

Joint European Level Social Partners'  
Work-Programme 2006 – 2008

Joint Study on Restructuring in the "EU15"  
Phase one

Denmark

Summary note of the meeting that took place in  
Copenhagen on 9<sup>th</sup> and 10<sup>th</sup> April 2008

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*Introduction*

The seventh seminar in the joint European level social partners' project, "Joint study on restructuring in the EU15" took place in Copenhagen, Denmark on the 9<sup>th</sup> and 10<sup>th</sup> April 2008. It was attended by the Danish social partners, European social partners and experts – an attendance list is attached as appendix one.

Those present were welcomed to the meeting. Juliane Bir (ETUC) presented the background to the project in the context of the 2006 – 2008 social partners work programme and the work already undertaken by the European level social partners on restructuring in the 10 New Member States; capacity building for employers' organisations and trade unions for participation the European Social Dialogue in the New Member States and Candidate Countries; and the employers' and trade union resource centres.

The project coordinator, Alan Wild, explained that the "final report" produced after the meeting would be an "expert report" and, as such it would not be expected to be either "adopted" or "agreed" by the local or European social partners. He stressed the importance of good and open debate in helping assure a high quality contribution to the overall project from Denmark. This was particularly the case in Denmark, where it often seems that the world has an interest in the "so-called" Danish model of managing restructuring and the identification of the elements that can be exported to other economies.

*The Danish national dossier – section one*

The project expert for Denmark, Eckhard Voss, presented the first section of the Danish National Dossier – "A macroeconomic review of restructuring in Denmark" (slides attached as appendix two). At the end of the presentation he left the Danish social partners with the following questions;

1. Structural change and economic restructuring in Denmark during the last decade has resulted in high employment rates and low unemployment – what are the main challenges in order to use these positive outcomes in the context of sustainable economic development?
2. What are the main challenges for Danish enterprises, and in particular the SME sector, as other competitors catch-up in terms of competitiveness;

3. One important task for the future is seen in supporting in particular high growth start-ups where Denmark currently lags behind other countries – what measures and instruments might be applied in this context;
4. What future trends of restructuring are likely to occur, in particular in public and private services?

Following the presentation the points summarised below were made by those present to further explain the context in which the report had been drafted, to add new information and, to help shape conclusions in order to contribute to the content of the final national dossier. The comments are grouped by issue rather than timing or view of the speaker;

- ◇ Important issues not contained in the dossier are the level of taxation in Denmark, now the highest in Europe, with highly educated workers leaving the country to destinations with lower level of taxation, and the effect of house price inflation in driving wealth perception and consumption;
- ◇ A number of participants stressed the importance of history and culture (this will also be covered later in the role of the social partners section of this note). The following sub-points were made;
  - Denmark was an agricultural country until the 1950's. As the economy developed the first industries were shipping and trading. As a consequence, today's business leaders tend to come from a trading rather than manufacturing background. Traders by nature are more likely to be flexible and responsive rather than the long term planners found in heavy manufacturing. Other participants pointed to the Viking culture as earlier evidence of a risk taking history ;
  - Denmark is a small country with an homogenous population. This helps sustain the Danish model in many ways but raises the challenge of the integration of migrants. Some participants felt that there was currently a relatively high level of xenophobia in the country.
  - Built into the Danish character is a degree of humility that helps change to be accepted relatively easily;
- ◇ A recent Danish Central Bank publication "Kvartalsoverigt 2007 - 4 kvartal" points to the ability of workers in transition finding jobs in growing companies – this might be referenced in the report;
- ◇ Young mothers in Denmark have high employment rates due to flexible options at work (e.g. part time working) and the more general support systems for families with young children. The health sector offers a good example;
- ◇ Sometimes the Danish data looks better than it really is. For example, there are 850,000 people on "transfer payments" of which 75,000 are "hidden" in training/

transition programmes. Taking oil out of the data would give Denmark a negative balance of trade;

- ◇ A large proportion of Danish small companies have either no, or very few employees. It is very easy in Denmark to set up a business ... but very difficult for businesses to grow because of the heavy administrative burdens involved.

