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Government onslaught on the flexicurity model

With its new, so-called "restoration plan", the Liberal-Conservative Danish government cuts the public budget with 24 billion. Among other things, the unemployment benefit period will be reduced from four to two years.

Having first secured the support of the extreme right-wing Danish People's Party, the Danish Liberal-Conservative minority government has adopted an austerity package, "the restoration plan", which entails major budget cuts in areas such as welfare, education, unemployment benefit, day care and development aid.



"I can only see this as an outright declaration of war against the unemployed and those on the fringes of the labour market. It's unheard of to punish these people," says LO's President, Harald Børsting.

According to the government, the restoration plan is carried out with a view to meeting the EU's stabilization requirements and it claims that the reduction in the right to unemployment benefit by two years will "strengthen employment in the long term".

"If the unemployment benefit period is halved, many thousands of people will lose their financial foundation as many are not eligible for social security. It's obvious that neither the Danish People's Party nor the government have the faintest idea what it is like to be unemployed. It is difficult to find jobs where there are none," concludes Harald Børsting.

On the long term, another serious consequence of the reduction of the unemployment benefit period by 50% is that it will undermine the Danish flexicurity-model which is characterized by the ability to combine social security and flexibility on the labour market. This massive reduction in unemployment benefit will make the labour market less flexible as the security element is eroded. Without security, the worker-side will be less inclined to offer flexibility.

Enough is enough!

LO calls for a major demonstration against government cuts

LO and FTF (The Confederation of Professionals in Denmark) have called on the Danes to participate in a major demonstration against the government's restoration package bill on 8 June in front of the Danish Parliament.

We will object to the government and the Danish People's Party's austerity package with the campaign slogan; "No to the package – get the cuts off the table!".

The aim of the demonstration is to convince the government to withdraw its cost-cutting plan and replace it with a better alternative that creates more jobs – both in the long term and in the short term – among others by means of major investments into jobs, training and education.

LO will not accept that the unemployed, families with children, young people undergoing training, local authorities and poor children in developing countries are to pay for a crisis they did not create.

President of FTF and the co-organiser of the campaign, Bente Sorgenfrey, comments on the austerity package saying:

"Regardless of how hard you punish the unemployed and the marginalized people, it will not create more jobs. Denmark has to invest more in training and education and in the creation of new jobs. We need to make the government withdraw its negative cost-cutting plan and embark on proper improvements of the labour market instead. The solution to the crisis is not to shut down and cut costs but to create more jobs, improve workers' skills and strengthen the flexibility of the labour market."

Labour day celebrations

On May 1, 2010, LO and its affiliated unions organized festivities and political speeches around the country in celebration of Labour Day.

As tradition would have it, LO's President, Vice-President and the two Confederal Secretaries travelled around the country giving speeches in parks and other public venues.

Unemployment, the Government's poor crisis management and the problems with social dumping were among the issues to be mentioned in the speeches. The importance of the developments in the other EU-countries was also underlined.

Among other things, Confederal Secretary, Marie-Louise Knuppert touched on these issues saying,

"In the EU there are things to fight for. These are difficult years for our comrades and colleagues around Europe. 23 million are currently unemployed. Sadly, this makes room for exploitation and pressure on the workers. We therefore need to unite.

We are somewhat fortunate in Denmark in the sense that the crisis has been less severe for us than elsewhere in the world. However, this is not something we can thank the Liberal-Conservative Danish government for. It has passively observed how our incomes have fallen and how the value of our products has dropped.

We were among the first countries to be struck by the crisis, and there are indications that we will be among the last ones to come out of it. The Government's hands be pretty warm after all the time it's been sitting on them."



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Meanwhile, the reason for our relatively moderate rise in unemployment, compared to many of the other EU-countries, is that our labour market is quite robust. This is thanks to our long tradition of cooperation and entering into agreements with the employer-side".

Collective Bargaining 2010*Successful renewal of the collective agreements*

Collective bargaining for the private sector covered by LO and DA was successfully concluded in March 2010.

Following long and hard negotiations between the social partners, the proposed settlement on the renewal of the collective agreements was put to the vote among the 600,000 members covered by the collective agreement proposal. If a majority votes for the collective agreement proposal, it is adopted.

The outcome of the vote on the renewed collective agreements was a definite, "Yes". 63,8 percent voted in favour of the new collective agreements while 36,2 percent voted against them. The renewed agreements are therefore in force and have retroactive effect as of 1 March 2010.

