

# ARITAKE-WILD

## Joint European Level Social Partners' Work-programme 2006 – 2008

### Joint Study on Restructuring in the “EU15” Phase one

#### Denmark National Dossier

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**Joint European Level Social Partners' Work-programme 2006 - 2008**

**Joint Study on Restructuring in the "EU15" - Phase 1**

**Denmark Draft National Dossier**

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## Introduction - the purpose of the national report

The report presented here is the product of a two-staged process: A draft version was prepared for discussion by the Danish national social partners at the seventh in a series of national seminars between April 2007 and June 2008 in ten European Union member states.<sup>1</sup>

The draft version of the report was prepared during March and April 2008 by the selected external expert for Denmark, Eckhard Voss, working with the expert coordinator for the project, Mr Alan Wild and presented to the Danish social partners at a seminar which took place in Copenhagen on 9 and 10 April 2008.

Following a common framework of contents the main body of the report is structured in three sections:

- Section one – a macroeconomic review of restructuring;
- Section two – the role of social partners in restructuring;
- Section three - case study reports

While the Danish social partners were asked to comment and contribute to the first two sections of the report in the context of the national seminar, also individual cases of restructuring were presented by company representatives (both from the management and employee side) directly involved. Based on these presentations but also taking into account other available information case study reports have been prepared and are included in the third section of this report.

This final version of the report has been produced after the seminar in Copenhagen. Whilst taking into account the content of the meeting, it remains an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the Danish social partners or the case study company representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

The main purpose of the report is to encourage discussion and debate on the role of the Danish social partners in the process of economic restructuring at the national, sectoral and enterprise levels. Results will contribute to the development of a synthesis report that compares and contrasts the roles of the social partners in the ten countries studied with a view to drawing lessons for the future and to help shape the activities and priorities of the social partners at the European level in this area. Therefore, it should be noted that the ultimate audience for this document is “non Danish” and the authors therefore apologise to the national seminar participants for providing elements of detail and background that may appear obvious or superfluous to the Danish reader. The inclusion of this material is essential however if the broader objectives of the project described above are to be accomplished.

However, by the end of phase two of the project, national dossiers will have been prepared and been discussed by the social partners in 27 European countries. It is planned to develop an overall discussion document based on the role of the social partners in restructuring every country in the European Union for consideration by social partner representatives from throughout the EU.

*Alan Wild, Expert Coordinator of the Project*

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<sup>1</sup> Phase one of the project involves the Republic of Ireland; the Netherlands; Greece; Italy; France; the UK; Spain; Sweden; Austria and Denmark.

## **Section one – a macroeconomic review and trends of restructuring in Denmark**

### **Introduction and summary**

Denmark is currently one of the most competitive and top performing economies in the world. The country joined the European Community in 1973 and since then has actively participated in the general political and economic integration of Europe. It should be noted that Denmark elected not to join the 12 “old” EU member states in the Euro (along with Sweden and the United Kingdom). The Danish Krone is however pegged to the Euro and the country has been very successful in meeting or exceeding the EMU economic convergence criteria. As a small country with an open economy, Denmark is highly dependent on foreign trade and international cooperation. Danish trade and investment policies are liberal and encourage foreign investment.

Denmark has had a population of more than five million inhabitants since the early 1970s, rising gradually to 5.4 million people by the beginning of 2007. Denmark has more immigrants than emigrants, the level of immigration is relatively low when compared to countries such as Sweden and Germany.

Denmark’s highly developed economy features high-tech agriculture, competitive manufacturing industries, extensive government welfare measures, a stable currency, and high dependence on foreign trade. It is a net exporter of food and energy and enjoys a comfortable balance of payments surplus.

Danish business structure has experienced enormous changes in recent decades. As is the case with other EU countries, Denmark has gone from an agricultural and industrial society to one where services represent the dominant activity. The Danish economy had a strong agricultural base until the 1950’s and as the economy developed the first industries were shipping and trading. As a consequence, most Danish business leaders come from a trading rather than a manufacturing background. Denmark is a country characterised by active entrepreneurship. For many commentators entrepreneurship is also connected to the nation’s trading history and the fact that traders are more likely to be flexible and responsive rather than long term planners often found in engineering and manufacturing.

A lot has been achieved over the past 25 years, thanks to stability-oriented macroeconomic policies and the progressive implementation of forward-looking reforms. As a consequence of government debt reduction policies, Danish public finances are better prepared for population ageing than most industrialised countries. A flexible labour market, combined with active support for those in transition between jobs, contributes to the country’s ability to benefit from globalisation. The “Danish model” of dealing with the social effects of macro and micro economic restructuring is today seen as a good practice model for the EU as a whole.

In its most recent assessment report on the Danish National Reform Programme for Growth and Jobs the EU Commission has highlighted in particular the following:

“Among the strengths shown (...) is the comprehensive and integrated approach of reform planning and implementation, within a framework for ensuring long-term fiscal sustainability, combined with the active participation of stakeholders.” (EU Commission 2008, p. 6)

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With a rate of 77.4% in the 15 to 64 year age range in 2006, Denmark has the highest employment rate in the EU and considerably higher than the EU average (65%). Both male (81.1%) and female (73.4%) employment rates are above the Lisbon targets of 70 and 60%. Between 2000 and 2006 the total employment rate increased by 1.1 percentage points. It is notable that the increases in the employment rates of female and older people were even higher (1.8% and 5.0% respectively). The Danish labour market also is characterised by a high share of persons involved in active labour market policy measures or in early retirement. In 2003 the number of people in early retirement amounted to 6% of the labour force and more recent estimates suggest that between 800,000 to one million people are currently involved in various training/transition programmes.

Denmark is a country with a particularly highly developed system of work-life balance. Young mothers in Denmark have higher employment rates due to flexible options at work and the general support systems for families with young children are better developed than in most other European countries.

From 2000 to 2006 the average annual increase in Danish labour productivity was 1.6% which is both above the EU-15 and EU-25 averages but below average annual increase rates of countries like Ireland and, from a much lower base, the New Member States. The annual average of labour productivity in Denmark over the period was similar to countries like Germany or the Netherlands. A major reason of the increase in labour productivity was the reduction in real unit labour costs and real compensation. Between 2000 and 2006 real unit labour costs in Denmark decreased by 2.4%.

OECD data illustrates that Denmark has a generally sound level of general educational attainment, slightly above the OECD average. In all the OECD countries, an average of 25% of 25-64-year-olds had completed a higher education qualification in 2004. At 32%, Denmark was among those countries with a higher percentage. The country performs exceptionally well in the area of lifelong learning and exceeds by far the European Union's Lisbon strategy target on further education of 12.5% participation among those aged 25 to 64 for both male and female adults. The country has a long tradition of joint tripartite or bipartite cooperation in the area of vocational training. The apprenticeship and further education systems have for many years been based on tri- or bipartite cooperation. Bipartite influence ranges from curriculum development to involvement in examinations, and trade unions and employers have joint secretariats to deal with these issues.

The Danish experience of restructuring is particularly interesting in terms of the social and political perception of the way change has been dealt with in both in the political and labour relations arenas. The country is characterised by the general perception (agreed not only by politicians and employers but also by trade unions and other social actors) that economic change is necessary and restructuring should not be seen as a threat but as an important opportunity. In this context, a remarkable feature of the "Danish model" seems to be the relative absence of "resistance to change". On this basis, the country has developed an impressive set of instruments to deal with change described in the report.

Between 2000 and 2006 the number of employees in Denmark increased by around 90,000 according to Eurostat figures. Beneath the surface of this overall change, certain sectoral and other structural changes occurred. The production sectors saw a net employment decrease by nearly 46,000 jobs and positive employment developments were mainly due to job creation in the service sector, in particular in retail, business services and education. In this period, the Danish service sectors in total created around 120,000 additional jobs. These figures reveal just the tip of an iceberg of structural

change: Most estimates suggest around 30 per cent of the total Danish labour force (or about 700,000 employees) change their job every year.

The significance of the manufacturing industry for the Danish economy can be described using central statistics from the national accounts. Up until 1980, manufacturing industry accounted for a more or less constant share of the total value added of 19 per cent. Since then, this share has gradually fallen to a level of 18 per cent in 2006. Manufacturing industry has however experienced a significant reduction in its share of total employment over the period 1966 to 1983, from 27% to 19%. Today (2006) manufacturing industry represents just 14% of total employment.

Major restructuring initiatives in Denmark have not been limited to the private sector. The public sector continues to undergo restructuring in public administration, utilities and in services like healthcare. An important example is the largest ever restructuring of public administration in Denmark that took effect on 1<sup>st</sup> January 2007<sup>2</sup> when thirteen counties and 269 municipalities were restructured into five regions and 98 municipalities.

International relocation in Denmark is a prominent topic in public debate. The Danish government has set up a Globalisation Council to adopt a more proactive approach in dealing with the challenges of globalisation, relocation and the modernisation of economic and social systems. The aim of the council, which is actively supported by Danish trade unions, is to analyse and discuss the position of Denmark in a global economy. One of the key issues debated is education at all levels. The council comprises high-level men and women from government, the national bank, large companies and employees' and employers' confederations and organisations. In 2006, the government published a report summarising various pillars of a national strategy to tackle the challenges posed by globalisation. In a clear contrast to countries like France, Austria or Germany globalisation is regarded by the Danes more clearly than by any other European citizens not as a threat but as an opportunity.

## Macro-economic indicators

### Population

Since the early 1970s, Denmark has had a population of more than five million inhabitants. Other than during the early 1980s, when the Danish population fell due to a reduction in the birth rate, the population has seen a gradual increase to 5.4 million people on 1 January 2007. With 1.85 children per woman, Denmark has one of the highest fertility rates in the EU. In 2004, the total fertility rate for the EU was 1.49.

Although Denmark has more immigrants than emigrants, the level of immigration is relatively low when compared to countries such as Sweden and Germany. Historically, foreign citizens who migrated to Denmark came mainly from other Nordic countries, the EU countries or the United States, and to some extent from Turkey and the former Yugoslavia. During the 1980s and 1990s, whilst a large proportion of all immigrants continued to come from these countries, a new trend emerged with an increase in immigration from Asian countries such as Iran, Iraq and Afghanistan as well as from African countries such as Somalia and Ethiopia. These groups consist mainly of refugees (and their families) who have been granted Danish residence permits. Today, immigrants and their descendants comprise 8.8% of the total Danish population (477,700 persons) – about 6.6% are immigrants and 2.1% are descendants.

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<sup>2</sup> The case of local government reform was presented at the National Seminar in Copenhagen, which took place on 9/10 April 2008 by Henrik Schilder, Vice chair of CEEP Social Affairs Committee, for further details see Schilder 2008.

**Table 1: Population trends in Denmark**

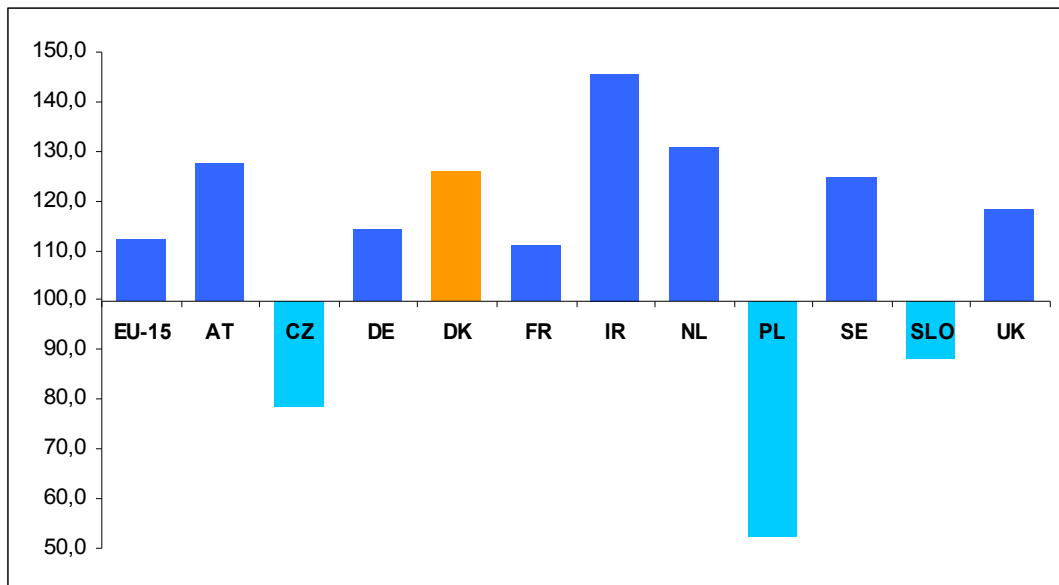
	Unit	1970	1980	1990	2000	2007
<b>Population on 1 January</b>	mio.	<b>4.91</b>	<b>5.12</b>	<b>5.14</b>	<b>5.33</b>	<b>5.45</b>
0-19-year-olds	per	31.0	28.7	24.3	23.7	24.5
20-59-year-olds	cent	51.5	51.9	55.3	56.6	53.5
60 years +	-	17.5	19.3	20.4	19.7	22.0
Immigrants and descendants, total	-	-	3.0	4.2	7.1	8.8
Of whom: non-western countries	-	-	1.0	2.2	4.8	6.1

Source: Statistics Denmark: Denmark in figures 2008, p.5

### GDP development

With a gross domestic product per capita (in constant prices) of 47,700 USD in 2005 Denmark is one of the richest nations in the world and GDP per capita is significantly higher than EU-25 (29,200 USD) and EU-15 (32,900 USD) figures. Within the EU Denmark ranks in third place behind Luxembourg (80,000 USD) and Ireland (48,300 USD).

Measured in Purchasing Power Standards (PPS) per capita (see below) Denmark also ranks in the upper group of EU countries.

**Figure 1: GDP per capita in PPS 2006 (EU-27=100)**

Source: Eurostat database

GDP growth in Denmark shows a similar trend to other countries in the “EU-15” group: Strong growth rates during the economic boom years of 1994-2000 were followed by a period of stagnation from 2001-2003. After 2004 the recovery started and has continued with a level of growth above the “EU-15” states in 2005 and 2006 but slightly below in 2007.

**Table 2: Economic growth 2007 – 2007 and average annual changes in real GDP in %**

	2000	2001	2002	2003	2004	2005	2006	2007	1995 - 2007	1995 - 2000	2001 - 2007
<b>Denmark</b>	<b>3,5</b>	<b>0,7</b>	<b>0,5</b>	<b>0,4</b>	<b>2,1</b>	<b>3,1</b>	<b>3,2</b>	<b>2,3</b>	<b>2.3</b>	<b>2.9</b>	<b>1.8</b>
Sweden	4,3	1,1	2,0	1,7	4,1	2,9	4,2	3,8	3.1	3.3	2.8
Germany	3,2	1,2	0,0	-0,2	1,2	0,9	2,8	2,5	1.6	2.0	1.2
Italy	3,6	1,8	0,3	0,0	1,2	0,1	1,9	1,9	1.5	2.1	1.0
France	3,9	1,9	1,0	1,1	2,5	1,7	2,0	2,4	2.2	2.7	1.8
UK	3,8	2,4	2,1	2,7	3,3	1,9	2,8	2,8	2.8	3.1	2.6
EU-25	3,9	2,0	1,2	1,3	2,4	1,8	2,9	2,8			2.1
EU-15	3,8	1,9	1,1	1,1	2,3	1,6	2,8	2,7	2.3	2.8	1.9
USA	3,7	0,8	1,6	2,5	3,9	3,2	3,3	2,2	3.1	3.9	2.5

Source: EU Commission: *Employment in Europe 2007*, own calculations

### The ranking of Denmark in global and European indicators

Denmark enjoys a high status among the leading economies in the world according to a variety of indicators:

The World Economic Forum's global competitiveness index ranking 2007-2008 ranks Denmark third out of 131 countries (behind the United States and Switzerland) and ahead of highly competitive countries in and outside the European Union such as Sweden, Germany and Finland. If compared to the 2006-2007 ranking Denmark is amongst the countries which kept their position.

**Table 3: Global competitiveness index rankings and 2006-2007 comparisons**

Country	GCI 2007-2008		GCI 2006-2007	Changes in rank 2006/07 – 2007/08	
	Rank	Score		Rank	
United States	1	5.67	1	→	0
Japan	8	5.43	5	↘	- 3
Austria	15	5.23	18	↗	+ 3
Denmark	3	5.55	3	→	0
Finland	6	5.49	6	→	0
France	18	5.18	15	↘	- 3
Germany	5	5.51	7	↗	+ 2
Italy	46	4.36	47	↗	+ 1
Netherlands	10	5.40	11	↘	- 1
Spain	29	4.66	29	→	0
Sweden	4	5.54	9	↗↗	+ 5
United Kingdom	9	5.41	2	↘↘	- 7

Source: World Economic Forum: *Global Competitiveness Report 2007-2008*

Every year since 1990 the UNDP Human Development Report has calculated a human development index (HDI) that looks beyond economic figures to a broader definition of well-being and quality of life. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy); being educated (measured by adult literacy and enrolment at primary, secondary and tertiary education); and having a decent standard of living (measured by purchasing power parity, PPP, income). The HDI for Denmark in 2005 (latest available data) was 0.949, which gives the country a rank of 14<sup>th</sup> out of 177 countries. It is worth



noting that this is the same score as for Spain and slightly above Austria. Compared to 2000 there was no change in the ranking of Denmark.