*The Danish national dossier – section two*

Eckhard Voss presented the second part of the Danish dossier “The role of the social partners in restructuring” (slides attached as appendix three). He left the participants with the following questions;

1. What are the major strengths and weaknesses of the Danish model of “flexicurity”? How could the system be further improved?
2. To what extent is the “Danish system” limited to national contexts similar to those existing in Denmark? What are the minimum key requirements that need to exist for the successful export of elements of the Danish system?
3. Are there any further or different instruments of “active” labour market policies which can mitigate the social effects and/or anticipation of restructuring in Denmark over the longer term?

The expert coordinator, Alan Wild, encouraged the group to debate rather than simply comment on the issues raised in the dossier, emphasising that readers of the final report would be extremely interested in understanding the fundamental elements of Danish flexicurity; the pre-requirements for assimilation of Danish ideas into other countries – to what extent is the Danish system based on “nature” or “nurture”; and the strengths and weaknesses of the Danish approach from a national perspective.

In similar fashion to the discussion of section one above, the points summarised below were made by the seminar participants;

- ◇ Again issues of Danish culture arose in the debate on the role of the social partners in restructuring. The following comments were made;
  - Trust at all levels and process decentralisation are the core components of Denmark’s success in managing restructuring (the specific issue of trust will be covered later in this note);
  - Danes believe that if they become unemployed they have a duty to retrain to find another job. The Danish “Lutheran” culture means that people identify themselves strongly with their job and it is hard for people to remain idle and accept state unemployment benefits. One of the problems with the

assimilation of certain immigrant populations is associated with their different view on the need to work;

- ◇ Trust is raised above as a core element of Danish culture – and the point was reinforced a number of times. Contracts are honoured and expected to be honoured; collective agreements are universally implemented and the parties reaching agreement are confident that they will be. In a recent visit of the Danish social partners to Poland, Polish employers and workers found the implicit trust based commitment that neither part would exploit the other to be a completely alien concept. Conversely, the Eastern European notion that social partner agreements have to be guaranteed in terms of their implementation by the state was alien to the Danish social partners;
- ◇ Responding to questions relating to the behaviour of multinational companies from different histories and cultures in Denmark, the social partners were convinced that, in reality, once managers saw that the Danish system and methods worked and delivered results quickly (even quicker than in the US), they readily accepted them. This was confirmed in a report in multinational company behaviours in Denmark produced two years ago. Compliance with Danish rules and the positive interaction with works councils were stressed as positive elements enabling the success of multinational companies operating in Denmark.
- ◇ Decentralisation of collective bargaining in Denmark began 20 years ago. Today 75% of workers are covered by local agreements. This is an important factor for two reasons;
  - Negotiation at the local level increases the development and application of flexibility options related to the specific circumstances facing the enterprise;
  - Taking pay out of national negotiations provides the space and environment for discussions on broader issues.
- ◇ A crucial feature of Danish flexicurity is the arrangements that enable workers to carry rights acquired through service in one company to be carried to another without loss. In other countries this kind of arrangement encourages insecurity about job loss and leads to the predominance of “last in - first out” redundancy selection models. Other important features considered to be to the mutual benefit of both companies and workers are quick procedures and legal certainty associated with the termination of the employment contract;
- ◇ The dynamism and evolution of the Danish model is one of its strengths. Education and lifelong learning are at the heart of the system. The 2006 national agreement focussed on lifelong learning and the 2007 one on education. A potential weakness of the Danish system going forward could however be complacency and a failure to adapt the approach to future needs. Europe is full of systems which reflect the needs of the past rather than the future. Danish social partners need to spend more time anticipating future developments and discussing practical responses to things that have not yet happened;

