 million) and that the municipality's personnel department would make an effort to redirect employees made redundant to new positions within the municipality. Moreover, the representatives were informed about the organisational aspects of the process, division of responsibilities and the schedule. The representatives were consulted, i.e. had the possibility to influence, the general guidelines for the redundancies. The general guidelines included that the best qualified employees should remain employed. To guide the management in defining the 'best qualified', the general guidelines point to, inter alia, flexibility, efficiency, competences, commitment, seniority and formal qualifications. However, it was also emphasised that 'state in life' and the employment status of eventual partner should be taken into consideration (Silkeborg Kommune 2010). Because of the larger number of redundancies foreseen, the 'Act on notification in connection with mass redundancies' was applied. The law has pretty detailed process requirements so the Central Cooperation Committee copied these into their written manual for handling the redundancies.

The common aim of the social partners in the committee was to maximise the share of redundancies that could take place in the form of so-called 'natural wastage', i.e. employees leaving on pensions, employees moving to jobs out of the municipalities and not being replaced, and temporary positions not replaced by new temporary positions etc.

Contrary to how the redundancies were addressed in Mariagerfjord Kommune, no severance payment, extra pensions or other ‘baits’ were used. The opinion of both the employer and the trade union side was that the number of redundancies should not be increased by increasing the cost of each redundancy.

Table 3 Total number of local authority employees in Silkeborg Kommune, full-time equivalents

	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011
Number of employees	9.617	9.776	10.258	10.149	9.831

Source: FLD, Det Fælles Kommunale Løndatakontor - *The collective municipal wage statistics office.*

The cutbacks have contributed to a reduction in the number of employees in the municipality, as table 3 indicates.

One of the explanations given for the rapid deterioration of the financial situation was that capital of the water supply was ‘carried out’ of the municipal economy when the water supply was privatised. This had a dramatic effect on the economic situation of the municipality. Tight Economic Agreements and an increasing number of children in the municipality, which until recently had growing numbers of inhabitants, have also contributed. So have problems in higher than expected expenditure in the disabled area, which the municipalities took over the responsibility as part of Structural Reform.

3B.2.2 Cutbacks in the school area

It is noteworthy, that the demographic development so far not has contributed to the challenges in the school area in that the number of school age children has been stable in Silkeborg Kommune for some years.

For the area in focus, the schools, the city council’s Committee for Children and Young People decided for a cut in the budgets of DKK 65 million (€ 8.7 million) to be faced in gradually during 2011 and 2012. On the top of this further cuts for 2013 for DKK 13 million (€ 1.7 million) have recently been decided, bringing the total reduction up to approximately 10 percent of the budget as it stood in 2010.

In the school area, the involvement of the trade unions took place both place though the Local Codetermination committees (Lokal MED) and more informally through contacts involving the school unit in the municipality and the trade unions.

At mentioned above, no severance payment, extra pensions or other ‘baits’ were used in any of the areas, and the common aim of the social partners in the committee was to maximise the share of redundancies that could take place in the form of so-called ‘natural wastage’. This was also the case in the school area. More than 50 percent of the reductions were found in this way. Actual

redundancies were reduced to little less than 50 persons in the school area. Moreover, at the level of the individual schools and after school care institutions working time reductions was used as an additional tool to diminish the number of redundancies. However, these processes were not part of the initiatives taken at central level in the municipality, where the opinion had been that the individual employee should not be pressed to reduce his or her working time in order to save colleagues.

In connection with the redundancies a job bank was established. The job bank did not only cover the school area, but all areas in the municipality. The job bank gave former employees (made redundant in 2010 and 2011) privileged access to new permanent and temporary jobs so that these could be applied for before an open recruitment process began. The bank – that was actually two banks – existed for one year after the rounds of dismissals in 2010 and 2011. The job banks in Silkeborg Kommune included contrary to job banks in Mariagerfjord Kommune no job guarantee and no job interview guarantee. Still, the job banks have saved a limited number of employees, who had already received a lay-off notice but were still not dismissed.