**Table 4: Denmark's ranking in the UN Human Development Index 2005**

HDI value	Life expectancy at birth (years)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita (PPP US\$)
1. Iceland (0.968)	1. Japan (82.3)	1. Australia (113.0)	1. Luxembourg (60,228)
13. Spain (0.949)	15. Austria (79.4)	2. New Zealand (108.4)	6. Switzerland (35,633)
<b>14. Denmark (0.949)</b>	16. Netherlands (79.2)	<b>3. Denmark (102.7)</b>	7. Hong Kong, China (SAR) (34,833)
15. Austria (0.948)	17. Germany (79.1)	4. Finland (101.0)	<b>8. Denmark (33,973)</b>
16. United Kingdom (0.946)	29. Korea (Republic) (77.9)	5. Ireland (99.9)	9. Austria (33,700)
17. Belgium (0.946)	<b>30. Denmark (77.9)</b>	6. Canada (99.2)	10. Canada (33,375)
177. Sierra Leone (0.336)	31. United States (77.9)	172. Niger (22.7)	174. Malawi (667)

Source: UNDP 2008

The HDI measures average achievements in a country, but it does not incorporate the degree of gender imbalance in these achievements. The gender-related development index (GDI), introduced in Human Development Report 1995, measures achievements in the same dimensions using the same indicators as the HDI but captures inequalities in achievement between women and men. It is simply the HDI adjusted downward for gender inequality. The greater the gender disparity in basic human development, the lower is a country's GDI relative to its HDI. Out of the 156 countries with both HDI and GDI values, 53 countries have a better ratio than Denmark's. The gender empowerment measure (GEM) reveals whether women take an active part in economic and political life. It tracks the share of seats in parliament held by women; of female legislators, senior officials and managers; and of female professional and technical workers- and the gender disparity in earned income, reflecting economic independence. Differing from the GDI, the GEM exposes inequality in opportunities in selected areas. Denmark ranks 4<sup>th</sup> out of 93 countries in the GEM.

On Lisbon indicators, Denmark is the leading country in Europe. Denmark is particularly strong on policy fields like enterprise environment, social inclusion and network industries. On information society, innovation and R&D, Denmark tends to rank behind its neighbours Finland and Sweden.

**Table 5: Progress on the Lisbon Indicators 2006**

Country	Final Index		Sub-indexes							
			Information Society	Innovation and R&D	Liberalization	Network Industries	Financial Services	Enterprise	Social Inclusion	Sustainable Development
			Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
<b>Denmark</b>	<b>1</b>	<b>5.76</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>3</b>
Finland	2	5.74	6	1	4	8	4	4	2	1
France	9	5.21	11	8	11	3	7	9	15	10
Germany	5	5.53	10	3	1	1	2	12	10	2
Greece	23	4.19	25	18	21	14	16	20	22	23
Italy	24	4.17	16	19	23	20	23	24	24	19
Netherlands	4	5.59	2	5	2	6	6	2	4	6
Spain	15	4.49	20	15	16	11	14	16	23	18
Sweden	3	5.74	1	2	6	5	3	7	3	4
Austria	7	5.3	7	9	7	9	8	15	8	5

UK	6	5.5	3	6	3	7	1	5	9	8
EU25 aver.		4.84								

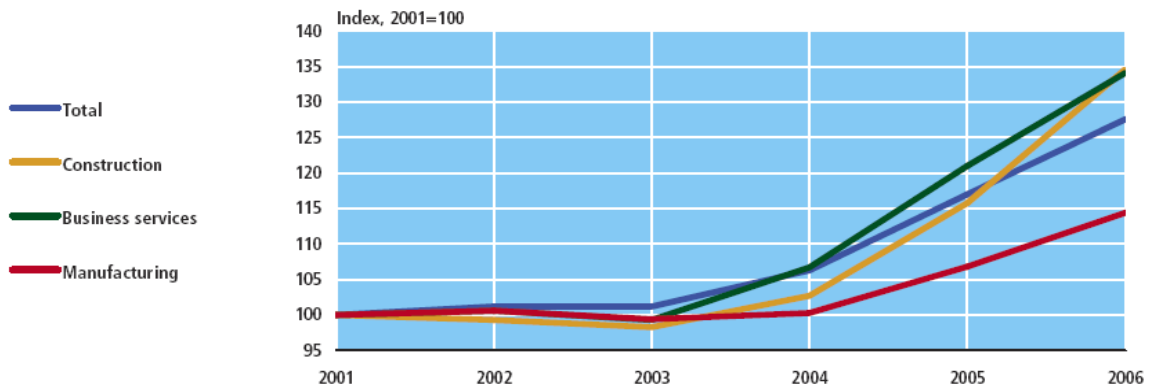
Source: World Economic Forum: Lisbon Review 2006.

### Structure of the economy

Danish business structure has experienced enormous changes in recent decades. As is the case with other EU countries, Denmark has gone from an agricultural and industrial society to one where services represent the dominant activity. The Danish economy had a strong agricultural base until the 1950's and as the economy developed the first industries were shipping and trading. As a consequence, most Danish business leaders come from a trading rather than a manufacturing background.

Today, around three quarters of all employed persons work in the service sector. This development is illustrated in enterprise turnover figures over the period 2001-2006. The total growth in business turnover is 28 per cent in this period, but there are great differences from one industry to another. Business services have increased by 34 per cent, while the turnover of the manufacturing industry has increased by only 14 per cent. The largest recent increase has been in construction (35 per cent) which has experienced a marked growth in turnover during the last couple of years.

Figure 2: Development of total turnover by economic sectors 2001 - 2006



Source: Statistics Denmark: Statistical Yearbook 200, p. 253

Gross value added by economic activities in Denmark differs to some extent from other EU countries and its neighbours:

- Mining and quarrying, manufacturing, electricity, gas and water supply contributed around 20% to the Danish gross value added in 2005 which is the same as the EU-25 figure but clearly below countries like Sweden (23.4%), Finland (25.5%), Germany (25.4%) and Austria (22.1%). The figure is significantly below that for Europe's new member states with a strong manufacturing base like the Czech Republic (31.6%) and Slovenia and Slovakia (between 28% and 29%);
- Sectors like construction, retail, hotels and restaurants contributed a similar share to the national gross value added in Denmark when compared to other EU states;
- Together with Sweden, the Danish economy is characterised by a very high contribution to gross value added by public and personal services: With 27.1% (Sweden: 27.4%) this share is clearly above the EU-25 average of 22.8%.

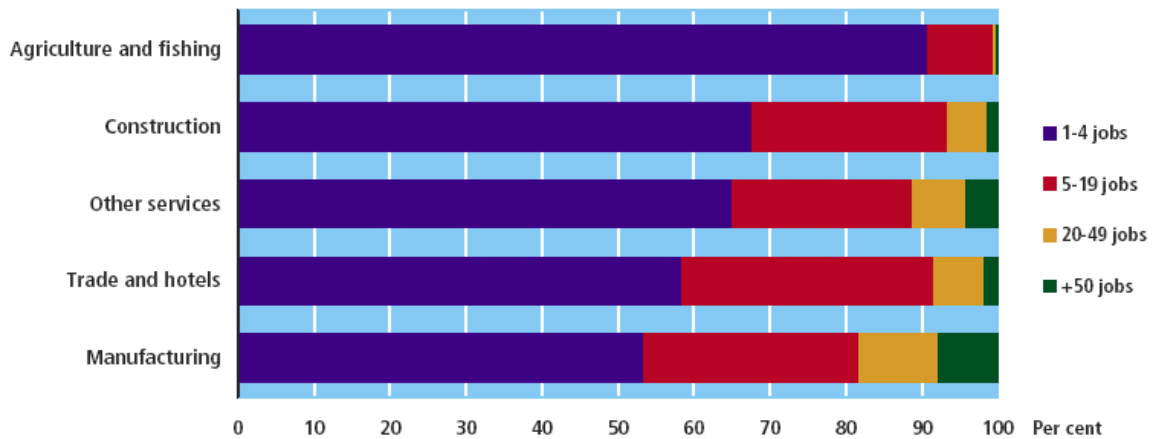
### A strong position of small and medium sized companies

The Danish business structure is characterized by the large number of small enterprises with less than ten full-time employees (91%). There are about 283,000 such enterprises in Denmark. Financial and business services account for most of these enterprises

(24%) together with wholesale and retail trade, hotels, restaurants (22%). 16% of small enterprises have their main activity in agriculture and fishing and just 7% in manufacturing. In terms of employment, more than 1.3 million full-time employees – or 62% of all full-time employees – work in larger enterprises with 100 or more full-time employees. The largest concentration of employment is in manufacturing, where 63% of workers are employed in the largest enterprises. By comparison, employment in large enterprises accounts for only 21% of full-time employees in construction.

On average, there are around ten jobs per workplace in Denmark, but the size of the workplaces varies widely. Most of the workplaces are small - almost two thirds of workplaces have less than five jobs, and only about 9,000 workplaces in Denmark have 50 or more jobs.

**Figure 3: Workplaces by industry and size 2005**



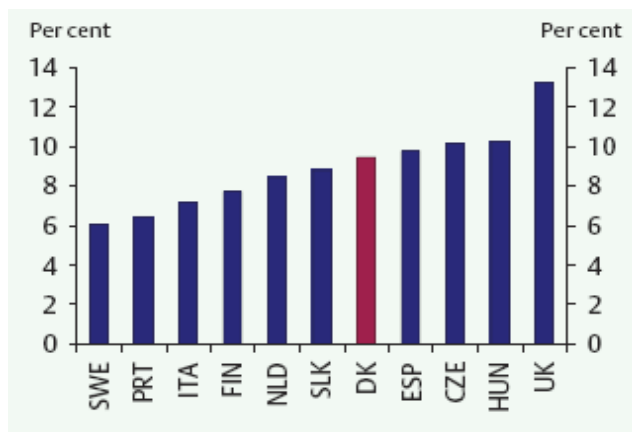
Source: Statistics Denmark: Statistical Yearbook 200, p. 258

Denmark has traditionally been a country characterised by active entrepreneurship. For many commentators entrepreneurship is connected to the trading history and the fact that traders are more likely to be flexible and responsive rather than long term planners often found in engineering and manufacturing. Some commentators even state that Danish entrepreneurship is rooted in the tradition of the Viking history and culture as an early evidence of a risk taking national business culture.

Entrepreneurial spirit is illustrated by the higher business start-up rates in Denmark than in other countries, including Finland and Sweden. In 2003, new enterprises accounted for almost 10% of the total number of enterprises in Denmark.

**Figure 4: Start-up rate, new enterprises, 2003**

Number of new enterprises (having been in operation for less than a year) as per cent of the total number of enterprises



Source: Danish Government 2007, p. 21

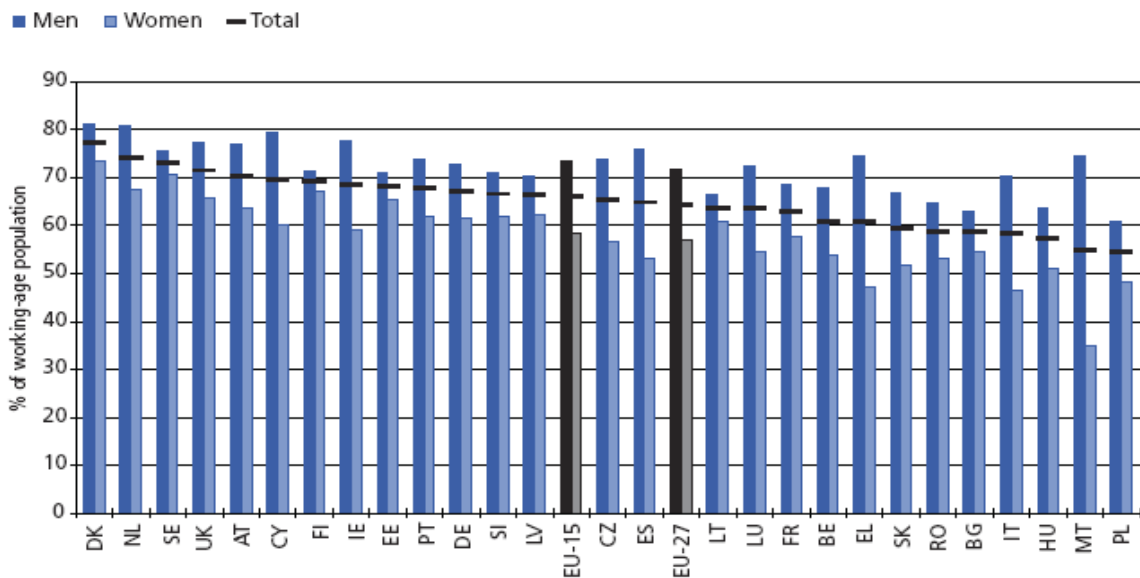
Starting-up a business in Denmark is much easier than in many other European countries: On average it takes just five days to register an enterprise compared to an OECD average of almost 17 days. No fees or taxes are levied on the actual start-up and as a consequence setting up a new business in Denmark is both easier and cheaper than in any other European country (Danish Government 2007, p. 21).

However, at the same time it is stated by some commentators and in particular employer representatives that it might be very easy to set up a business, it is much more difficult for a business to grow and this is the main reason for a large proportion of Danish small companies having either no, or very few employees.<sup>3</sup>

### Employment and unemployment

With a rate of 77.4% in the 15 to 64 year age range in 2006, Denmark has the highest employment rate in the EU and considerably higher than the EU average (65%). Both male (81.1%) and female (73.4%) employment rates are above the Lisbon targets of 70 and 60%. Between 2000 and 2006 the total employment rate increased by 1.1 percentage points. It is notable that the increases in the employment rates of female and older people were even higher (1.8% and 5.0% respectively).

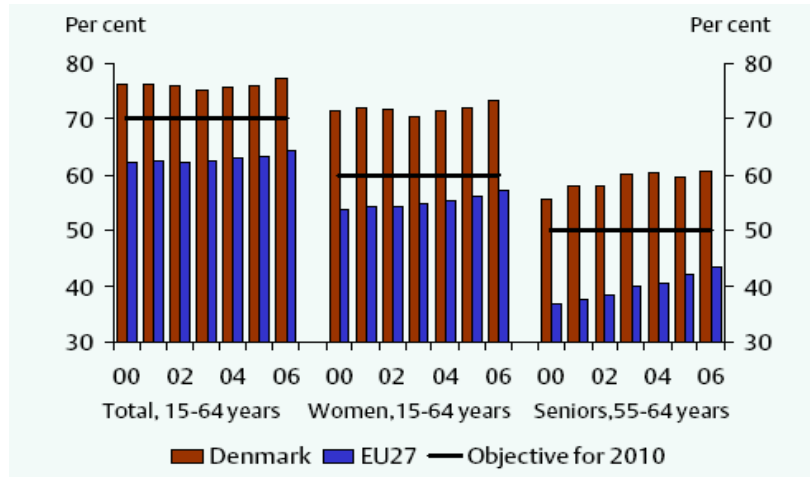
Figure 5: Employment rates in the EU Member States 2006



Source: EU Commission: *Employment in Europe 2007*, p. 25

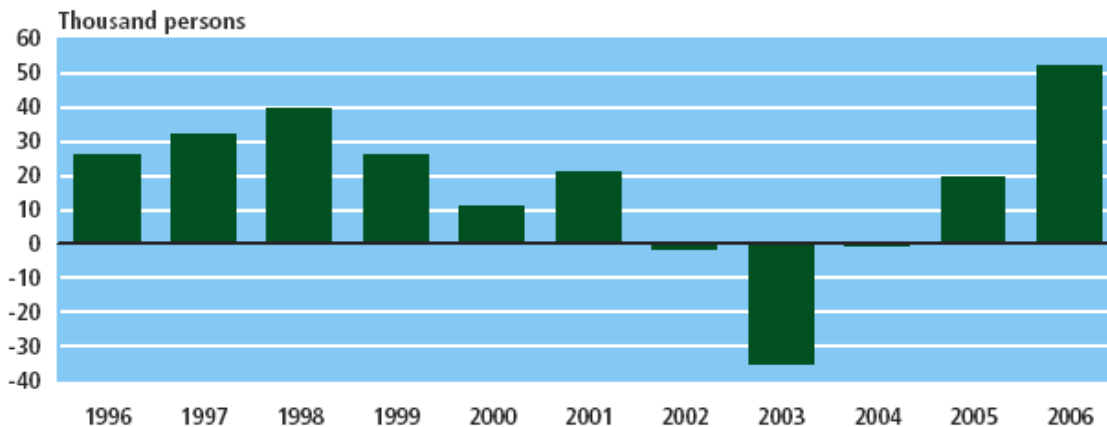
With 60%, persons aged 55-64, Denmark had the second-highest employment rate in the EU in 2005 for this category after Sweden (69%). The female employment rate in Denmark is the highest in Europe. Denmark fulfils the three EU employment objectives for the overall population, women and senior citizens, respectively.

<sup>3</sup> According to statements of representatives of the Danish employers' federations at the Social Partner seminar in Copenhagen, 9/10 April 2008.

**Figure 6: Denmark and the EU objectives of employment rates**

Source: Danish Government 2007, p. 39 based on Eurostat

The development of employment in Denmark during the last decade has been characterised by an overall growth in the number of employed persons. Between 1996 and 2001, i.e. before the economic downturn, the number of employed persons in Denmark increased by around 130,000 persons. In 2002 and 2003 total employment fell by around 37,000 before increasing again after 2004 by 71,000 persons until the end of 2006. According to the Danish Government ("Danish Government", 2007, p. 11), employment increased by 120,000 persons (4.5%) from 2004 to 2007. In the same period, unemployment decreased by 90,000 persons to a historically low level of 90,500 persons in July 2007 (3.2% of the labour force, EU-definition).

**Figure 7: Annual growth in employment in Denmark 1996 - 2006**

Source: Statistics Denmark: Statistical Yearbook 200, p. 434

It should be noted that the Danish labour market also is characterised by a high share of persons involved in active labour market policy measures or in early retirement. In 2003 the number of people in early retirement amounted to 6% of the labour force (Gaard/Kieler 2005, p. 24). More recent suggest that between 800,000 to one million people currently are involved in various training/transitions programmes.<sup>4</sup>

<sup>4</sup> Figure presented at the Social Partner seminar in Copenhagen, 9/10 April 2008.