LO-President, Harald Børsting comments on the result saying,

"I am incredibly relieved that our members back the results we have negotiated on their behalf. These collective agreements are responsible in view of the current state of the economy while avoiding a decline in real wages. Furthermore, I am very pleased to be able to say that we have also addressed the issue of social dumping in the collective agreements with a view to combating wage dumping at the expense of Danish workers."

The LO-President notes that the settlement only has a life-span of two years and will therefore be subject to renegotiation in 2012.

"In view of the continued insecurity regarding the future of the Danish economy, a two-year settlement is a sensible decision. In this way, we can re-evaluate the situation once the economy has become more stable", adds Harald Børsting.

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Social dumping – not just a national issue

One of the fundamental aims of the EU is to create an internal market with free movement of labour, services and companies.

The ongoing implementation of a common European market has given rise to fear of "social dumping" and "social tourism". The free movement across borders makes it easier to compete on poorer pay and working conditions which puts pressure on employment- and working conditions in the member states with the best wages and working conditions.

It has, in particular, been underlined that an internal market without national borders allows for the movement of workplaces to low-wage countries and for the use of cheap foreign labour in Denmark.

Traditionally, it has been a widely held view in Denmark that the EU should not interfere with the implementation of the rules in Denmark. Particular opposition has been directed towards the EU imposing sanctions on countries failing to comply with the EU-rules. Furthermore, we have mainly held the view, that provisions regarding the labour market should, insofar as possible, be implemented by means of collective agreements between the social partners.

However, to protect the country against social dumping it is not enough simply to observe the developments in Denmark. Developments in other EU-countries play an important role too. The export of Danish swine to German slaughterhouses that employ Polish section workers on low wages is an example of this development. If these slaughterhouses respected all current pay- and working conditions in Germany, this export of workplaces would not be likely to continue.

An important element of this issue is to ensure that the EU's minimum rules are observed in all member states. It is obvious that when these rights are not enforced, social dumping cannot be prevented. It is therefore essential to ensure that the EU's rules are efficiently implemented. Meanwhile, they seldom mention how to do so. The current state of the law is not satisfactory. In addition to this, there is no overview of the extent of the problem since the EU does not monitor whether its rules are observed in the member states.

Collective agreements 2010: All sails set to fight social dumping

The fight against social dumping was high on the list of priorities during this round of collective bargaining. It has been crucial for the worker-side this year to get the employers to take on a responsibility to counter unfair competition from foreign labour.

Meanwhile, this has not been an easy task in view of the economic crisis. However, the social partners have succeeded in securing the workers increased security against the underbidding of wages from foreign workers.

After the successful renewal of the collective agreements, LO-President, Harald Børsting commented on the result saying, - I am extremely pleased to be able to say that we have also addressed the issue of social dumping in the collective agreements with a view to combating wage dumping at the expense of Danish workers.

- We cannot accept the exploitation and underpayment of our European colleagues. And we cannot accept the relocation of workplaces from Denmark to other countries as companies try to compete on unfair terms and conditions in order to save production costs, says Harald Børsting.

Outcome: Collective agreement provisions against social dumping

As a result of collective bargaining this year, a mediation proposal from the Conciliator was adopted by ballot among union members on 20 April. It included a section on Social dumping.

According to the mediation proposal, the social partners, DA and LO, agree to work to act against social dumping. Furthermore, they agree to encourage their member companies to refrain from using foreign contractors that fail to observe Danish collective agreements. Furthermore, the two central organizations agree on ensuring speedy industrial disputes procedure in cases that involve social dumping.

Finally, the social partners have set up a coordination committee which is to oversee the efforts against social dumping

However, during this round of collective bargaining, the social partners were not able to reach agreement in the area of chain liability (the responsibilities or liability of the various actors in the production chain in a situation where some sectors, in particular construction, have been especially vulnerable to abuses in their often complicated subcontracting chains.) Meanwhile, the demand for chain liability is maintained by the worker-side.

Questions and answers on social dumping:

Interview with Jørgen Rønnow Bruun, Attorney and legal adviser in LO-Denmark and Chairman of the LO's Committee on Social Dumping

In 2009, LO set up a strategic committee on social dumping i.e. a committee which is to examine competition on poor pay and working conditions. This committee is to prepare a proposal for LO's policy on the prevention of social dumping in Denmark and in the other EU-countries

To clarify some of the basic issues, we have therefore asked the Chairman of the Committee, Jørgen Rønnow Bruun the following questions:

Jørgen Rønnow Bruun, in your view, what is social dumping?

– Social dumping is unfair competition on wages and working conditions and takes place in connection with cross-border activities.

When does social dumping take place and can you give some examples?