A finale initiative should be mentioned because of its connections to the cut-backs and the scale of it. A job-rotation project including all of the municipalities' teachers was initiated in 2011 in order to make the schools more 'inclusive', i.e. equip them better to include pupils with various forms of learning challenges. Approximately 1,400 teachers were sent on a one week course, and 150 on a six week course. The courses created temporary job openings – equal to 24 full time positions for one year – that were offered to unemployed teachers through the local job centre. DLF in Silkeborg agreed to take part in the job-rotation project on the conditions that participation of the unemployed participants should be voluntary, that the participants should have completed the formal education for teachers and that the six months on unemployed benefit the teachers during the project period should be top-up with minimum six months on ordinary conditions, and pay respecting the rate-for-the job. Among the participants found were teachers that had been laid off in 2010. DLF's participation in the project was controversial because it took place not long after the redundancies. DLF was criticized by some members for exchanging fulltime positions for job-training and temporary positions, but were also praised by the teaching department in the municipality to be brave enough to participate.

3B.2.3 Evaluation of processes and results in the school area

The evaluation of the processes varies depending on the process in focus. When the city council in early 2010 realised that they had a substantial liquidity problem the administration produced a so-called 'catalogue of opportunities' including specific suggestions for cutbacks. The idea was that the citizens in the municipality should discuss this catalogue and give feedback to the city council at public meetings and via a website. However, only few additional proposals

resulted from this process. Moreover, the trade unions were dissatisfied with council since the council chose not to discuss any issues regarding the cutbacks as long as the hearing process was running.

Contrary to this early part of the process, the trade unions were satisfied with the approach of the municipal administration when they had to transform the political decision into actual cutbacks – and vis-versa. Openness, clear processes and a clear time schedule were features emphasised. Also the municipality found the approach and attitude of the trade unions satisfying.

3B.3. Summing up experiences from the two case-municipalities

The two case-studies are not necessarily representative for how the crisis has impacted industrial relations in the Danish municipalities in general and how the crisis has been addressed. However, they give some important indications.

Although austerity measures have played a role in the form of the tighter budget agreed between the Government and KL, these are neither the sole nor even the most important driver behind the cutbacks described in the two municipalities. The Structural reform, including problems controlling expenses in the disability area, the demographic development (Mariagerfjord Kommune) and unforeseen effects from privatisation (Silkeborg Kommune) were also among the drivers.

Since both the municipalities have witnessed above average cutbacks, it is noteworthy that austerity does not appear to be a stronger driver than it does. A study of two other Danish municipalities - one which has seen below-average cutbacks (Holbæk Kommune) and one which has seen above-average cutbacks (Vejle Kommune) - concludes also, that the impact of the crisis and austerity is mixed up with other drivers. Among these are the Structural Reform, the demographic development, digitalization of the system of public benefits to citizens and marketization in the form of outsourcing - and that these might be at least as important for job levels, terms and conditions of employment and patterns of work organisation than the austerity measures (Hansen, forthcoming; Mailand and Hansen 2012).

Regarding processes, the two cases show the importance of early involvement of the trade unions and open and cooperative attitude on both sides. This openness included - at least on the trade union side - willingness to make concessions in the form of reducing demands on remuneration pay and acceptance of job-rotation projects not long time after the first big round of redundancies. On the less positive side is an increase in the rate of temporary positions – and maybe also a working environment where some senior employees have felt pressure to resign from their jobs.

Regarding the measures, job-banks and job-rotation were used in both cases. To label them ‘innovative’ would be an exaggeration, in that they are both well-known tools. However, they seem to have shown their value in these cases – as did the search for ‘natural wastage’ with the above mentioned reservation. Al-

though the use of remuneration pay and extra pensions were relatively limited in the two cases (these measures are also generally not widespread in Denmark), it is noteworthy that the less hard hit municipality chose to use these instruments while the hardest hit rejected them.