**Recent Government initiatives to further improve the employment rate**

The Danish government is aiming to further increase employment. In the late summer 2007 the government submitted a new plan for the Danish economy up until 2015 cf. *Towards New Goals - Denmark 2015*. The plan requires new labour market policy initiatives to strengthen non-subsidised employment permanently by another 20,000 persons up until 2015 and ensure that the average working hours as a minimum are kept unchanged. The plan also includes initiatives that will contribute to a continued strengthening of employment for immigrants and their descendants as well as senior citizens. This objective will for example be realised by focusing on the following areas:

- Greater influx of labour from other countries to the private as well as the public sector.
- Targeting public schemes for persons with reduced working capacity and further development of preventive efforts.
- Enhancement of labour market policy by focusing, for example, on ensuring incentives to seek employment and upgrading of skills. Unemployed people must be matched with vacancies as quickly as possible.
- Continued efforts to enhance employment for immigrants and their descendants.
- Continued work to assure the transition from education to work and young people completing an education programme more quickly than today.
- Continued enhancement of employment of senior citizens.

In addition, the government will set up a labour market commission of independent experts. Before the end of 2008 the commission will present recommendations to help meet the government's vision on employment and working time. (Danish Government 2007, p. 40)

In 2006 goods-producing industries (agriculture, etc., manufacturing, energy, and construction) employed 24.0% of the Danish workforce. Around 41% of workers were employed in private services and 35.2% in public and personal services.

**Table 6: Employed persons in Denmark 2006**

<b>Economic activities</b>	<b>Total</b>	<b>% of total</b>
Agriculture, fishing, quarrying	88 995	3.2
Manufacturing	392 457	13.9
Electricity, gas and water supply	12 979	0.5
Construction	181 715	6.4
Services		
Wholesale and retail trade	446 680	15.8
Hotels and restaurants	94 138	3.3
Transport, post and telecommunication	182 154	6.5
Finance and business activities	427 576	15.2
Public administration	165 901	5.9
Education	200 979	7.1
Other personal services	625 775	22.2
<b>Total employed</b>	<b>2 819 350</b>	<b>100</b>

*Including employees temporarily on leave*

*Source: Statistics Denmark: Statistical Yearbook 2007, p. 456*

Part-time work is becoming more and more important to the Danish economy. In 2006, according to Eurostat figures, around 24% of Danish employees were not full-time employed. With this part-time worker concentration, Denmark is above the EU-15 average of 20.8%. The majority of Danish part-timers are women with a part-time work ratio of 35.4% whilst the male ratio is only 13.3%. Despite this variance, employed males in Denmark are slightly more likely to work part-time than the average EU-15 male (8.1%) while female Danes are marginally less likely to work part-time (EU-15: 36.8%).

In this context it should also be noted that Denmark is a country with a particularly highly developed system of work-life balance: Young mothers in Denmark have higher employment rates due to flexible options at work and the general support systems for families with young children are better developed than in most other European countries. This for example is underpinned by a recent empirical survey on labour market flexibility and security in Europe: One significant result was that in the context of reduction in working hours due to childbirth for women, there are significant differences between countries. While in countries such as Germany, Hungary and also in the UK the largest reductions are found, participation rates and return to full-time work in the Nordic countries and in Denmark in particular tend to stay high before and after childbirth (European Foundation 2008, p. 27).

Fixed-term contracts are not very significant in Denmark when compared with other European countries: With a total share of 8.9% in 2006 (men: 8.0%, women 10%) Denmark differs significantly from the EU-15 (14.7%) and its neighbouring countries (Germany: 14.5%, Sweden: 17.3%).

With only 3.9% measured against the labour force of 15+years in 2006, Denmark has the lowest unemployment rate of all EU countries and scores better than Ireland (4.4%) and the UK (5.3%). According to Eurostat the female unemployment rate (4.5%) was slightly above the one of males (3.3%).

**Table 7: Unemployment rates in the EU and Denmark 2000 – 2006 (% of labour force 15+)**

Country	2000	2002	2002	2003	2004	2005	2006
EU (25 countries)	8.6	8.4	8.7	9.0	9.0	8.7	7.9
EU (15 countries)	7.6	7.2	7.5	7.9	8.0	7.9	7.4
<b>Denmark</b>	<b>4.3</b>	<b>4.5</b>	<b>4.6</b>	<b>5.4</b>	<b>5.5</b>	<b>4.8</b>	<b>3.9</b>

Source: EU Commission: *Employment in Europe Report 2007*

There are also several recent initiatives to deal with growing labour shortages in certain sectors of the Danish economy (see below).

#### **Initiatives to improve the labour supply and open-up the Danish labour market**

In March 2007 the *Job Card scheme* relating to future immigration, was extended to include midwives, dentists, architects, surveyors, lawyers, economists, marine engineers and building engineers. The agreement also extends the scheme in such a way that residence permits are issued to all foreigners who can document a concrete job offer with an annual salary of more than DKK450,000 and the usual wage and employment conditions, regardless of whether there is a shortage of labour in the field. The government is also contemplating lowering the annual pay limit.

An agreement on future immigration has been concluded which introduces a *Green Card scheme* enabling specially qualified foreigners to obtain a visa to seek employment in Denmark for up to six months. The government is also considering adjusting the scheme to improve opportunities for enterprises to recruit foreign labour.

The government has launched 13 new initiatives to facilitate enterprises' access to recruitment through increased knowledge and tools, and to market Denmark in Sweden, Poland and Germany as an attractive country in which to work.

Most recently, the *transitional scheme for EU enlargement* has been changed starting from 1 January 2008. The change enables enterprises covered by a collective agreement to employ people from the new EU countries without first having obtained a work permit. The first adaptation of the so-called East Agreement entered into force in June 2006, enabling enterprises covered by a collective agreement to be pre-approved to employ citizens from the new EU countries without the citizens first having obtained work and residence permits. Since June 2006 there has been a significant increase in the number of work and residence permits issued. (Danish Government 2007, p. 41/42).

### Development of labour productivity

From 2000 to 2006 the average annual increase in Danish labour productivity was 1.6% which is both above the EU-15 and EU-25 averages but below average annual increase rates of countries like Ireland and, from a much lower base, the new member states. The annual average of labour productivity in Denmark over the period was similar to countries like Germany or the Netherlands.

**Table 8: Annual Change of labour productivity 2000 - 2006**

	2000	2001	2002	2003	2004	2005	2006	Average change per year
EU-25	2,4	1,0	0,9	1,2	1,9	1,0	1,5	1,4
EU-15	1,9	0,6	0,6	1,0	1,8	1,0	1,6	1,2
U.S.	1,6	0,5	2,7	2,7	3,0	1,8	1,4	2,0
Austria	2,3	0,3	1,1	0,9	2,1	0,7	1,9	1,3
<b>Denmark</b>	<b>3,1</b>	<b>-0,1</b>	<b>0,5</b>	<b>1,7</b>	<b>2,1</b>	<b>2,4</b>	<b>1,3</b>	<b>1,6</b>
Germany	2,3	1,4	1,1	1,5	1,7	1,5	2,5	1,7
Netherlands	2,0	0,3	0,3	1,4	3,4	1,8	1,8	1,6
Ireland	5,3	2,8	4,2	2,3	1,2	0,9	1,7	2,6
France	1,0	-0,3	0,1	1,1	2,4	1,4	1,2	1,0
Italy	1,7	0,0	-0,9	-0,6	0,8	0,3	0,2	0,2
Spain	0,0	0,4	0,4	0,6	0,6	0,4	0,8	0,5
Czech Republic	4,1	2,1	1,6	4,7	4,1	4,7	4,7	3,7
Slovakia	2,6	2,6	4,7	2,3	5,8	4,6	5,8	4,1

Source: EU-Commission: Employment in Europe Report 2007

### Labour costs and compensation

A major reason of the increase in labour productivity was the development of real unit labour costs and real compensation. Between 2000 and 2006 real unit labour costs in Denmark decreased by -2.4% (average annual decrease of -0.3%), mirroring the general development in the EU-15 countries.

**Table 9: Real unit labour costs, annual change in %**

	2000	2001	2002	2003	2004	2005	2006	Average change per year
EU-25	0,1	0,3	-0,4	-0,2	-1,0	-0,5	-0,8	-0,4
EU-15	0,1	0,3	-0,3	-0,1	-0,9	-0,4	-0,8	-0,3
U.S.	1,8	-0,5	-0,9	-0,5	-1,6	-1,2	0,1	-0,4
Austria	-1,9	-0,7	-0,4	-0,3	-2,1	-0,9	-1,1	-1,1
<b>Denmark</b>	<b>-2,4</b>	<b>1,9</b>	<b>0,9</b>	<b>0,6</b>	<b>-1,4</b>	<b>-2,2</b>	<b>0,2</b>	<b>-0,3</b>
Germany	1,4	-0,3	-0,5	-0,1	-1,1	-1,6	-1,5	-0,5
Netherlands	-1,1	-0,1	1,0	0,5	-0,4	-2,0	-2,3	-0,6
Ireland	-2,8	-0,9	-3,5	0,2	3,5	0,6	0,2	-0,4
France	-0,3	0,3	0,5	-0,1	-0,5	0,0	-0,4	-0,1
Italy	-1,4	0,2	0,3	1,2	-0,4	0,5	0,5	0,1
Spain	-0,6	-1,0	-1,4	-1,1	-1,5	-1,8	-1,1	-1,2
Czech Republic	0,8	1,0	3,1	2,8	-1,9	-1	-1,6	0,5
Slovakia	-0,5	-1,5	-0,2	0,8	-2,7	-1,8	-1,0	-1,0

Source: EU-Commission: Employment in Europe Report 2007



In contrast to this real compensation per employee in Denmark increased slightly more strongly than in the EU-15 average.

**Table 10: Real compensation per employee (GDP deflator), annual change in %**

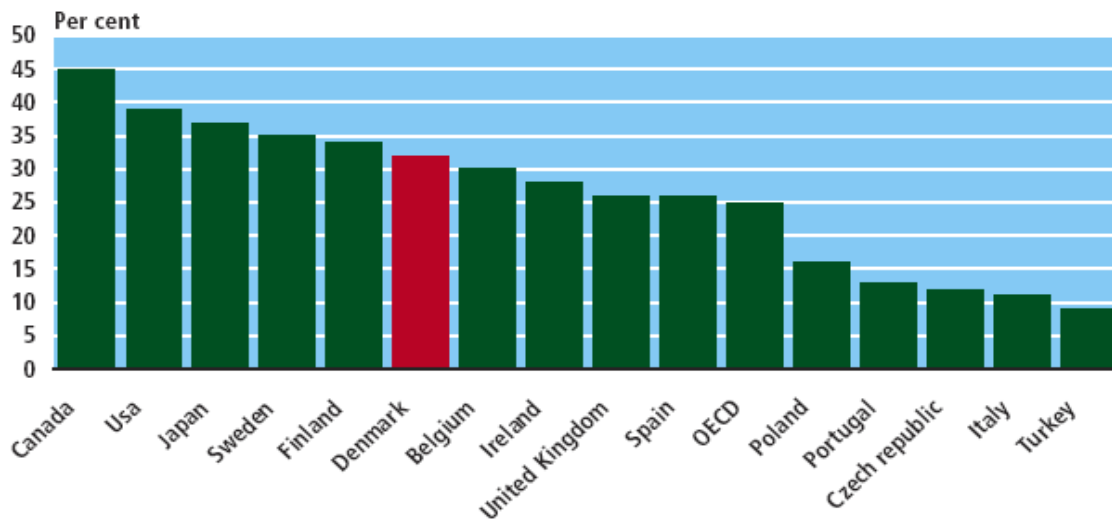
	2000	2001	2002	2003	2004	2005	2006	Average change per year
EU-25	2,5	1,3	0,5	1,0	0,9	0,5	0,7	1,1
EU-15	2,0	0,9	0,2	0,9	0,9	0,6	0,8	0,9
U.S.	3,4	0,0	1,8	2,1	1,3	0,6	1,5	1,5
Austria	0,3	-0,4	0,7	0,6	0,0	-0,2	0,8	0,3
<b>Denmark</b>	<b>0,7</b>	<b>1,9</b>	<b>1,4</b>	<b>2,3</b>	<b>0,7</b>	<b>0,1</b>	<b>1,5</b>	<b>1,2</b>
Germany	3,7	1,1	0,5	1,5	0,6	-0,1	1,0	1,2
Netherlands	0,9	0,3	1,3	2,0	3,0	-0,2	-0,5	1,0
Ireland	2,4	1,9	0,5	2,5	4,7	1,5	1,9	2,2
France	0,7	0,0	0,6	0,9	1,9	1,4	0,8	0,9
Italy	0,3	0,2	-0,6	0,6	0,4	0,8	0,7	0,3
Spain	-0,6	-0,6	-1,0	-0,5	-0,9	-1,4	-0,4	-0,8
Czech Republic	4,9	3,2	4,8	7,6	2,2	3,6	3,1	4,2
Slovakia	2,1	1,1	4,5	3,2	3,0	2,7	4,8	3,1

Source: EU-Commission: Employment in Europe Report 2007

### Educational attainment and qualifications

OECD data illustrates that Denmark has a generally sound level of general educational attainment, slightly above the OECD average. In all the OECD countries, an average of 25% of 25-64-year-olds had completed a higher education qualification in 2004. At 32%, Denmark was among those countries with a higher percentage.

**Figure 8: Persons having completed higher education in selected OECD countries, 2004**



Source: OECD, Education at a glance 2004

In 2006, 66% of 30-69 year-old Danish citizens had completed education providing them with professional qualifications.<sup>5</sup> "Education courses providing professional qualifications" are defined as vocational or higher education aimed at specific types of jobs. This proportion increased by 8.2% from 1996 to 2006. Slightly more men than women completed education courses providing them with professional qualifications (51.5%). Young Danes today are generally more highly educated than their parents.

<sup>5</sup> Statistics Denmark: Statistical Yearbook 2007, pp. 71.

The highest level of qualifications among the 30-69 age group was most frequently a vocational qualification. 39% had completed this type of education, while 27% completed higher education in 2006. Since 1996, the proportions have increased by 2 and 6 percentage points, respectively. Among the remaining 34% of the 30-69-year-olds of the population, 27% had completed basic school education and 5% general upper secondary education as the highest level of education. There is no specific information for the remaining 2%.

The educational patterns of young immigrants differ from those of the population as a whole. Fewer immigrants attend an upper-secondary examination, higher preparatory examination, or higher commercial examination and higher technical examination, while more attend basic school. The differences today are however less significant when compared to 1996 levels; this implies that more immigrants today attend upper-secondary and higher preparatory examinations, and vocational education. From 1996 to 2005, there was an increase in the share of 20-24-year-old ethnic minority descendants who were receiving education courses providing professional qualifications from 26% to 35%. Short and medium-cycle higher education and bachelor education accounted for much of this increase.

When education spending is considered as a percentage of GDP, Denmark invests heavily with a 6.7% share of the GDP (public and private spending). This figure is slightly below the U.S. (7%) and similar to Sweden (6.5%) but clearly above countries like Finland (5.6%), the United Kingdom or Germany (both 5.3%).<sup>6</sup>

Denmark has already met the European Union's Lisbon strategy target on further education of 12.5% participation among those aged 25 to 64 for both male and female adults.

**Table 11: Further education of adults 2006**

Participation of 25-64 aged employed in education and training, percentage share

	<b>Total</b>	<b>Male</b>	<b>Female</b>
EU-27	10.6	9.0	12.5
EU-15	12.1	10.3	14.3
<b>Denmark</b>	<b>29.6</b>	<b>25.4</b>	<b>34.5</b>
Finland	25.2	21.1	29.7
United Kingdom	28.2	23.1	33.9
Germany	7.8	7.4	8.3
Netherlands	17.0	16.2	18.1
France	8.2	7.7	8.7
Italy	6.1	5.0	7.8
Spain	10.4	8.8	12.7
Austria	14.1	12.6	15.8
Czech Republic	6.4	5.6	7.5

Source: EU Commission: Indicators for monitoring the Employment Guidelines including indicators for additional employment analysis 2008 compendium, Update 14/03/2008, p. 115

Denmark has a long tradition of joint tripartite or bipartite cooperation in the area of vocational training. The apprenticeship and further education systems have for many years been based on tri- or bipartite cooperation. Bipartite influence ranges from curriculum development to involvement in examinations, and trade unions and employers have joint secretariats to deal with these issues. One of these is "*Industriens Uddannelse*" which, among other things, deals with developing further training and advising companies on their training needs (CO Industri 2007, p. 25).

<sup>6</sup> Figures from UN Development Programme for the years 2000-2002. See: Nationmaster.com 2008, ([http://www.nationmaster.com/graph/edu\\_edu\\_spe-education-spending-of-gdp](http://www.nationmaster.com/graph/edu_edu_spe-education-spending-of-gdp)).

### The development of foreign trade and direct investments

As a small country with an open economy, Denmark is highly dependent on foreign trade and international cooperation. Danish trade and investment policies are liberal and encourage foreign investment.

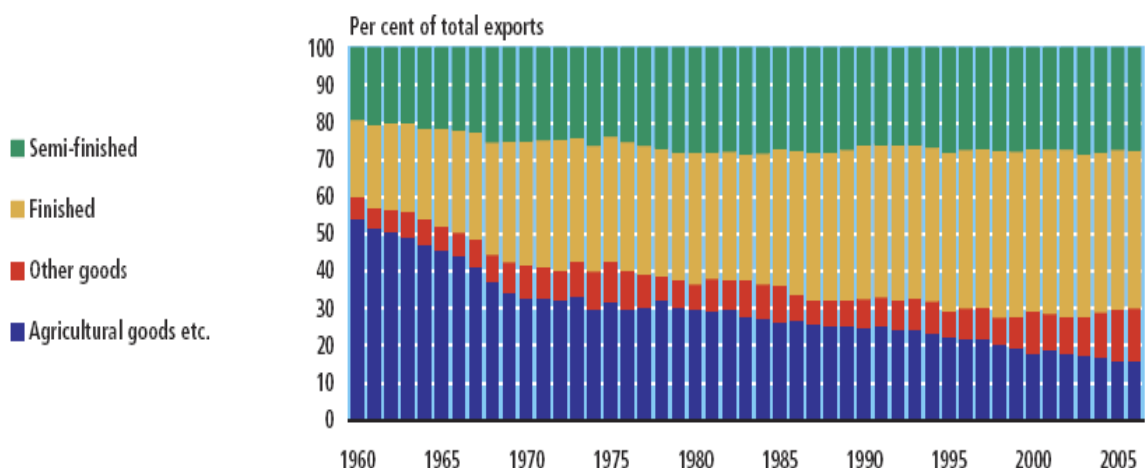
Denmark has had a trade surplus only since 1987. Earlier, there was a long period from the post-war years onwards when Denmark had a constant trade deficit. Between 1945 and 1986 there was an average annual deficit in external trade of approx. 4.3% of GDP while the average surplus in the following period (including 2006) has been 3.1% of GDP.<sup>7</sup> It should be noted here, that the trade surplus to a large degree is determined by oil production – if taken out oil exports, the trade data would give Denmark a negative balance of trade.