- ◇ Strong and representative social partners committed to the development and implementation of agreements at all levels are fundamental to the success of the model. A challenge to the informal and voluntarist approach comes from the European Court of Justice Laval judgment which, it is suggested, undermines the influence of voluntary agreements;
- ◇ An interesting issue is the description of the Danish model as “flexicurity”. Danish flexicurity pre-dates the flexicurity model described by many in the European Union. It is seen as a new name invented by others to describe a national system that has evolved since the first national collective agreement in 1899 and involves elements of both “nature and nurture”. When asked to explain how the system, or elements of it, can be applied in non-Danish circumstances the meeting attendees found it difficult to give concrete answers;
- ◇ The fact that Denmark’s governments of all colours respect the freedom of the social partners is key. Whilst the system looks bipartite, it is in fact tripartite. Government actively respects social partner legitimacy in the area of managing change and engages in delivery of important elements of agreements. The 2007 agreement on education is a good example. The strong support of public sector employers and trade unions for the Danish model approach helps in assuring ongoing government support;
- ◇ Denmark’s levels of taxation and public service provision are often claimed to be too expensive to adopt elsewhere. The costs can however be more illusory than real – the costs of private provision of health, employment protection, pension and education make other country systems more expensive. The difference in Denmark is that citizens are comfortable with public provision of services and embrace the notion of collective responsibility;
- ◇ Danish problems with the integration of migrants are less acute with recent “economic migrants” from Eastern Europe. Major issues are associated with the assimilation of “non-economic” migrants entering the country as asylum seekers or from countries in crisis. Their language skills and ability/willingness to adapt to the highly developed civil society culture and to Danish norms relating to work and social protection cause serious problems. It has to be recognised that economic migrants and non economic migrants call for very different approaches to integration and that targeted policies should be developed further;
- ◇ Danish trade union solidarity is helped because the individual trade unions accept the notion of vertical career development i.e. that workers will move on from one union to another as their career develops.

*Joint EU social partners work relevant to restructuring*

Cinzia Sechi (ETUC), Liliane Volozinskis (UEAPME), Valeria Ronzitti (CEEP) and Steven D’Haeseleer (BUSINESSEUROPE), presented the recent work of the European social partners in the area of restructuring focusing on their activities relating to lifelong learning; orientations for

change; European Works Council best practice; and the restructuring studies (slides attached as appendix four).

#### *Case studies*

Representatives of employers and trade unions from Nordea and Codan Rubber made presentations of recent restructuring programmes and employer representative presented the case of the Danish local government reform.

The case studies as presented, and the issues they raise, will be included in the final dossier.

Following the case studies the Danish social partners offered a few summary comments;

- The genuine application of flexibility according to the prevailing local circumstances means that there are in fact many models or solutions within a single overall approach and mindset;
- The Danish models are, without question, one of Europe's major successes. It is however easier to tackle the issues of flexicurity in successful economies;
- The absence of resistance to change typifies the Danish employment relationship. The comment "if you stand still you move backwards" was made earlier in the seminar and captures this sentiments expressed in the case studies.
- The Danish population like the approach and are, by and large, prepared to pay the taxes that support it.

#### *Views of the European level Social Partners*

Following the presentations, discussion and case studies, the European level social partners made the following broad observations;

- Liliane Volozinskis (UEAPME) said that the whole seminar had been a learning experience that went far beyond reading about "the Danish model". She felt key factors to be "strong partnership", "trust", "high level risk taking mentality" and "social solidarity" and took away the notion that "true flexibility is a mindset rather than an initiative;
- Juliane Bir (ETUC) echoed the earlier comment on the importance of trust, confidence and respect. In looking at what might be exported from the Danish model she paid particular attention to the role of the trade unions in the design and management of social insurance. She suggested future challenges might be the integration of non economic migrants and assuring that even more focus is put on anticipating future change and reflecting this in future plans for lifelong learning and training;
- Steven D'Haeseleer (BUSINESSEUROPE) again thanked the participants for the real life exposure to the Danish approach. Key messages for him were trust and confidence; the low level of uncertainty avoidance that comes with the Danish psyche; and innovative approaches coming out of collective agreements. He remained uncertain on what in

the system was replicable elsewhere in countries with very different cultures and attitudes.

At the end of the meeting, the social partners were thanked for participation in the meeting and for their positive engagement in the process.

## APPENDICES

1. Attendance list for the seminar;
2. "A macroeconomic review of restructuring in Denmark" – Expert presentation;
3. "The role of the social partners in restructuring" - Expert presentation;
4. "Joint EU social partners work relevant to restructuring" - presentation by the European level social partners;
5. Case study presentation Nordea and Codan Rubber.