4. Summary and conclusion

In this final section, the research questions presented in the introduction will be addressed directly.

The first question was: *What changes have there been in job levels, terms and conditions of employment and patterns of work organisation in the public services in recent years?* The analyses show modest (but geographically diverse) decrease in job-levels (2.1 percent in the public sector 2010-2011); sector-level pay developments near to pay freeze; very few new benefits; a likely increase in the rate of part-time positions (although this has to be confirmed); and (as indicated by one of the case-stories) possible work-intensification. Importantly, the drivers behind these changes are not only national level austerity measures and other crisis related policies. Also the Structural reform from 2007 (of the local government structure), the demographic development and privatisation have been of importance.

The second question was worded: *How have these changes been designed and implemented and to what extent has social dialogue contributed to the change process at national and sector level?* The role of the social partners differs between the levels. At the national level, the social partners have had a limited role in the policy-formulation of the various austerity measures and other crisis related policies. However, the impact of these on job-levels, terms of and conditions of employment and patterns of work organisation has been limited. At sector level, the social partners had a much greater role. The bipartite collective bargaining round in the municipal sector 2011 took place in the shadow of the crisis (and in the shadow of the state sector bargaining round). On the one hand these led to few improvements for employees. On the other hand, they did not include any rolling back of right or any pay reductions either. The bargaining on the Economic Agreement for the municipal budgets with the Ministry of Finance has only participation of the municipal employer organisation, not the trade unions. These negotiations have not resulted in a decrease in running prices, but a decrease in real prices at 4 percent. Interestingly, the municipalities have chosen to introduce even bigger cutbacks that they needed according to the Economic Agreement. Moreover, the meagre outcome of the 2011 bargaining have – among other factors – led the public sector social partners to establish a new forum for social dialogue in between the (usual) biannual collective bargaining rounds. This new forum should address issues of wider societal importance.

The third question - *How have institutions of social dialogue influenced IR processes /outcomes in the public services?* – is partly answered above. The changes that have had the greatest impacts on job-levels, terms and conditions of employment and patterns of work organisation has – with a few exceptions such as the Economic Agreements – been influenced by the institutions of so-

cial dialogue. The changes that in regards to public sector ER have had less influence (the national level austerity measures and other crisis related policies) have been those where the social dialogue institutions in general have been bypassed. At the local (municipal) level the two selected cases as well as other sources such as Mailand and Hansen (2012) and the projects' national workshops indicate that although changes in the intensity and form of local level social dialogue can be seen, the institutions for local level bargaining and for employee involvement are still alive and kicking.

Furthermore, the two case stories have illustrated that the social partners (de facto the trade unions) can play a constructive role in implementing redundancies in the local authorities. The two case stories showed a fruitful use of tools such as (limited) remunerations and extra pensions, natural wastage, job banks and job-rotations projects. Furthermore, they stressed the importance of open attitudes, early involvement of the trade unions and clear divisions of labour and time schedules in order to minimise the damage from the redundancies.

Summing up, although the crisis have had an impacts on public service and public sector ER through austerity measures and other crisis related policies, these measures and policies have been relatively modest in scope and impact. The reforms have mostly been of the quantitative type, although some initiatives also imply qualitative changes. The drivers of the crisis related policies, including the austerity measures, have not only been aims for budget control, but also aims for increased labour demand. It is moreover clear, that austerity measures are not always the only important most drivers of change regarding job-levels and public sector ER in Denmark. The role of the social partners in the austerity measures has been modest on the national (tripartite) level, but they have played a greater role in relation to austerity on (bipartite) sector- and local levels. A shift in power relations in the direction of the employer side has taken place, but the social dialogue institutions are by and large unchanged.