Denmark's most important trading partners are situated within close geographic proximity. Germany is Denmark's largest trading partner buying 17% of Danish exports and accounting for 21% of imports. Sweden and Great Britain are the second and third most important trading partners. The EU accounts for a total 68% of Denmark's overall foreign trade. From 2005 to 2006 imports from China increased by 22% and China today is the fifth largest importing country of Denmark. Although exports to China have increased steadily over recent years, China only accounted for 1.3% of total Danish exports in 2006, and was number 16 on the list of Denmark's largest export markets.

Almost three-quarters of Danish exports are industrial products. Of these, wind turbines, pharmaceuticals and clothes are among the most dominant products. In addition, oil<sup>8</sup> and agriculture – especially pork – each account for about 10% of exports. Some of Denmark's most important import products are cars, medical products and computers.

A significant characteristic of Danish export development has been the gradual shrinkage of agricultural goods and the increasing importance of finished products. Since the beginning of the 1960s, the percentage of total exports made up of agricultural products has more than halved, implying that sales of these goods now account for only about 16% of total exports. However, the percentage of total exports represented by finished goods has increased considerably since the beginning of the 1960s accounting today for 42% of total exports. Trade in semi-finished goods has increased slightly over the period and accounts today for around a quarter of total exports.

Figure 9: Exports of goods by selected groups (% of total exports)



Source: Statistic Denmark: Statistical Yearbook, p. 405

<sup>7</sup> Figures according to Statistics Denmark.

<sup>8</sup> Since the mid-1990s, Denmark has exported more oil than it has imported. This is primarily due to increased oil extraction in the North Sea.

**Table 12: Major imported commodity groups in Denmark**

	2005	2006*
	DKK thousand	
<b>Imports, total</b>	<b>445 796 830</b>	<b>505 378 574</b>
1 Transmitters-receivers for cell phones (mobile phones)	15 571 285	12 307 478
2 Cars, with internal combustion engines, with pistons, new, over 1 500 max. 3 000 cc, not for accommodation/camping	9 709 446	9 139 053
3 Vehicles for passenger transport, diesel or semi-diesel engines, new, over 1 500 max. 2 500 cc, except for accommodation or camping	5 668 683	7 803 524
4 Medicines, retail packaging, except with antibiotics, hormones, alkaloids, vitamins and iodine compounds	6 211 194	6 851 320
5 Gas oil (except for undergoing a specific process) with a sulphur content not exceeding 0,05 % by weight	4 633 481	4 987 890
6 Mineral oil and crude oil from bituminous minerals, in the form of condensates of natural gas	2 262 315	4 771 797
7 Data-processing machines, automatic, digital, portable, weighing <= 10 kg consisting of at least a central processing unit, a keyboard and display (excl. peripheral units)	3 164 684	4 197 360
8 Components and accessories for automatic data-processing machines and units	4 906 127	3 983 572
9 Pit coal (not as briquettes), except anthracite, bituminous pit coal	2 153 513	3 453 250
10 Mineral oil and crude oil from bituminous minerals, except condensates of natural gas	4 387 564	3 210 521

Source: Statistics Denmark: Statistical Yearbook 2007, p. 432

**Table 13: Major exported commodity groups in Denmark**

	2005	2006*
	DKK thousand	
<b>Exports, total</b>	<b>501 551 705</b>	<b>544 627 589</b>
1 Mineral oil and crude oil from bituminous minerals, except condensates of natural gas	31 990 696	32 892 852
2 Medicines, including insulin, retail packaging)	12 538 409	10 915 543
3 Transmitters-receivers for cell phones (mobile phones)	13 450 869	8 625 616
4 Medicines, retail packaging, except with antibiotics, hormones, alkaloids, vitamins and iodine compounds	6 341 148	8 036 540
5 Meat from domestic pigs, boneless, frozen, except, luncheon meat, fore end, loin, streaky bacon and chopped bacon	6 914 472	7 374 229
6 Generators, wind powered, except turbo generators	5 987 908	7 042 179
7 Mink furs, untreated, whole, without head, tail, and legs	3 897 524	5 900 779
8 Ham and chopped ham from domestic pigs, with bone in, fresh/frozen	4 613 987	5 217 958
9 Non-magnetic retaining rings for electric motors and electric generating sets	5 613 584	5 193 830
10 Haemoglobin, blood globulins and serum globulins	4 259 775	4 685 920

Source: Statistics Denmark: Statistical Yearbook 2007, p. 433

Foreign investment and foreign-owned enterprises occupy an important place in the Danish economy accounting for almost 20% of total turnover whilst representing just 1% of the total number of enterprises in the private sector in Denmark. These enterprises had 228,000 employees (given as full-time employees) – corresponding to 16 per cent of the wage-earner employment in the private sector.

Foreign-owned enterprises employ a considerable part of those employed in all industries, especially in manufacturing and mining and quarrying and the wholesale and retail trade, hotels and restaurants (about 20%). In construction, foreign-owned enterprises have the smallest part of those employed (8%).

Enterprises owned by foreigners are on average far larger than enterprises owned by Danes. On average, there were 74 employees per enterprise in the foreign owned enterprises in 2003 compared with just four employees per enterprise in Danish-owned enterprises.

Sweden and USA are the two countries with the largest share of total turnover, and enterprises owned by persons from these two countries account for 28 and 16 per cent,

respectively, of the total turnover in foreign-owned enterprises in Denmark. Other important countries of origin are Norway, Germany, Great Britain and Ireland.

The stock of FDI in Denmark and Danish investment abroad corresponded to 25% and 27% of GDP respectively in 2003.

The Danish government is actively encouraging the internationalisation of the economy and trying to increase business and skills competences in this regard (see Section two of this dossier).

## The nature and extent of restructuring in Denmark

### **Peculiarities of restructuring in Denmark**

Restructuring is an economic, social and political process that is not new. It takes place at different paces in different times and places, taking some forward on the wave and leaving others behind the wake. Globalisation, fast-growing technological change, domination of liberal ideologies and the driving role played by financial markets have all contributed to making today's economy one of accelerating change. Corporate restructuring is a permanent feature of this change and can take different forms:

- Plant/branch/office closures
- Internal reorganisation
- Outsourcing of goods or services
- Reorganisation following merger or acquisition
- Relocation to another region or country

These different forms of restructuring may occur in combination (e.g. internal reorganisation, outsourcing and relocation) and follow different rationales and objectives, such as production rationalisation, cost reduction, increased efficiency and/or modernisation of production methods or shifting activities into other areas, that constrain the form and extent of restructuring as well as the scope for outside intervention.

As an open economy and a high wage country, Denmark, as other industrialised nations, is facing growing pressures and challenges in the context of the various dimensions of restructuring as mentioned above. In general both macro and micro-economic restructuring is happening according to broad patterns and trends as in other highly industrialised countries.

The Danish experience of restructuring is particularly interesting in terms of the social and political perception of restructuring and the way restructuring and change have been dealt with in both in the political and labour relations arenas. As the following pages, and in particular Section Two of this dossier will describe, Denmark is characterised by the general perception (agreed not only by politicians and employers but also by trade unions and other social actors) that economic change is necessary and restructuring should not be seen as a threat but as an important opportunity. In this context, a remarkable feature of the "Danish model" seems to be the absence of "resistance to change". On this basis, the country has developed an impressive set of instruments to deal with change that will be described in the following chapters.

### **Macroeconomic change and employment**

Between 2000 and 2006 the number of employees in Denmark increased by around 90,000 according to Eurostat figures (see table below). Beneath the surface of this overall change, certain sectoral and other structural changes occurred. The production sectors saw a net employment decrease by nearly 46,000 jobs and positive employment

developments were mainly due to job creation in the service sector, in particular in retail, business services and education. In this period, the Danish service sectors in total created around 120,000 additional jobs.

Changes in certain sub-sectors are worthy of specific mention:

- In the production sector, manufacturing employment declined by 12.5% whilst the construction sector experienced an almost equivalent increase in employment (+11.4%);
- With net growth rates of 16.8% and 11.8% respectively, education and business services were the most important sub-sectors of job creation in the service sector. However, in terms of absolute figures, the retail sector created most jobs;
- With a decrease of around 6,000 jobs (-3.3%) transport and communications was the only major service sub-sector which experienced a decline in jobs between 2000 and 2006. The decline was most pronounced after 2004.

These figures reveal just the tip of an iceberg of structural change: Most estimates suggest around 30 per cent of the total Danish labour force (or about 700,000 employees) change their job every year.<sup>9</sup>

**Table 14: Development of employment in Denmark by economic sectors 2000 - 2006**

(Thousands)	2000	2001	2002	2003	2004	2005	2006	2000-2006	% change
<b>Total</b>	2 716,2	2 717,3	2 740,5	2 704,5	2 742,1	2 752,4	2 805,4	89,2	3,3
A_B Agriculture	99,3	96,2	87,8	88,9	89,5	87,5	86,5	-12,8	-12,9
C Mining and quarrying	:	:	3,7	5,6	4,9	:	5,6	1,9	51,4
D Manufacturing	490,0	492,7	443,8	425,2	434,2	444,3	428,8	-61,2	-12,5
E Energy and water	11,2	14,4	15,3	14,6	16,3	15,5	16,8	5,6	50,0
F Construction	181,8	178,6	179,2	179,3	192,8	193,6	202,5	20,7	11,4
G Retail etc.	379,9	379,8	398,8	416,4	420,8	404,3	412,1	32,2	8,5
H Hotels, Restaurants	68,0	65,3	61,0	63,5	60,0	69,8	76,9	8,9	13,1
I Transport, Communication	183,2	186,0	186,3	193,3	190,5	176,8	177,2	-6,0	-3,3
J Financial Services	92,3	85,6	92,9	76,3	78,9	89,1	93,2	0,9	1,0
K Business Services	249,4	265,5	253,9	246,8	240,2	256,1	278,9	29,5	11,8
L Public Administration	159,0	149,6	159,7	153,2	159,9	163,9	166,6	7,6	4,8
M Education	181,8	194,9	216,4	200,0	216,3	217,9	212,3	30,5	16,8
N Social Services	472,3	468,0	499,4	492,8	488,8	477,0	488,3	16,0	3,4

Source: Eurostat, Labour Force Survey Data

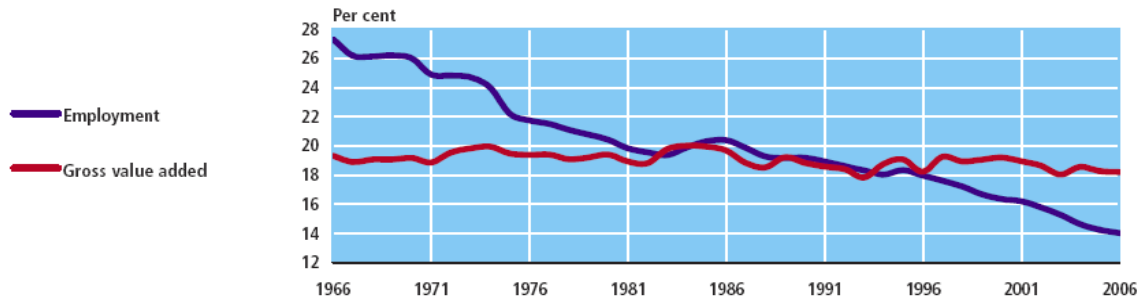
### Structural change in industry and manufacturing

The significance of the manufacturing industry for the Danish economy can be described using central statistics from the national accounts. Up until 1980, manufacturing industry accounted for a more or less constant share of the total value added of 19 per cent. Since then, this share has gradually fallen to a level of 18 per cent in 2006.

Manufacturing industry has however experienced a significant reduction in its share of total employment over the period 1966 to 1983, from 27% to 19%. Today (2006) manufacturing industry represents just 14% of total employment.

**Figure 10: Manufacturing shares in per cent 1966 - 2006**

<sup>9</sup> This issue is discussed in more detail in the following part of this dossier.



Source: Statistics Denmark: Statistical Yearbook 2007, p. 310

Export markets are of great importance to Danish manufacturing industry. In 2006, total export turnover accounted for 58% of total turnover of manufacturing industry.

There are wide differences among the groups of industries in the export shares of the manufacturing industries. In 2006, with 86%, '*manufacturing of chemicals*' accounted for the highest export share. Not far behind, '*Manufacturing of machinery and equipment*' and '*manufacturing of electrical and optical equipment*' accounted for 75% and 73% respectively. Further down, '*Manufacturing of other non-metallic minerals, etc.*' and '*manufacturing of paper production, printing and publishing*' accounted for 15% and 17% respectively.

The relative composition of Danish manufacturing industries has not seen radical changes since 1993 other than in '*manufacturing of food, beverages and tobacco*' which held the dominant position among manufacturers. This position has become less significant as the proportionate share of the manufacturers' total turnover has been reduced from around one third to one fifth. This means that other main groups of industries have increased in terms of relative significance. This is particularly true of the '*manufacturing of electrical and optical equipment*', which has risen from accounting for approximately 8% to more than 10% per cent of total manufacturing turnover. Significant growth has also been witnessed in the '*manufacturing of chemicals, man-made fibres, etc.*' (including pharmaceuticals). Both of these industry sub-groups show heavy reliance on technology and research and development.

The three largest enterprises in Danish manufacturing industry account for 10.9% of total turnover of the sector, and the ten largest enterprises account for 24.5%. The concentration ratio, i.e. the share of total turnover accounted for by a limited number of enterprises, differs widely among the groups of industries. Turnover is concentrated on a few large enterprises in particular within '*manufacturing of refined petroleum products*' (the three largest enterprises accounted for 100% of total turnover in 2006), '*manufacturing of leather and footwear*' (the three largest enterprises accounted for 94% of total turnover), '*manufacturing of tobacco products*' (the three largest enterprises accounted for 91.2%), and '*manufacturing of dairy products*' (the three largest enterprises accounted for 86.4% of total turnover). '*Manufacturing of building materials and metals*' is by contrast a sub-group of industries characterized by a very low concentration of large enterprises with the ten largest enterprises accounting for 20.7% of total turnover in 2006.

### Structural change in the service sector

The Danish service sector has experienced a 20% increase in employment during the period 1992-1999, followed by a 5% growth from 1999 to 2004. In comparison, the number of persons employed in manufacturing declined by 3% from 1992-1999 and by 10% between 1999 and 2004.

In 2004, the greatest number of persons employed was found within the wholesale and retail trade accounting for 302,000 full-time employees. Business activities employed 269,000 persons. In 2004, the wholesale and retail trade accounted for the greatest part

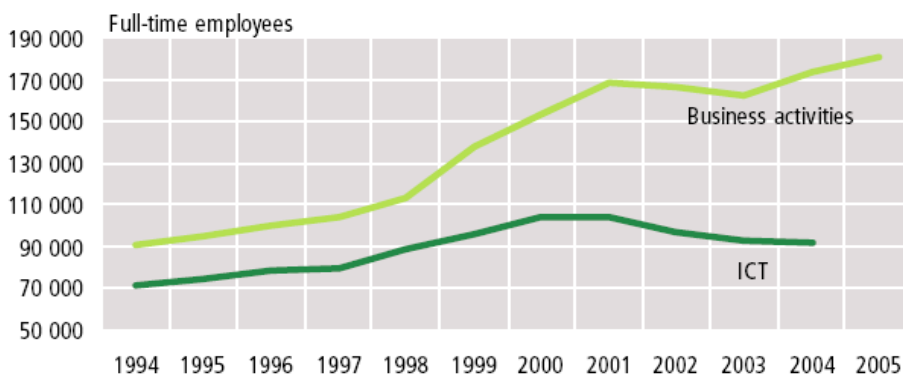


of the service sector's overall turnover with 60%, followed by transport which generated 19%, and business services with 16%. Business services accounted for 43% of the total number of enterprises within the service sector and the wholesale and retail trade for 31%.

The ICT industry is one of the most important knowledge intensive industries in Denmark today. From 1994 to 2001, employment increased by almost 50%. At the beginning of the new millennium, the industry suffered in employment terms when the so-called ICT bubble burst. Since then, employment in the Danish ICT industry has remained steady at around 90,000 persons.

The total export within the knowledge-intensive services was approximately DKK23.3 billion in 2005. Exports accounted for 15% of turnover. The largest export concentration was in the sector for consulting engineers and IT services. Together, they had an export of DKK18 billion in 2005, corresponding to three quarters of the total export of knowledge-intensive services. In 2005, the five largest exported services were 'development and design of software' (DKK4.4 billion), 'development of civil engineering projects' (DKK3.0 billion), 'development related to processes and facilities within the manufacturing industry' (DKK1.9 billion), 'turnkey projects, incl. mounting of ready-made production plants' (DKK1.8 billion) and 'operation of customer's IT systems' (DKK0.8 billion).

**Figure 11 : Employment in Business activities and the ICT sector 1994 - 2005**



Source: Statistics Denmark: Statistical Profile 2008, p. 23

### Structural change in public services

Major restructuring initiatives in Denmark have not been limited to the private sector. The public sector continues to undergo restructuring in public administration, utilities and in services like healthcare. An important example is the largest ever restructuring of public administration in Denmark that took effect on 1<sup>st</sup> January 2007<sup>10</sup> when thirteen counties and 269 municipalities were restructured into five regions and 98 municipalities.

The reform responded to important deficits and structural weaknesses of the Danish system of local government, in particular rather small units considered too small for performing the required tasks, many "grey zones" with tasks divided between different geographical units and administrative barriers. After the government has established a reform commission on administrative structures in 2002, which reported in 2004, the reform was carried out after a Parliament decision in 2005.

As a result of the reorganisation, the structure of Danish public administration changed radically in the following manner:

**Table 15: Municipalities and regions in Denmark before and after January 2007**

<sup>10</sup> The case of local government reform was presented at the National Seminar in Copenhagen, which took place on 9/10 April 2008 by Henrik Schilder, Vice chair of CEEP Social Affairs Committee, for further details see Schilder 2008.



Before Jan 2007	After Jan 2007
Number of municipalities and counties/regions and employees	
13 counties with 144,000 employees	5 regions with 110,000 employees
269 municipalities with 390,000 employees	98 municipalities with 420,000 employees
Employees directly employed by the central state	
390,000	420,000

The aims of the reform were to produce;

- A simple and efficient public sector;
- Better service with unchanged taxes;
- A world class health service;
- Clearer responsibilities- coherence;
- Better service for citizens – less bureaucracy and fewer counters;
- More influence for citizens;
- Better participatory democracy.

The principles of reform were negotiated with the KTO umbrella union in 2005 and a framework for change was agreed. In 2006 simultaneous discussions took place with 60 trade unions regarding the details of the plan. When employees were required to transfer from one employing authority to another, conditions of employment remained unaffected as the principles of the transfers of undertaking regulations were applied to the new contracts. Employees also received assistance where activities were relocated.

In an overall approach that involved major organisational change where tasks were reallocated between employee, organisations and locations, only five employee claims were pursued through the courts.

### **Restructuring and outward relocation**

Outward relocation has increased during the last five years and is expected by experts and social partners to increase further. Surveys conducted by the Ministry of Finance and the Confederation of Danish Industry give quite different answers – 12% and 46% respectively – as the percentage of Danish companies relocating production to low-wage countries.<sup>11</sup> The difference is mainly due to variations in the sample of the respective surveys. However, according to figures from Statistics Denmark, 24% of Danish companies in the manufacturing sector and 8% of those in the service sector have relocated (i.e. outsourced offshore) part of their production to low-wage countries during the period 2002 - 2005. In total, 11 % of Danish companies had outsourced parts of their production to low-wage countries in this period. Only 1.8% of the companies have relocated more than 40% of production to low-wage countries but this number is expected to increase to 7.5% over the next three years. Outward relocation is mainly to Eastern Europe, particularly Poland and the Baltic region, and China. A significant proportion of activities have also been relocated to the 'old' EU-15 countries, mainly Germany. Examples include Danish Crown and TULIP.

<sup>11</sup> Figures presented here are taken from the comparative study of EIRO on relocation of production and industrial relations carried out in 2006. A country dossier on Denmark was prepared by Carsten Jørgensen, FAOS Institute.

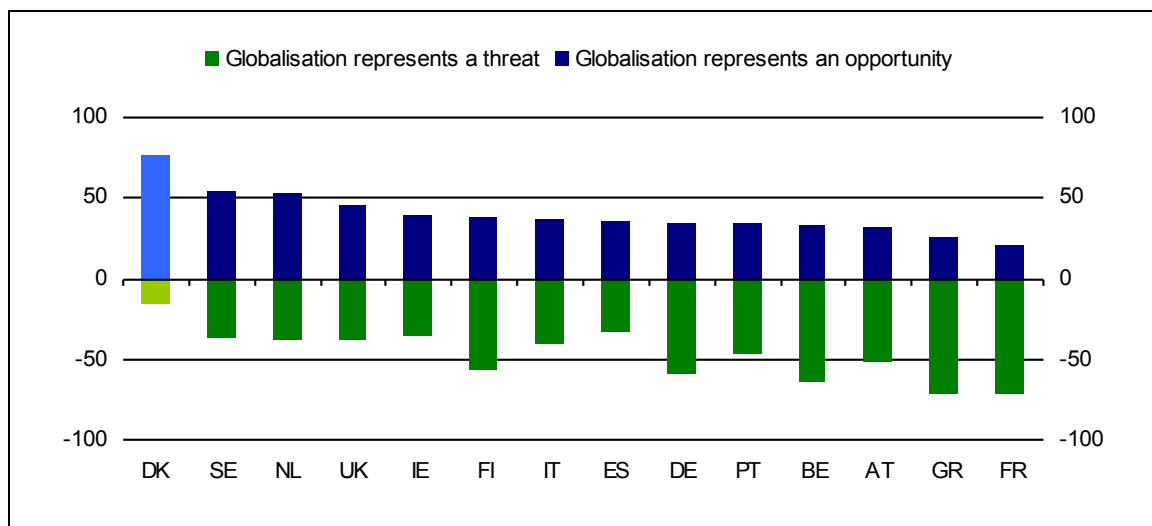
**Examples of relocation**

Two prominent examples of production facilities being relocated to Germany on account of costs and the closure of facilities in Denmark are the meat processing company, TULIP with the closure of its plant in Ringsted and the closure of two slaughterhouses owned by Danish Crown in Northern Jutland. Both these cases date from 2005. The decision by TULIP to dismiss 160 workers and relocate production to a subsidiary in Oldenburg in Northern Germany was made after the management unsuccessfully tried to negotiate a significant cut in wages with the local trade unions in 2004. The Danish Crown case also included the relocation of production to Germany (although also to another new factory in Jutland) for cost reasons. Danish Crown is a cooperative society owned by the farmers that supply the company with livestock; it is currently the largest producer of pork in Europe, employing a global workforce of approximately 28,000 of which around 50% still work in Denmark. Most of the company's production is exported to other EU countries, the USA and Japan. The restructuring in 2005 which led to the closure of the two slaughterhouses resulted in the dismissal of 450 workers and was driven primarily by a desire to reduce production costs to ensure international competitiveness.

Relocation in Denmark is a prominent topic in public debate. The Danish government has set up a Globalisation Council to adopt a more proactive approach in dealing with the challenges of globalisation, relocation and the modernisation of economic and social systems. The aim of the council, which is actively supported by Danish trade unions, is to analyse and discuss the position of Denmark in a global economy. One of the key issues debated is education at all levels. The council comprises high-level men and women from government, the national bank, large companies and employees' and employers' confederations and organisations. In 2006, the government published a report summarising various pillars of a national strategy to tackle the challenges posed by globalisation.<sup>12</sup>

In a clear contrast to countries like France, Austria or Germany globalisation is regarded by the Danes more clearly than by any other European citizens not as a threat but as an opportunity as the following chart illustrates.

**Figure 12: Globalisation as a threat or Opportunity?**



Source: Dansk Arbejdsgiverforening DA 2007

<sup>12</sup> *Progress, Innovation and Cohesion. Strategy for Denmark in the Global Economy – Summary*, Danish Government, May 2006

## Section two – The role of the Danish social partners in restructuring

### Introduction and Summary

Denmark, with its long democratic tradition, has one of the longest established institutionalised systems of industrial relations and bargaining. In 1899 the so called September Compromise set the major components of the system and the institutional setting was further enhanced in 1910 by the establishment of an Industrial Court and the creation of the labour market's official conciliators. The Danish Model is characterised by the institutionalisation of conflict resolution, high membership rates of trade unions and a well-established pattern of cooperation with regard to supporting industrial peace and stability. Over time the model has supported economic growth as well as a rise in wages and improved working conditions.

The cornerstone of the system of collective bargaining is the provision in the Constitution on the right of association. The basic agreement between DA and LO of 1899 remains substantially unaltered today and stipulates reciprocal recognition between employers and employees. This means that, on the one hand, the trade unions are obliged to recognise the employers' managerial prerogative, and on the other hand, employers must accept the right of employees to organise themselves in unions. The social partners resolve cases of conflicting interests through negotiation or by reaching collective agreements rather than relying on legislation regulating industrial relations and the labour market. The Danish framework and regulations for collective bargaining, regulations regarding redundancy and dismissal and the rights of shop stewards is laid down in the General Agreement between the LO and DA, rather than by law.

Though membership has declined in recent years to slightly below 80%, trade union membership in Denmark remains higher than anywhere else in Europe. Though the individual unions are independent, the central organisations, particularly LO, play a critical role in negotiating the framework agreements which have shaped the Danish system. In contrast to the union density rate, the employer organisation density rate is below the EU average, though it increased from 37% in 1997 to 58% in 2001. The most important employer confederation is the Confederation of Danish Employers (*Dansk Arbejdsgiverforening*, DA), founded in 1896.

Denmark has a so called single channel system that gives the trade unions responsibility for representing employees in the workplace. The cooperation agreements between trade unions and employers, drawn up by the social partners in the private, cooperative and public sectors, stipulate that employers shall exercise the right to manage in cooperation and via interaction with employees and their shop stewards, with the goal of improving competitiveness, employment, the working environment and job satisfaction. This task is carried out in large enterprises by joint consultative committees comprising representatives elected by management and employees in equal proportion.

The dominant level of bargaining is the industry, but there is some bargaining at national level as well as at company level. In contrast to many other countries, and in particular countries with a dual system of interest representation, collective agreements in Denmark cover many issues not solely related to pay and working time, including sickness pay, maternity leave, children's sickness and hospitalisation, vocational training, supplementary pensions, and cooperation within the company. It is currently estimated that a third of companies in manufacturing industry have an education plan.

Against the background of the successful Danish approach of dealing with structural change and the main challenges on the labour market, the term “Flexicurity” has become a major issue in the European debate. The Danish labour market traditionally is characterised by a high level of job mobility or “labour market churn”. Approximately one out of three Danes or about 700,000 wage earners change his or her job every year. Danish wage earners have on average had more jobs in the course of their working lives than their counterparts in every other EU country. High numerical flexibility and mobility in Denmark is acceptable for the employees since they receive a high level of unemployment benefit while they are unemployed and they have a relatively good chance of returning to a new job. Denmark is characterised by high security for the wage earners in the case of unemployment and the country spends more money on passive and active labour market policies, proportionately, than any other industrialised country in the world. Danish labour market expenditure in terms of percentage of GDP is twice as high as the EU-average and a level of taxation, which is the highest in Europe. Participation in ongoing training in Denmark is very high. Training is important regardless of employment status, and plays a separate and vital role in Danish flexicurity.

A key component in the Danish Flexicurity model is that employers and workers are in constant dialogue with the political system whenever new labour legislation is needed. In the context of new challenges arising from growing competition and globalisation, the Danish government together with social partners have developed a number of activities associated with dealing with challenges of structural change and economic restructuring. These initiatives focus strongly on the issue of skills development, improving the system of vocational training and further training and improving the efficiency of the labour market policy by addressing structural problems and weaknesses.

With regard to restructuring in the context of globalisation and increased international competition, trade unions and employers’ organisations in Denmark concentrate more on shaping and influencing the conduct of change and securing knowledge-intensive activities in the country than trying to oppose and halt relocation processes. The underlying position is that Danish workplaces have to adjust to globalisation and outward relocation. As such, trade union practice and strategy-building should be based on the fact that, in the long term at least, workers cannot compete with low-cost countries when it comes to wages, especially in the manufacturing industry. To meet this challenge from low-wage countries – where skill levels are also rising – Denmark must draw on its traditional strengths, i.e. education and innovation.

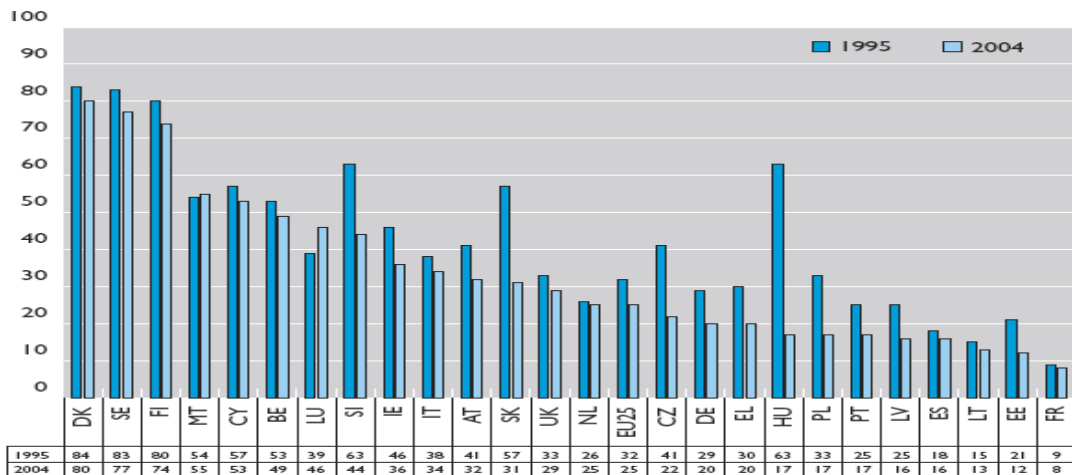
The Danish concept of flexicurity and its functioning and efficiency is also deeply rooted in the labour relations systems, strong social partner organisations and the wide coverage of collective bargaining. Widely accepted social partner organisations, their autonomy and their crucial role in managing change at various levels are further important elements of the flexicurity concept.

## Social Partners and collective bargaining in Denmark

### **Trade unions**

Though membership has declined in recent years to slightly below 80% today, trade union membership in Denmark remains higher than anywhere else in Europe. The trade union structure in Denmark – as in the other Nordic countries - is complex, with a combination of craft, industry and general unions organised in different confederations or outside the main confederations.

Figure 13: Trade union density, EU-25, 1995-2004



Source: European Commission: *Industrial Relations in Europe 2006*, p. 25.

By far the largest trade union confederation is the *Danish Confederation of Trade Unions, LO*, with around 1.3 million members in 2007<sup>13</sup>. LO organises both manual and non-manual workers. In 2007 LO had 17 individual member unions, many of them relatively small craft unions. The largest LO members have a significant membership such as the general union 3F (*Fagligt Fælles Forbund*) with around 352,000 members, the union of Commercial and Clerical Workers (346,000), the Trade Union of Public Employees FOA (202,000) and the metalworkers union Dansk Metal with 135,000 members.

The next biggest confederation is the *Confederation of Salaried Employees' and Civil Servants' FTF*, with some 355,000 members (2007, figures according to Statistics Denmark). FTF organises employees and civil servants in the public sector as well as some private sector white-collar workers, particularly in banking and finance. The biggest single unions within FTF are the Danish Teachers Union with 67,000 members, the Danish Nurses Union (55,000), the Federation of Early Childhood Teachers (54,500) and the Financial Services Union with around 45,400 members. FTF is a diverse confederation with around 40 individual unions many of them organized as along the lines of specific professions.

The third largest grouping is the *Confederation of Professional Associations, AC*, with 169,000 members, which organises graduate level employees in the public and private sectors. While the overall majority of AC's membership are employees, the union also organises self-employed workers, the unemployed and students. The biggest single AC member organisation is the Society of Danish Engineers with around 42,000 members in 2007.

Although there is some competition for members between these three confederations, relations between them are generally good and in 2006 LO and the FTF signed a new cooperation agreement providing for arbitration to resolve conflicts over membership. All three confederations are members of the ETUC.

In addition there are other trade union groupings and organisations like the *Danish Association of Managers and Executives, LH*, which organises around 74,000 managers and supervisors; or the Christian trade union federation *Kristelig Fagforening* with around 86,000 members.

Though the individual unions are independent, the central organisations, particularly LO, play a critical role in negotiating the framework agreements which have shaped the

<sup>13</sup> Statistics Denmark: *Statistical Yearbook 2007*, table 130

Danish system. The LO has historically been close to the Danish social democratic party and until 1995 the two bodies were represented on one another's executive committee. The LO broke its final links with the social democrats at a special congress in February 2003 when it ended the practice of giving the party financial support. The FTF and the AC insist on their complete independence from political parties.

### **Employers' organisations**

In contrast to the union density rate, the employer organisation density rate is below the EU average, though it increased from 37% in 1997 to 58% in 2001 (Visser, 2002). The most important employer confederation is the Confederation of Danish Employers (*Dansk Arbejdsgiverforening*, DA), founded in 1896. DA is the main organisation of private sector employers in manufacturing, the commercial sector, the service sector, and the small-scale craft trades, representing 13 affiliates with more than 29,000 member companies. More than 645,000 full-time employees work in its member companies. The number of affiliates fell recently because of mergers of member associations.

In Denmark – like Belgium, Greece, Norway or Slovenia – the employers' federations formal power vis-à-vis their affiliates is substantial. This includes the right either to negotiate collective agreements directly or to impose certain bargaining tasks on their affiliates (EIRO 2007). In the case of DA this means that traditionally all collective agreements have to be approved by its managerial board. The DA also decides whether member associations can take industrial action regarding collective agreements. It manages substantial funds to supplement member associations' costs during work stoppages or strikes.

The DA is member of BUSINESSSEUROPE, the International Organization of Employers (IOE) and the OECD's Business and Industry Advisory Committee (BIAC).

The Danish Federation of Small and Medium-Sized Enterprises (*Håndværksrådet*, DFSME) was founded in 1879 and is today the main trade organisation for small and medium-sized enterprises in Denmark, representing more than 20,000 companies within many different sectors such as construction, manufacturing, crafts, retail and services. DFSME also is the Danish member of the European Association of Craft Small and Medium sized Enterprises UEAPME.

With regard to public employers' "*Local Government Denmark*" (LGDK) is the interest group and member authority of Danish municipalities and the Danish member of CEEP, the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest, together with the Danish Regions and the State Employers' Authority. Although it is voluntary to be a member of LGDK, all 98 Danish municipalities are members. As an employers' association LGDK represents the local authorities in negotiations with trade unions of municipal employees. Approximately 15% of the labour force in Denmark work for the Municipalities. Danish Regions represents the interests of all 13 Danish Regions and the State Employer's Authority in the Ministry of Finance is the central employer in the central government area.