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Appendix A – Notes from the social partner workshop

The workshop was held at Friday the 15th of June 2012 from 14h00 to 16h00 in the buildings of the Social Science Faculty of the University of Copenhagen, where also FAOS is located. The participants were social partner representatives from the municipal sector. These were chosen since the study pays special attention to this part of the public sector. Whereas there exists only one employers' organisation (KL), a choice had to be made between several trade unions. Representatives from unions organising the biggest groups in the public sector (which are also the groups which has seen the largest cutbacks) were chosen. In sum, two employer representatives and three trade union representatives were invited:

- Johnny Kristensen, Kontorchef, Generelle OK-forhandlinger (Head of Unit, Local Government Denmark)
- Nanna Abildstrøm, Kontorchef, Specielle OK-forhandlinger KL (Head of Unit, Local Government Denmark)
- Torben Frøslev Andersen, Forhandlingschef BUPL (Head of Collective Bargaining)
- Palle Rom, Afdelingschef Danmarks Lærerforening (DLF) (Head of Department)
- Steen Parker Sørensen, Forhandlingschef Fag og Arbejde (FOA)(Head of Collective Bargaining) (declined, and it was not possible to find a replacement)

As a preparation to the workshop, the participants were asked to 1) reflect upon the three research questions (see page 1) and 2) suggest two municipalities (either in total or parts of them) which had faced cutbacks on a more than marginal level and where social dialogue had played an important role in addressing these, maybe even in an innovative way.

The schedule for the workshop was so that all representatives first addressed 1) individually and then responded to each other. After this, the process was repeated for 2).

A.1 Reflections on the impacts of the crisis on the social dialogue in the public sector

A number of issues about the impact of the crisis and recent reforms and social dialogue were discussed by the representatives:

Firstly, the 2011 bargaining round (see section 3A.3) was discussed. It was argued that the bargaining round could be seen as a response to the crisis because of the economic context and its strong influence on the process – and because of the meager outcome.

Secondly, the communication between KTO (that are not taken part in the negotiations) and KL about the bargaining on the Economic Agreement (see section 3A.2) with the Ministry of Finance was addressed. This communication was not perceived as real social dialogue, but still a useful form of communication. At these meetings, KTO informs KL what issues they want to be discussed and what their economic priorities are, and KL report about their experiences at the negotiations.

Thirdly, regarding the tripartite negotiations – which started in May and broke down in June – it was stated that there was not much focus on the public sector. The public sector representatives felt to some extent sidetracked. However, FTF – one of three trade union confederations in Denmark – managed to get some public sector specific issues on the agenda. Moreover, the agenda included issues of common relevance for the private and the public sector.

Fourthly, a new forum for municipal sector dialogue in between negotiations was discussed. There have for years been bodies for dialogue between the municipal social partners, but as something new a structured dialogue with participations of the elected chief-negotiators was initiated in 2011. The aim was to address ‘wider societal challenges’ on the edge of the traditional content of collective agreements between the collective bargaining rounds the social partners in the municipal sector. Hence, from late-2011 to mid-2012 the social partners’ defined four themes to be discussed in the period before the 2013 collective bargaining round. The four themes were:

- Labour supply: how to secure labour supply in the future under increased demographic pressure. Questions about the psychological working environment, absence due to sickness and disability pensions also fall under this theme
- Development of competences/VET
- Quality and job-content (‘kvalitet og faglighed’): This theme is clearly related to the second theme and is addressing the issue of how to sustain/increase job-satisfaction and the quality of service when the service budgets are diminishing
- The inclusive labour market: During the collective bargaining round 2011 the trade unions tried to introduce limits for the use of subsidised jobs and flex-jobs in that they found displacement is taken places in areas for low-skilled, where these types of jobs make up up to 50 percent of the total number of employees.

In relation to the three latter themes three reports formed the basis of the discussions at three meetings during spring 2012. The labour supply theme was also planned to be addressed in the tripartite talks that started in May 2011 (and ended one month later) and therefore no report was written on this theme. On

the trade union side the aim was to provide the social partners at the municipal and local level with on the one hand some tools to address these issues and on the other hand an obligation to take action on them. However, this is where the agreement with KL stops, in that KL did not find it correct that the public sector social partners at the sector-level in this way should frame and evaluate local initiatives. Apart from addressing 'wider societal challenges' it is likely that the aim of the new bipartite forum also is to try out a new form of dialogue other than collective bargaining in a period where the outcome of the collective bargaining rounds are expected to be limited due to the economic context. This initiative could be seen as being a modernization type rather than a cutback type.