### **Employee participation and co-determination at different levels**

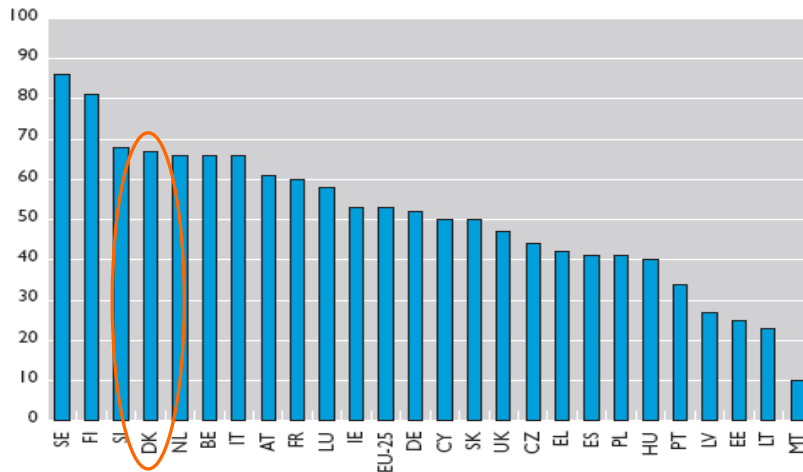
#### ***Trade union participation at the workplace***

Denmark has a so called single channel system that gives the trade unions responsibility for representing employees in the workplace. The cooperation agreements between trade unions and employers, drawn up by the social partners in the private, cooperative and public sectors, stipulate that employers shall exercise the right to manage in cooperation and via interaction with employees and their shop stewards, with the goal of improving competitiveness, employment, the working environment and job satisfaction.

This task is carried out in large enterprises by joint consultative committees comprising representatives elected by management and employees in equal proportion. The committees receive information on the company's financial situation and prospects, employment, major changes, including restructuring and the introduction of new technology. The joint consultative committee lays down guiding principles for local working conditions and welfare, including personnel policy, training and continuing training in respect of new technology and the use of personal data. Each cooperation agreement has a Cooperation Board attached to it, composed of representatives of LO and the employers' confederations. These Boards are responsible for counselling and development work to foster cooperation in enterprises. Disagreements concerning the interpretation of cooperation agreements are settled through local discussions, if necessary by using the secretariats attached to the Cooperation Boards and in consultation with the cartels responsible for the day-to-day administration of the cooperation agreements.

Workplace representation coverage in Denmark is much higher than the EU average. In 2003 about 67% of employees were represented by union workplace representatives.

**Figure 14: Trade union or similar present at the workplace % of employees**



Source: European Commission, *European Industrial Relations Report*, p. 71. Based on data

**Trade unions and unemployment insurance**

High trade union membership in Denmark is often seen at least partly as a result of the active involvement of trade unions in the social security system, in particular in the organisation of the unemployment funds or *A-kasser* which are either organised by the large unions alone or jointly organised by smaller unions and/or white collar and professional associations.

**Organisation and membership of the unemployment insurance funds in Denmark**

	2006 <sup>1</sup>	2007 <sup>1</sup>
<b>Number of funds</b>	31	30
<b>Number insured against unemployment, total</b>	2 285 257	2 255 569
Full-time insured	2 245 803	2 220 297
Of which: LO <sup>2</sup>	1 150 672	1 100 560
FTF <sup>3</sup>	361 500	356 032
Managers <sup>4</sup>	81 997	82 032
AC <sup>5</sup>	233 802	239 231
Other organizations <sup>6</sup>	417 832	442 442
Part-time and combination-insured	39 454	35 272
Of which: LO <sup>2</sup>	23 656	20 564
FTF <sup>3</sup>	6 083	5 515
Managers <sup>4</sup>	46	40
AC <sup>5</sup>	813	739
Other organizations <sup>6</sup>	8 856	8 414

<sup>1</sup> Figures are from 1 January. <sup>2</sup> Danish Confederation of Trade Unions. <sup>3</sup> Salaried Employees' and Civil Servants' Confederation. <sup>4</sup> Danish Association of Management and Executives. <sup>5</sup> Danish Confederation of Professional Organisations. <sup>6</sup> Incl. unemployment insurance funds which are members of different confederations.

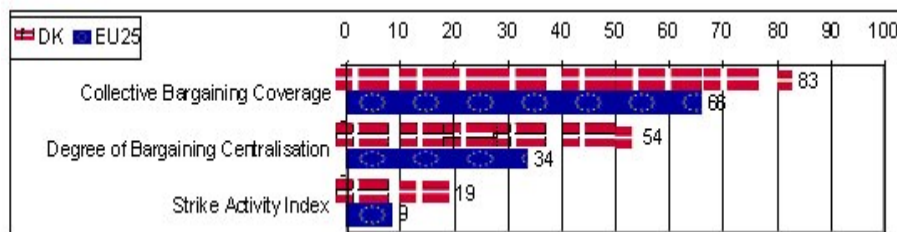
Source: The National Directorate of Labour.

### Collective bargaining

The Danish collective bargaining system is characterised by multilevel regulation and a tendency towards “centrally controlled decentralisation”. The dominant level of bargaining is the industry, but there is bargaining at national level as well as at company level.

At national level, DA and LO negotiate a basic agreement that has a longer validity period than the collective agreements at sectoral level. These basic agreements build a framework for bargaining the sectoral agreements by defining basic procedural rules, including the right to organise, a peace obligation, or the handling of unfair dismissals. Based on this framework, most of the collective bargaining on pay, working time, and working conditions takes place at sectoral level. The sectoral agreements, in turn, are used as a comprehensive framework that is implemented at company level. The major pattern of wage bargaining is set by sectoral agreements which, in turn, are increasingly supplemented by company agreements. Approx.  $\frac{3}{4}$  of Danish workers today are covered by this form of “controlled decentralisation”.

**Figure 15: Collective bargaining and industrial action in Denmark and EU-25**



Source: European Foundation of the Improvement of Living and Working Conditions

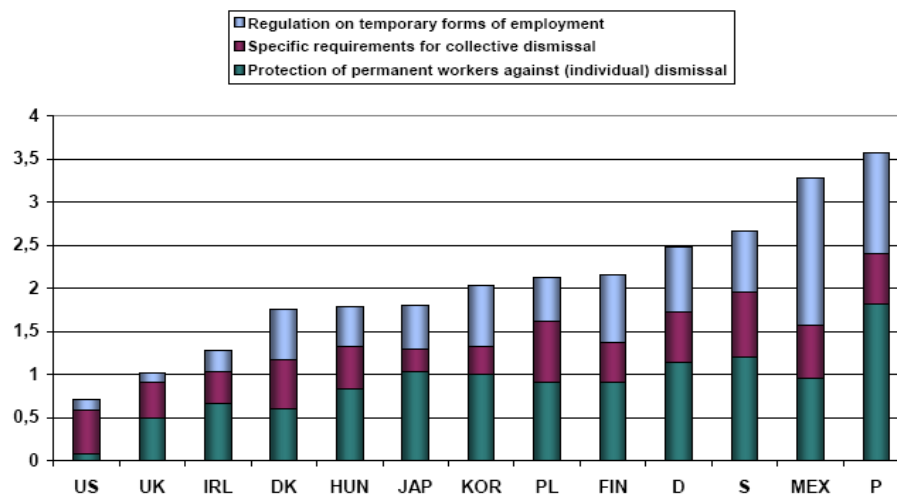
There is no formal extension procedure for private-sector agreements. Government action, if any, is taken to adopt EU legislation. More importantly, it is the high share of public-sector employees (about one-third of the workforce), as well as the high union density and employer centralisation, that provide for the establishment of widely accepted informal standards far beyond those negotiated in the companies covered by collective agreements. The coverage and scope of agreements mean that subcontractors and suppliers from the SME sector are often covered by the same



agreement as the original enterprise, thus removing the motivation of outsourcing as an instrument to sideline an agreement.

In contrast to many other countries, and in particular countries with a dual system of interest representation, collective agreements in Denmark cover many issues not solely related to pay and working time, including sickness pay, maternity leave, children's sickness and hospitalisation, vocational training, supplementary pensions, and cooperation within the company. Though wide coverage and regulating substantial parts of labour relations at the enterprise level the Danish system of collective bargaining does not mean that the regulations are particularly strict. As the following chart illustrates, in comparative terms Danish employment protection law is not restrictive.

**Figure 16: Overall strictness of employment protection law, 2003**



Source: OECD Economic Outlook 2004, cited in CO Industri 2007, p. 18

Danish collective bargaining agreements include not only pay and working time arrangements but also other areas of labour regulation at the company level. For example agreements in the manufacturing industry have had clauses on the improvement of skills development and training since the 1990s. The current agreement for the manufacturing industry contains rules and provisions for four elements of training:

- The right to negotiate an educational plan for the company;
- Two weeks of job relevant training with full pay per year;
- Time off for training, which is not job relevant without pay;
- Two weeks of training with pay when dismissed after three years of employment at the company.

The agreement clearly establishes a joint recommendation to companies to make an education plan, and to establish an education committee. It also states that negotiations about an education plan must commence if the union organisation in the enterprise requests it.

It is currently estimated that a third of companies in manufacturing industry have an education plan. These plans typically contain an evaluation of the future educational needs of the company's employees, the current educational level of workers, and an education strategy to make sure that the necessary qualifications are acquired. In practice, it is predominantly larger companies which have a specific education plan and the same holds true for formal education committees. In cases where no special education committee exists, training needs are often discussed in the parity cooperation committees which are established in most companies with more than 35 employees.

Collective agreements in Denmark have established instruments of national and regional industrial policy development and consultation to deal with structural change in the economy. The agreements in the manufacturing industry stipulate the setting up of national and regional industry policy committees which play an important role in transmitting the needs and requirements of industry to the local community. They also serve as liaison between enterprises, technical colleges and further education centres and take initiatives focusing on infrastructure. The intention is that they should have a real effect on employment creation (CO Industri 2007, p. 26).

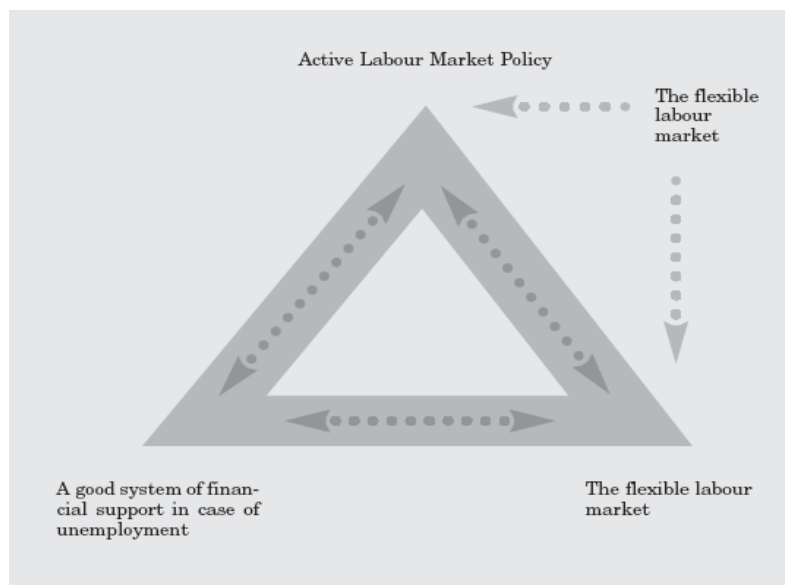
## “Flexicurity” and the role of social partners with regard to structural change and restructuring

Against the background of the successful Danish approach of dealing with structural change and main challenges on the labour market, “Flexicurity” in recent years has become a major issue in the European debate. The concept, interlinking flexibility with security, proposes a way to reconcile the interests of employees with those of employers in the context of change and adaptation to new framework conditions. It is not surprising that the concept has been embraced by politicians at both national and European level.<sup>14</sup>

### Defining Flexicurity

The term “Flexicurity” may be described both as a condition and as a policy concept. It is used to describe the special Danish three-sided mix of (1) flexibility in hiring and firing, (2) a strong social security system and (3) an active employment policy. Therefore, the system is also sometimes described as “a golden triangle”.

Figure 17: The “golden triangle” of Flexicurity



Source: LO 2006, p. 36

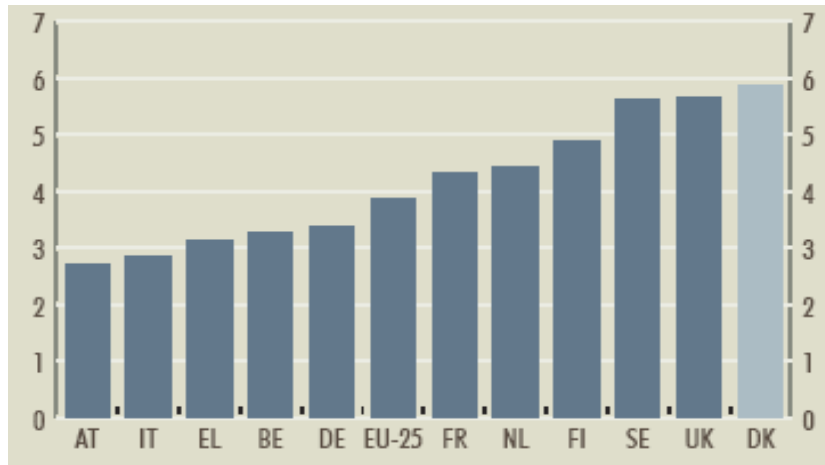
<sup>14</sup> Just to mention two recent initiatives at the EU level: In November 2007, the European Parliament adopted a report on Flexicurity (“Common Principles of Flexicurity”) and in December 2007 the European Council adopted common principles of Flexicurity based on a Communication of the EU Commission (COM(2007) 359 final).

### High job mobility

Flexible rules make it easy for the employers to dismiss employees during periods of recession and to hire new employees when things improve.

The Danish labour market traditionally is characterized by a high level of job mobility or “labour market churn”. Approximately one out of three Danes or about 700,000 wage earners change his or her job every year. Danish wage earners have on average had more jobs in the course of their working lives than their counterparts in every other EU country.

Figure 18: Average number of jobs to date for a wage earner, 2005



Source: Dansk Arbejdsgiverforening DA 2007, based on Eurobarometer 2006

This high mobility is also illustrated in the following table which summarizes job and employment turnover figures in Denmark for 2001:

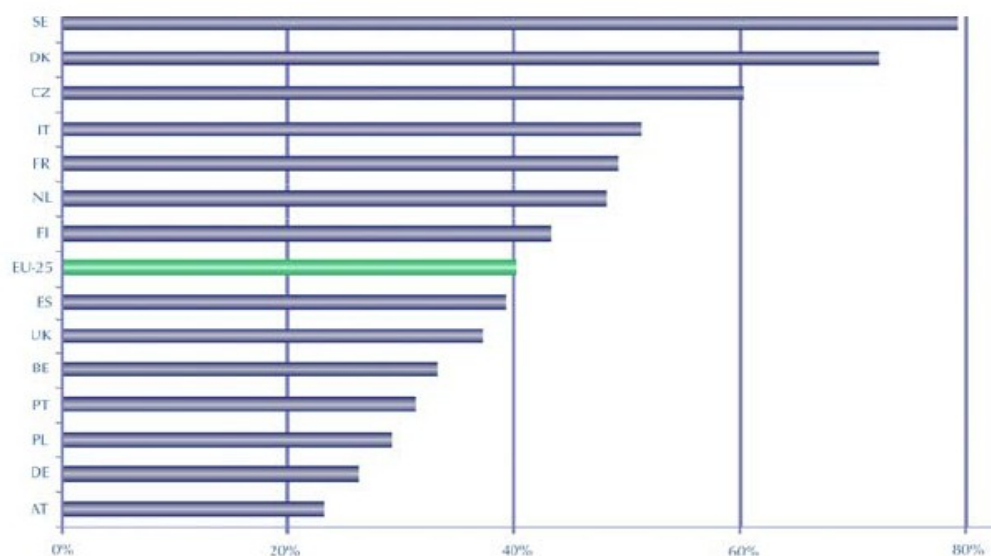
Table 16: Turnover of the Danish Labour Market in 2001

Job turnover	Number of jobs	Per cent
Job creation	285 000	12.1
Job loss	266 000	11.4
Employment turnover	Number of persons	Percent
New employment	736 000	30.8
Job departures	714 000	30.2
Total number of employed persons	2,379 000	100

Source: CO Industri 2007, p. 5

Interestingly, Danish employees not only believe that it is good for people to change job every few years but they are also amongst the most satisfied workers in Europe (see below). While more than 70% of employees from Denmark and Sweden believe that it is good to change jobs every few years, less than 30% of those from Austria, Germany or Poland share this view.<sup>15</sup>

<sup>15</sup> This has been confirmed by a recent publication of the Danish National Bank pointing out to the ability of Danish workers in transition situations finding new jobs. See Denmark's National Bank 2007.

**Figure 19: Percentage who think that it is good for people to change jobs every few years**

Source: CO Industri 2007, p. 3

**Figure 20: Share of employed who are satisfied or very satisfied with their job**

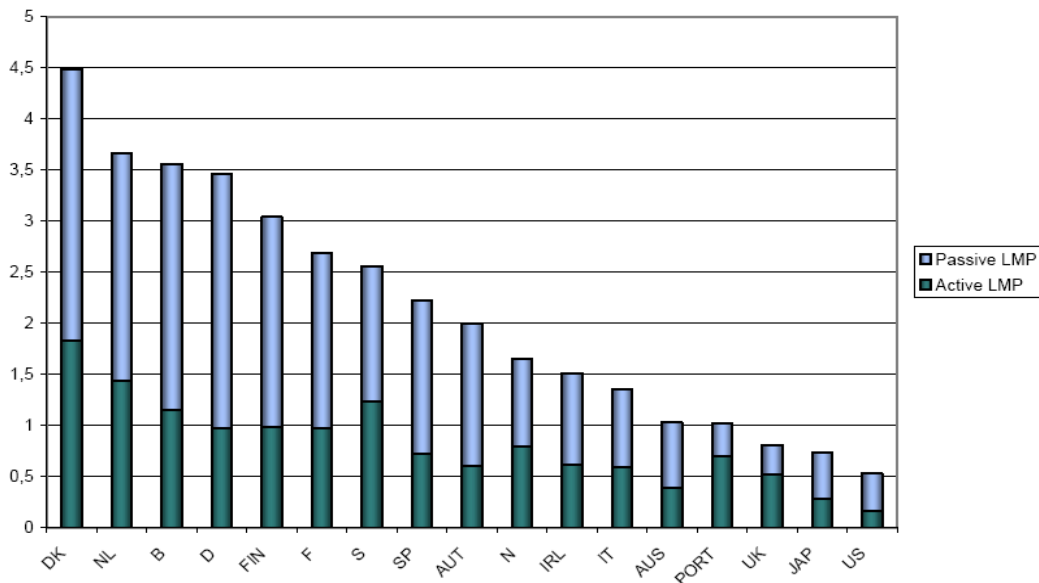
Source: EF Dublin, cited in DA 2007, p. 6

High numerical flexibility and mobility in Denmark is acceptable for the employees since they receive a high level of unemployment benefit while they are unemployed and they have a relatively good chance of returning to a new job.

These two components of the Flexicurity concept are crucial to its success in Denmark.

#### *Good system of social security and active labour market policy*

Denmark is characterised by high security for the wage earners in the case of unemployment and the country spends more money on passive and active labour market policies, proportionately, than any other industrialised country in the world. Danish labour market expenditure in terms of percentage of GDP is twice as high as the EU-average and a level of taxation, which is the highest in Europe.

**Figure 21: Expenditure on active and passive employment policy (share of GDP in 2004)**

Source: OECD Employment Outlook 2004.

The purpose of the Danish active labour market policy is not to create more jobs, but to provide the key pre-conditions for the creation of jobs. It generally contributes to a highly effective supply of labour by ensuring that the unemployed part of the labour force is actively seeking jobs and has the qualifications needed to fill new positions. It also provides a targeted effort towards preventing marginalisation and long-term unemployment by ensuring that the unemployed maintain their qualifications. Thus training is a key component of Danish active labour market policy.

Participation in ongoing training in Denmark is very high. Training is important regardless of employment status, and plays a separate and vital role in Danish flexicurity. This is underscored by the fact that vocational training in Denmark is of a general nature with curricula which are not specific to any one enterprise. This means that the training undertaken will be directly relevant in any Danish company. When a person becomes unemployed, an individual action plan is made either together with the job centre or with the worker's trade union. The action plan documents the steps which need to be taken in order to qualify the unemployed person for currently available jobs. In cases where further training or retraining is needed, this normally takes place with full unemployment benefit.

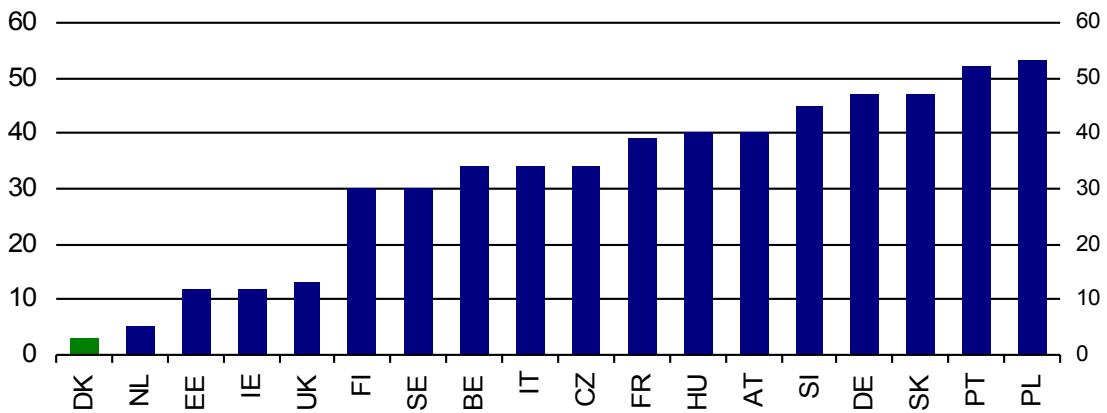
It is an important part of the active labour market policies that the social partners play a major, hands-on role in the job centre system. At the national, as well as local level, tripartite bodies advise and guide the public authorities. This is of particular importance at regional and local levels, where trade union and employers' representatives can help ensure that the policy fulfils the task of matching the available workforce to the demands of local enterprises.

Seen from the employers' view: they have a flexible labour force, and from the wage earners' view: they have a safety net, consisting of an unemployment benefit system and an active employment policy.

It must be stated here, that high standards of social security (financed through high taxes), an active employment policy and the notion of social partnership are deeply connected to each other. Also the notion of "trust" is crucial in this context as a core element of the Danish social culture. These elements are not only resulting in a remarkable absence of resistance to social and economic change but also in the fact

that the perception of unemployment in Denmark differs significantly from most other European countries as the following chart illustrates.

**Figure 22: People considering unemployment as one of the three main concerns, (%)**



Source: Dansk Arbejdsgiverforening

### **Other aspects of Flexicurity**

The Danish labour market model is a system with extremely strong historical roots which has been built upon over many years with a specific culture of social partnership and dialogue between strong social partner organisations. It is also expensive in terms of public expenditure. These two features make the system not easy exportable. The employers' right to freely hire and fire the employees dates back to the so-called September Settlement of 1899 between the workers and employers. The unemployment benefit system has also existed for almost one hundred years.

In a way, the concept of flexicurity works as a kind of unwritten "contract" – or historical compromise rooted already in the 1899 agreement – between the state, the employers and the wage earners. Without the implicit and explicit support of all three parties, flexicurity does not work.

In this context again, the issue of "trust" should be raised as a core element of flexicurity: Contracts are honoured and expected to be honoured; collective agreements are universally implemented and the parties reaching agreements are confident that they will succeed.

The Danish model operates within a larger framework of social dialogue and collective agreements which support it. Here, the existence of autonomous, strong and widely accepted social partner organisations committed to the voluntary negotiation and implementation of collective agreements also are regarded as crucial elements of the system. Also the fact that governments of all political colours respect the freedom of the social partners is a key. Whilst the system looks bipartite for the external observer at a first glance, it is in fact tripartite based to a large degree: Government actively respects the legitimacy of social partners in the area of managing change and engagement in delivering important elements of agreements as the examples in the following parts of this report show. There is a continuous hands-on tripartite dialogue on the labour market policy in itself, both at national and regional levels. The same is true for the vocational training system which creates genuine synergies in employment creation and labour force skill development.

Finally, important aspects of flexicurity are related to the Danish system of "controlled decentralisation" of collective bargaining already mentioned earlier and other aspects of company based labour relations:

- 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;
- Finally, 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. The absence of this kind of arrangement encourages insecurity about job loss and leads to the predominance of “last in - first out” redundancy selection models.

### Micro and macro economic restructuring as an issue of social dialogue and collective bargaining

A key component in the Danish Flexicurity model is that employers and workers are in constant dialogue with the political system whenever new labour legislation is needed. In the context of new challenges arising from growing competition and globalisation, the Danish government together with social partners have developed a number of activities associated with dealing with challenges of structural change and economic restructuring. These initiatives focus strongly on the issue of skills development, improving the system of vocational training and further training and improving the efficiency of the labour market policy by addressing structural problems and weaknesses.

#### **Addressing the challenges of globalisation by skills development and innovation**

In spring 2005, the Danish Government established a Globalisation Council of 26 representatives from trade unions, business organisations, companies, experts from the education and research field as well as from the Government. The governmental members were the Prime Minister, the Minister for Economic and Business Affairs, the Minister of Finance, the Minister for Education and the Minister of Science, Technology and Innovation. The Globalisation Council released its strategy in April 2006 (see Danish Government 2006). The strategy is defining target objectives until 2010 and concrete measures in the fields of education, knowledge and research, entrepreneurship and innovation policy. The overall objective of the strategy is quite simple: “Denmark should be the world’s most competitive society by 2015.” (Danish Government 2006, p. 8).

#### **Exemplary joint social partners’ initiatives and agreements**

With regard to restructuring and in particular in the context of globalisation and increased international competition, trade unions and employers’ organisations in Denmark are concentrating more on shaping and influencing these processes and securing knowledge-intensive activities in the country than trying to oppose and halt relocation processes. The underlying position is that Danish workplaces have to adjust to globalisation and outward relocation. As such, trade union practice and strategy-building should be based on the fact that, in the long term at least, workers cannot compete with low-cost countries when it comes to wages, especially in the manufacturing industry. To meet this challenge from low-wage countries – where skill levels are also rising – Denmark must draw on its traditional strengths, i.e. education and innovation.

While Danish trade unions acknowledge the efforts made by the government in the field of innovation, they also highlight certain shortcomings, in particular regarding innovation activities in the SME sector and regional disparities in terms of exploiting potential for innovation and R&D. In this context, LO Denmark states:

"So a stronger and more holistic policy is needed to enhance innovation, since conditions in Denmark are conducive to it becoming one of the world's most innovative societies. But it requires far more targeted and ambitious initiatives – and a common understanding of the "soft strengths" that afford Denmark special global advantages. The potential of employee-driven innovation must be exploited, but this calls for active and systematic involvement on the part of all employees." (LO Denmark: *Danish Labour News*, No. 2, 2007, p. 7)

This approach is also reflected in recent collective bargaining agreements and joint social partners' initiatives, outlined below.

Following the initial collective bargaining round in the industry sector in spring 2004, the central social partners, CO-industry and DI, agreed to work together on the effects of globalisation.

In 2005, together with Denmark's main employees' organisation (LO), the Danish Confederation of Professional Associations (*Akademikernes Centralorganisation*, AC), CO-I and DI published a joint paper entitled "*From knowledge to growth and employment – what does it take?*" The publication is a joint contribution by the three organisations to the Globalisation Initiative of the Danish Government. The publication highlights the overall importance of research and education and an increased focus on innovation as being the tools required to strengthen Denmark's global competitiveness, i.e. in attracting direct investment and managing outward relocation.

Recent collective agreements support a dynamic labour market with ongoing upgrading of skills either in the same enterprise or at another enterprise. According to the agreement an education course may be taken at the request of the enterprise or as part of an education plan made in the enterprise. Employees with nine months' seniority in the enterprise are entitled to full pay (often for two weeks per year). The enterprises pay salary and any public training fees are paid by the enterprise. In addition, the individual employee is entitled to two weeks' education by choice with an allowance of up to 85 per cent of ordinary pay under the collective agreement. In order to receive compensation for loss of earnings the training must fall within the area of the sector and the collective agreement. In addition, the individual employee is entitled to participate in an individual clarification of competences course. This course may include setting up a plan for the employee's development to obtain a skill level within the area of the collective agreement. This may include a test of the employee's reading, writing and arithmetic abilities and efforts aimed at eliminating identified skill deficiencies. The employee continues to receive normal pay during these courses.

The 2007 agreement between the social partners in industry (which will affect about 250,000 employees and covers a three-year period) contains a number of significant changes with regard to these issues, in particular in terms of further and more robust access to continuing training. This is seen as a crucial instrument in boosting Danish company competitiveness. The agreement provides for the establishment of a Competence Development Fund for Industry to which employers will contribute €35 per employee per week, increasing to €70 over the agreement period. These funds will be used to finance the employees' wages while they complete two weeks of continuing training.<sup>16</sup>

On 1 January 2007 a project was initiated in the area of SALA/LO rooted in the Cooperation Board and offering a number of enterprises the possibility of enhancing enterprise culture and improving the innovative competence of employees'. The production processes are thus being renewed and improved and employee satisfaction is being raised. The project runs up until the end of 2008 and involves a total of 24 enterprises. One of the objectives is to make use of the employees' knowledge, insight and experience in a new way, and thus positively influence cooperation between employees and enterprises.

<sup>16</sup> See: <http://www.eurofound.europa.eu/eiro/2007/03/articles/dk0703019i.htm>



A number of sectoral collective agreements and the cooperation agreement between LO and DA also aim to improve efforts by enterprises in the area of the employability of older workers by establishing a framework “senior’s agreement” which may be concluded between the individual employee and the enterprise. In some areas specific proposals have been formulated on the terms that should be included in an older person’s employment contract.

In this context the so called “Free Choice Accounts” should also be mentioned. They have been included in several recent collective agreements. A special savings account or Free Choice Account may be set up for the individual employee. The establishment of this special savings/Free Choice Account varies from one collective agreement area to another. In 2010 many schemes will include up to 7.5% of the employee’s pay. A compulsory contribution of 1% and more will need to be made and in addition special holiday pay of up to 4% will be discontinued. The individual employee may chose to refrain from taking the five special days off in exchange for having 2.5% of pay set aside in the account. The employees may in a number of schemes choose to have the deposit paid in connection with leisure time, to have the deposit transferred as extraordinary pension contributions, and to transfer the deposit to the subsequent holiday year.

In December 2006, the Government, the social partners and the municipal partners entered into a new four-party agreement on integration of migrants. The new agreement should be seen as a supplement to the four-party agreement on integration from 2002. The agreement includes a number of additional tools for integration efforts which are expected to contribute positively to the integration of immigrants in the workplace. One of the central factors in the agreement is the development of 12 so-called “job packages”. The job packages have been prepared by DA’s member organisations in cooperation with LO’s wage earners’ organisations. The job packages combine professional/linguistic courses targeted at certain occupations on the unskilled labour market with courses that involve enterprise training and wage subsidies. The social partners will continue to support and disseminate the use of the “stepladder model” (a combination of guidance and upgrading of skills, enterprise training, wage subsidy and employment on special pay and working conditions).

## Conclusion

In a recent review of structural reforms in Denmark the authors summarise the main elements of the Danish success story in dealing with and managing of structural economic change:

“Outside observers are often intrigued by how Denmark manages to sustain one of the highest employment and GDP per capita levels in the OECD, while collecting some 50 percent of gross domestic income in taxes and providing generous welfare support, including access to early retirement and unemployment compensation rates of up to 90 percent of previous income. The answer seems to be, in part, that potential ad-verse incentive effects of high tax and transfer rates are off-set by: (i) flexible labour market institutions, including low employment protection and relatively flexible wage institutions; (ii) active labour market policies, testing the availability for work of the unemployed effectively; (iii) welfare institutions that raise labour supply, notably among women, e.g. subsidized child care; (iv) fairly competitive product markets with little direct state interference; and (v) an education system, which – although a potential problem area in future – has met the trend increase in demand for skills.” (Gaard/Kieler 2005)

From our analysis and the descriptions of the basis patterns of managing restructuring a crucial further message is arising: The Danish concept of flexicurity and its functioning and efficiency is also deeply rooted in the labour relations systems, strong social partner organisations and the wide coverage of collective bargaining. Widely accepted social

partner organisations, their autonomy and their crucial role in managing change at various levels are further important elements of the flexicurity concept.<sup>17</sup>

Above that, there are further features and aspects which are connected to the Danish historic heritage and socio-cultural traditions. Therefore, the Danish model and the concept of flexicurity surely can not be applied easily in non-Danish circumstances.

Furthermore, we should avoid the notion of flexicurity being a homogeneous and single concept at all: It is important to bear in mind that flexibility is a rather new term summarizing a complex mode of dealing with economic change deeply rooted in the Danish economic and social tradition which has evolved during a long time. Furthermore, as the following two cases of very different specific backgrounds and restructuring situations show, flexicurity should be rather seen as a broad and general approach and mindset which is implemented in specific ways according to the prevailing local circumstances.

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<sup>17</sup> In this context a challenge to the approach of autonomous voluntary agreements comes from the recent judgments of the European Court of Justice (e.g. the Laval case) which seriously is undermining the influence of voluntary agreements.

## Section three – Case studies

### Nordea A/B

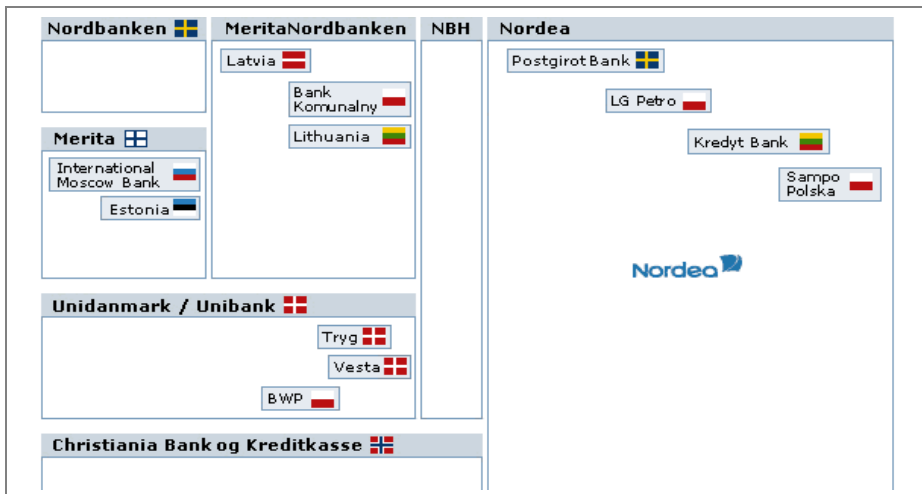
#### Company profile<sup>18</sup>

Nordea is the leading financial company in the Nordic/Baltic area, currently either number one or number two position in most Nordic markets and owning substantial market shares in other Baltic Sea neighbouring countries. Nordea has around four millions e-customers, ten million retail customers and more than one million corporate and institutional customers. Total assets of Nordea are more than 400 bn. Euro. Nordea shares today are listed in Stockholm, Helsinki and Copenhagen. The three largest shareholders are the Swedish state with 20% of the shares, Sampo Oyi Group with 10% and Nordea Danmark fonden with 4% (April 2008).