Fifthly, the future trust reform (see section 2.1) was discussed. There was some doubt about who took the initiative to this reform. It is not coming from the social partners. Some sources pointed to the Social-Liberal Party (Det Radikale Venstre), one of the political parties in the Government. The Government has not been able to add anything to the short existing descriptions, when they have been asked to specify the proposal. There was furthermore doubt about the aim of the reform. Is it the Government, who shall trust that the local authorities are able to perform administration? Or is it about trusting the local authorities' employees can perform their tasks and deliver quality public service?

Finally, it was - not surprisingly - also discussed how the cutbacks have been addressed in the municipalities themselves. Among the most important possible changes discussed were:

- Overall reduction in the number of employees
- The share of part-time employees has increased, because the working time of previously full-time employees has been reduced
- At least some trade unions work now to reduce wages at job-entry to avoid lay-offs
- More restrictive perceptions among the employers about what has actually been agreed and laid down in the collective agreements
- More restrictive use of remuneration payments and other benefits in connection with lay-offs
- A stronger emphasize of the trade unions on their role as 'watch-dogs' in checking that rules are followed in connection with dismissals
- The use of the security fund (that only some public sector employees are eligible for) which was agreed upon at the collective bargaining round 2011 (see section 2.2) came a bit too late to be useful for the biggest rounds of dismissals
- The amount of money used for local wage setting seems to be sustained during the crisis, although there is substantial variation between areas.

However, local bargaining activity has been going down because the wider priority discussions have declined due to the tighter budgets. It is also possible that a further decentralization to the institutional level have taken place.

- The extent to which the employers can cooperate with the trade unions regarding restructuring of the public sector in times of crisis and the extent to which the employers' want to insist on the management prerogative.

There were only (open) disagreements between the employer and trade union representatives on a few of the above mentioned six issues in the discussion.

A.2 Suggestions for selecting local authority cases

In this second part of the workshop possible municipalities for case study research were discussed. Apart from the Silkeborg Kommune and Mariagerfjord Kommune, the two that were selected, also Hjørring Kommune, Frederikshavn Kommune, Skanderborg Kommune, Sorø Kommune, Gentofte Kommune and Herlev Kommune were discussed as municipalities where cutback problems had been addressed by social dialogue initiatives – either successfully or unsuccessfully. The representatives emphasized the importance of key persons for the processes and that it could be difficult to isolate the effect of austerity from other drivers.

Appendix B – Information about fieldwork

As stated above, possible municipalities for the study were suggested by the social partner representatives during the workshop. Around eight possible municipalities were discussed. After the meeting, two municipalities were selected, which according to the descriptions given by the sector level social partners fulfilled the criteria: Silkeborg Kommune and Mariagerfjord Kommune. The public service area suggested by the social partner representatives as interesting to focus on was in both cases the area of schools. After these choices were made, the representatives were contacted again in order to get suggestions for interviewees – on both trade union and employer side - from the two municipalities. The actual interviewees ended up being a mixture of persons pointed out by the workshop participants, and others that were suggested by these persons.

One employer and one trade union representative were interviewed in each of the two municipalities in August and September 2012. They have not asked for anonymity – and were:

- Huno Kjærgaard Jensen, Director of School Unit, Silkeborg Kommune
- Johnny Specht, President of Silkeborg Lærereforening, DLF
- Peter Møller Rasmussen, Director of School Unit, Mariagerfjord Kommune
- Esben Peddersen, Joint shop-steward, BUPL, Mariagerfjord Kommune

This means that the local branches of the two of the three largest trade unions in the school area were interviewed.

After the interviews were conducted, the interviewees send various statistical documents, reports, minutes etc.