At present, Nordea has around 34,000 employees in the following countries: Finland, Denmark, Sweden, Norway, Estonia, Latvia, Lithuania, Poland, Germany, Luxembourg, Great Britain, United Kingdom, USA and Singapore. The workforce has been growing recently: In 2007, around 2,500 employees were recruited.

Nordea was established in 2000 after the merger of Finnish/Swedish Merita-Nordbanken, Danish Unibank and the Norwegian Christiania Bank and Kredikasse. The merger mainly was driven by bigger capital needs of customers, increased competition in financial markets and the need for lower costs/cheaper funding. Since its establishment, Nordea has expanded its business in Central and Eastern Europe, in particular with acquisitions in Poland (LG Petro Bank, Sampo's Polish Life & Pension business), the Baltic States (Kredyt Bank in Lithuania) and Russia (JSB Orgresbank).

Figure 23: History of Nordea



Source: [www.nordea.com](http://www.nordea.com)

#### Background, driving forces and character of restructuring

The development of Nordea and its national subsidiaries during the last decade is characterized by a continuous process of restructuring and reorganization triggered by forces such as the market forces of a highly competitive market as described above but also the need to reduce costs (income/expenditure ratio still is very high), to focus on

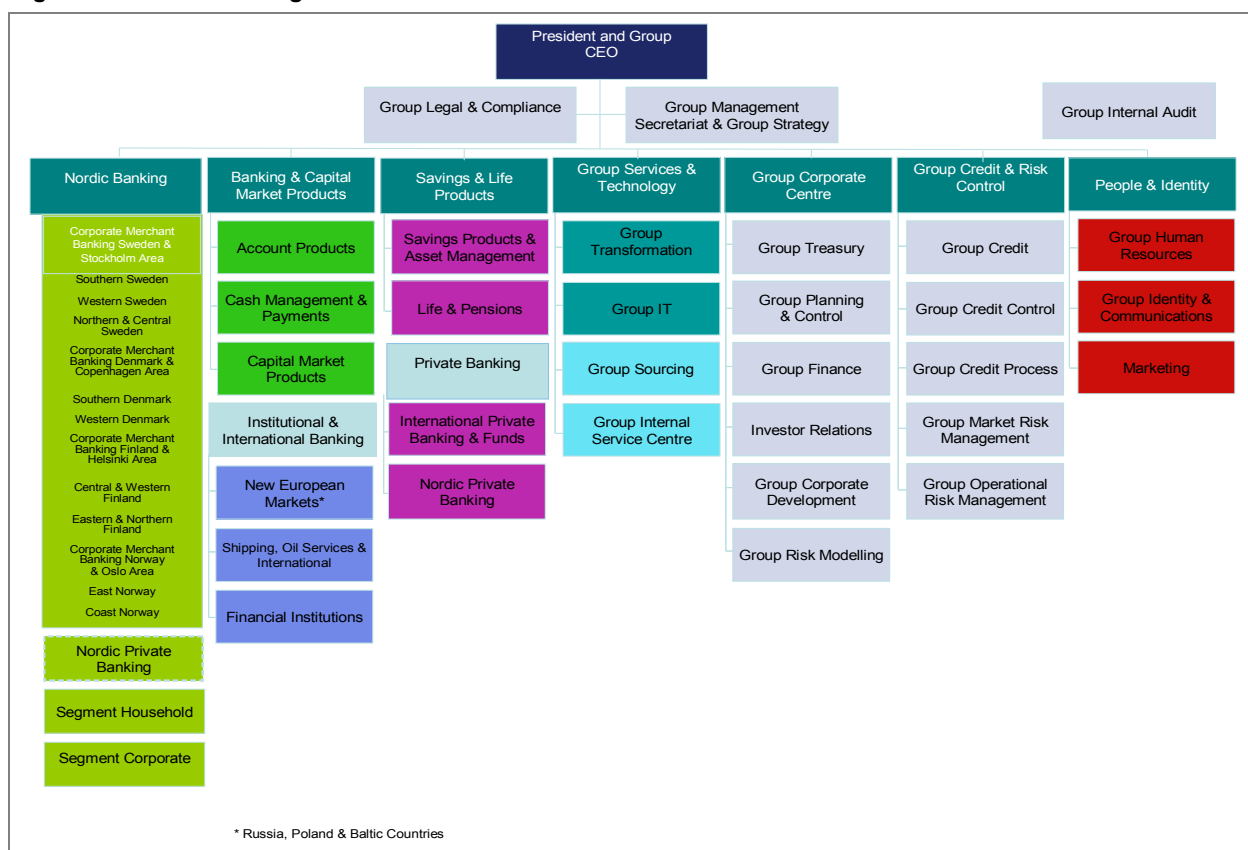
<sup>18</sup> This report is based on desk research and available information but in particular the presentation of the Nordea case at the seminar on restructuring in Denmark, held in Copenhagen on 09 & 10 April 2008. See Kruse 2008.

core business areas (and subsequently outsource functions such as IT or catering) and integrate new subsidiaries.

Against this, the bank went through a series of internal restructuring programmes which also included outsourcing and relocation (i.e. to Finland) of certain functions and downsizing measures and replacement of employees.

Internal reorganization also has resulted in a radically new structure of the management and operational organization of the company. Nordea's business today is organized on the basis of business areas which are integrated in a matrix organization structured in six group functions and a seventh unit focusing on HR, corporate culture and marketing.

**Figure 24: Nordea CC-organisation**



## The role of social dialogue and partnership in the restructuring process

Source: Kruse 2008

Employees at Nordea have established quite a unique structure of transnational interest representation and involvement in information, consultation and negotiation processes in the context of restructuring and transnational corporate policies. While employee participation at the transnational level is mirroring the current multinational structure of Nordea it is also formed in the Nordic tradition of good cooperation between unions and trust-based social dialogue and relationships with the management.

Beside national structures and institutions of employee participation and interest representation at the company level (employee interest representations at company and group level, board representation of employees) since 2000 new collaboration and participation bodies at transnational level have been established under the umbrella of the "Nordea Union Board" and since 2005 the "Union in Nordea".<sup>19</sup> As a transnational structure of social dialogue, information and consultation as well as trade union

<sup>19</sup> The Union Network has its own website: [www.nordeaunion.org](http://www.nordeaunion.org).

cooperation “Union in Nordea” is following the logic about “one company – one union”. Before Union in Nordea was established, the member unions have cooperated for several years already.

Today, “Union in Nordea” has the following member organizations:

- Kreds Nordea, Personaleforeningen for Nordea Pension and Life Denmark
- Insurer and customer chief organisation in Nordea Pension Denmark
- Nordea Union Finland
- Nordea Bank Union (*in Norway*)
- Finansförbundet in Nordea (*in Sweden*)
- Trade Union of the employees of Nordea Bank Poland S.A. (*“Solidarity”*)

“Union in Nordea” elects a president, a vice-president, coordinators, and persons with special designated tasks. The elected persons represent Nordea Union in discussions and negotiations with Nordea management regarding their designated tasks.

Every year, Union in Nordea meets at its Annual General Meeting, which is a consultative and decision-making body for Union in Nordea and its highest authority. The annual meeting is open to members of the boards of the cooperating national Nordea unions / employee associations. Depending on the agenda, other participants can be invited. At the meeting, the Nordea Union Board (NUB) presents its Annual Report, and specific focus areas for the next year's work are discussed.

“Union in Nordea” prepares and follows up on meetings with Nordea's management according to the established structure for employee involvement and co-decision in Nordea. In this context, three different bodies have been established by agreements with the management around employee participation, information and consultation as well as social dialogue about the groups' transnational strategies: the Group Council Agreement, the Consultative Committee Agreement, and the Negotiating Committee Agreement. All in all they represent a quality of transnational employee participation, interest representation and information and consultation practice which goes far beyond what is regulated in most European Works Councils.

The first body, the *Group Council* is an informative body at group level. The primary purpose of this body, where employees meet the head of HR is to receive early information about planned changes with consequences in more than one country in the near future. The employees are furthermore informed of and discuss Nordea's long term plans, organizational developments, present operations, and economic results. It is also a purpose to strengthen the competitiveness of Nordea and to improve performance by encouraging dialogue between the management and representatives from the union and, thereby, create a productive working environment.

The chairman of Group Council is the representative of the employer and responsible for Human Resources in Group Management. The unions have two representatives from each of the four Nordic countries. Both parties can put items on the agenda. The Group Council will meet at least four times a year.

Also based on a collective agreement with the management and mirroring the matrix organization of Nordea's central management decision making, so-called *Consultative Committees* have been established operating on the Business Area level since most of the changes in Nordea take place on this level. The purpose is to make necessary changes understandable by establishing communication between Nordea's management and the Union representatives about needs for and processes of change. The Consultative Committee is informed and discusses major changes that have significant influence on the employees such as,

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- Integration projects
- Business strategies
- Distribution channels
- Organisational structure
- New technology
- Budget disturbances

The employer representatives of the Business Area (head of business area and HR partner) initiate the Consultative Committee meetings. There is usually one personnel representative from each country.

Decisions in the Consultative Committees cannot be on subjects regulated by national collective agreements. In this context it should be added that Union in Nordea does not negotiate collective agreements. The collective agreements are negotiated by the national trade unions where the national Nordea Unions are members.

Finally, a *Negotiation Committee* was established and is used if it is not possible to find an agreement in the Consultative Committee. The purpose is to find a common solution to the disagreement. Representatives from Group Executive Management and representatives from Nordea Union Board are members of Negotiating Committee.

### **Conclusion**

The Nordea case is clearly reflective of European “best practice”. It illustrates a still quite unique approach of consequent internationalisation of trade union based interest representation and employee participation in corporate policy including restructuring and reorganisation. Strongly rooted in the Nordic tradition of social dialogue between trade unions and employers as well as union cooperation, the case also shows the need to follow the company strategy of expansion in Central and Eastern Europe, i.e. integrate trade union organisations from these countries. Although representatives of the Nordea union organisation state that connecting transnationality with national traditions and cultures of industrial relations and trade union policy is not an easy and smooth process<sup>20</sup>, there is no doubt that employee representation bodies have to follow the paths of corporate matrix organisation. In this context, there is no alternative to further develop the Nordic Model of employee participation and social dialogue into a Nordic/Baltic Model based on the identification of common interests, trade union cooperation and company wide collective agreements.

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<sup>20</sup> During the presentation and discussion of the case at the EU Social Partners' Seminar in Copenhagen, it was stated that even if Polish trade unions are a member of the Union in Nordea organisation, Polish trade unions are not involved in the Groups Council yet. Though there is an ongoing discussion about the integration of colleagues from Poland, weak representation structures and union coverage is perceived as the main problem in this context.

## Codan Rubber A/S

### **Company profile<sup>21</sup>**

Codan Rubber, based in Køge/South Copenhagen, is a member of the Maflow Group and a global supplier of rubber technology but other raw materials like thermoplastics, plastics and metal are also used to manufacture hoses and assemblies. CODAN RUBBER A/S traces its beginning back to 1908 when the production was based on reclaiming vulcanized rubber and the manufacturing of rubber shoes.

Formerly owned by the biggest Danish company A.P. Moller, the Codan group in February 2007 was acquired by the Italian Maflow company, headquartered in Trezzano, Italy. Maflow is a medium sized global manufacturer of automotive fluid handling systems, industrial hoses and fittings and rubber hoses for the aftermarket employing around 4,000 employees in manufacturing sites and commercial centres in Europe (Italy, Poland, Denmark, France, Spain, UK and the Netherlands), South America (Brazil, Argentina and Mexico) and Asia (China, South Korea, Japan, Malaysia, Thailand and Iran).

Today, the Codan group is a global company with subsidiaries in Asia, America and Europe with a turnover of 70 million Euro and 950 employees. Direct customers are most major car producers in Europe, the U.S. and Asia.

With the change of ownership to Maflow a major restructuring process at Codan Rubber started which finally resulted in the downsizing process described below which has been carried out in 2008, when Codan Rubber normally would celebrate its 100<sup>th</sup> anniversary.

### **Background and driving forces of restructuring**

The main motives for Maflow to take over Codan Rubber were arising from a corporate strategy to improve the position of the company on the global market, in particular to

- obtain sales growth by cross-selling of automotive products to existing customers,
- benefit from products and opportunities coming from associated companies,
- develop the Asian and American markets,
- maintain existing positions in the air-condition market in Europe,
- and increase the focus on the heavy duty industry and commercial vehicles.

Against this, soon after the acquisition of the company a business plan was prepared focusing mainly on three strategic orientations:

- Implementing a one company structure and organisation approach
- Integration and use of synergies in the new group (including purchasing and knowledge sharing)
- Transfer of production capacities to less labour intensive countries and improve utilization rates in the existing plants.

The strategy to centralize manufacturing and logistics, integrate development projects and other activities to improve the profitability of local subsidiaries directly affected the Codan Rubber site in Køge: a restructuring plan was developed by a multinational team of management representatives from ten different countries which resulted in the decision to transfer all production activities from Denmark to other group companies

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<sup>21</sup> This report is based in particular on information delivered in the context of a joint presentation of management and employee representatives at the seminar on restructuring in Denmark, held in Copenhagen on 09 & 10 April 2008. See Nielsen/Wager 2008.

before the end of May 2008. The Codan Rubber site will only maintain some matrix functions in Køge, i.e. becoming a sales- and distribution centre for industrial hoses.

As an effect of this decision, the workforce at the Køge site of 170 employees in 2007 was significantly downsized to only 25 during January and May 2008.

Though this decision of course was a shock for employees and trade unions at Codan Rubber, the actual implementation of the downsizing/mass redundancy process was managed in a way as smooth as possible with a direct and very active involvement of employees, trade unions and other local stakeholders. This downsizing process which is described below is also illustrating some significant features and strengths of the “Danish model” of flexibility and security.

### **Character and form of the restructuring process and the role of social dialogue and partnerships**

When at the end of 2007 the decision was taken to close production at Codan Rubber in Køge, employee representatives immediately were informed about the decision and consulted about the best possible way of a smooth and social responsible way of implementation.

The whole procedure was handled as a mass redundancy according to the Danish collective agreement on mass redundancies. Negotiations between unions and management were carried out by a collaboration team which prepared a downsizing plan until the end of January 2008.

It is important to mention that though the preparation of the downsizing plan was carried out by company based actors (management and trade unions), external support and advice both by the employers federation (Danish Industries, DI) and trade unions was significant. In addition, an external agency was engaged to support the management team and the works council and a crisis consultancy for individual support and advice for workers was hired. Finally, company representatives also stressed that the restructuring/downsizing process was also sidelined by an open and transparent communication policy towards the local community, other companies, local newspapers, television etc.

Based on the overall concept that the downsizing should be “the end but a new beginning”, there were two principle objectives in this context jointly agreed by management and employee representatives:

- all dismissed employees should find a new job
- Codan Rubber should maintain production and keep employees as long as possible with three windows defined: 1<sup>st</sup> April, 1<sup>st</sup> May and finally 1<sup>st</sup> June 2008

On this basis an agreement was concluded comprising not only elements of compensation but also training and active outplacement activities for dismissed employees:

- *Compensation and support*: fixed salary, bonus for those employees who stay-on the job and external assistance for outplacement/finding a new job.
- *Conditions*: stay on the job as agreed, normal level of attendance, productivity, quality and positive attitude towards the downsizing process
- *Education*: up to 14 days of training for everybody.

With regard to white collar workers, the agreement provided for individual agreements.

The agreement was implemented in close cooperation between the management and the works council. In order to validate the objectives, follow-up achievements and support the outplacement process. Part of the process also included provision of



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information to all employees on a weekly basis, with follow-up either by meetings or in written form.

As mentioned above outplacement activities were carried out in a very pro-active way in order not only to find a job for every dismissed employee but also to find the right job.

Therefore a bundle of instruments and measures were applied, including:

- Explaining purpose and goals of the outplacement process in information meetings to the employees
- Organising “job days” in order to get clear about the situation and the needed help.
- Individual counseling of employees by organizing a company based job office
- Organisation of a job conference and invitation of local companies (40 local companies attended the job conference)
- Individual assistance and planning delivered by the works council (SU)
- Close cooperation with the local Jobcentre which also is present at Codan (weekly or even daily visits and talks with employees)
- Mobilisation of funds (Codan/Jobcentre) supporting improvement of IT skills, help competence development and targeted contacts to companies.

Based on these instruments of active involvement of employees in the restructuring process, the concrete outcomes are characterized by some remarkable achievements and effects as well as quantitative and qualitative results. First of all, both management and employee representatives have reported that the downsizing process was carried out and implemented in a positive spirit, characterized by active engagement of individual employees (who for example traveled to other countries to train colleagues in other group companies).

Rather surprisingly, the productivity and job attendance goals were also achieved better than expected, with attendance ratios of blue collar workers higher than 97% and above the situation before the restructuring process. Productivity improvements were even registered in some areas. While only ten workers stopped work before the date agreed, around 25% of the 180 dismissed workers had already found a new job mostly at local companies by the 1<sup>st</sup> of April 2008.

Against this, both management and employee representatives have stressed the following learning effects and challenges to be addressed in substantial restructuring processes like then one at Codan Rubber:

- It is important to acknowledge that the process is psychologically difficult and tough for all employees (including those who will stay) and therefore an open-minded communication without any “hidden agendas”, an atmosphere of mutual trust, support and offering help is crucial.
- This also preconditions a trustful and cooperative relationship between management and employee representatives working together on planning, preparing and managing the restructuring process.
- Dismissed employees have to accept and face big professional risks and must be flexible in finding a new job. Therefore they should receive as much support, advice and help as possible.

## Local Government Reform

A third Danish case was described in the national seminar and the process of local Government reform is described in the body of the text on pages 23 and 26

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