– There are two types of social dumping:

The first kind is social dumping that takes place in connection with the relocation of workplaces to

- other countries, for instance to:
- Countries with poorer pay and working conditions than in Denmark. Countries where the pay and working conditions that apply are not enforced – such as is the case when Danish swine are driven to slaughterhouses in North Germany that employ cheap labour without any intervention of the authorities.

The second type of social dumping is the one that takes place in Denmark, such as:

- Danish employers who are not covered by a collective agreement hiring cheap foreign labour - such as market gardens employing Polish workers for picking strawberries (berry-pickers) or farmers with the so-called "apprentices" from the Ukraine.
- Danish employers hiring foreign workers through temporary agencies.
- Danish employers using letterbox companies (falsely self-employed workers)
- Foreign companies performing work in Denmark bringing cheap labour from their own countries - such as Polish construction companies that bring their own craftsmen with them.



- Unrealistic bidders lacking in commitment. This is the case when contractors accept tenders on contracts for building projects that are suspiciously cheap. According to the law, they are not in good faith, when accepting such tenders because they usually involve circumventions of collective agreements and evasion of VAT, taxes, safety requirements etc.

Can anything be done to prevent social dumping?

– Yes, but we need to find new ways of thinking and alternative solutions. It is no longer enough to provide collective agreement coverage.

Furthermore, it is difficult to assess the full scope of the problem and what measures to apply.

What has been done so far?

- A A protocol on temporary workers
- B A Collective agreement settlement (Industry, building & construction and transportation).
- C A Mediation proposal
- D EU-regulation on the posting of workers
- E Changes to VAT-rules
- F New tax on the hiring-out of labour
- G Reduced tax-deductibility for travelling expenses.

Can you elaborate on this?

- A In a number of collective agreement areas, and for a number of years now, there have been provisions ensuring that temporary workers must work under the same working conditions as those that apply to a company's own employees.
- B During this round of collective bargaining (2010), provisions to counteract social dumping have been adopted.
- C The ETUC has prepared an amendment proposal for the directive on the posting of workers.
- D The Monti report of May 2010 points to the problematic issues regarding social dumping.
The EU Commission has announced that, within one year, it will issue a regulation which supplements the directive on the posting of workers.
- E In Denmark, new rules on the payment of VAT have been implemented. They ensure that foreign companies cannot run from the VAT-bill.
- F New rules on the withholding of taxes and payment of labour market contributions for hired workers.
- G A ceiling of DKK 50,000 on tax deductions for travelling costs has now been introduced. Earlier tax deduction rules made it possible for foreign craftsmen to avoid having to pay taxes.

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Domestic workers:

Mopping the floor of the labour market

More than 100 million women around the world work as cheap labour in private homes. We call them domestic workers. The number of domestic workers is estimated to increase in the coming years. The Danish and international trade union movements are therefore pushing for the ILO to adopt a convention for ensuring minimum rights for these workers.

"They are modern day slaves and are exploited to the utmost extent. Domestic workers are found at the ultimate bottom of the labour market hierarchy", states P. Kamalam, Equality Dept. Director in the ITUC.

This phenomenon is far more widespread in other European countries than in Denmark which has little tradition for hired help in the household. Nevertheless, this aspect of globalisation is also on the rise in Denmark.

On an equal footing?

– The au pair-scheme in Denmark

The closest we get to the phenomenon of domestic workers in Denmark is our au pair-scheme, which has been subject to changes so that it can now be considered as a domestic workforce rather than a scheme for cultural exchange which was originally the intention behind the scheme.

Previously, an au pair would take on this function as part of a general education process and, sharing the day-to-day life of a Danish family, learn about Danish culture and language - and help with household chores. This role seems to have changed.

The word "au pair" means "on an equal footing with", which signifies that the au pair must enjoy the same household status as the other members of the household and must therefore not be treated as a servant. The scheme is aimed to help young people who choose to stay in a foreign company 1 - 1½ years and get to know a foreign culture while living as an extra family member who helps with domestic chores in return for pocket money, food and accommodation as part of the scheme.

A reality check

A growing share of the group of au pair "girls" now consists of grown women, mainly from the Philippines and Ukraine, who undertake both childcare and housekeeping for symbolic wages - seen from a Danish perspective - and who choose this "job" as a career path of sorts.

During the past 8-10 years, there have been major changes in the use of the au pair schemes. In 2002, 1,200 au pair permits were given and in 2008 this figure had reached 3,000 of which 2,200 were for Filipino women, compared to only 100 in 2002. The number of women from third world countries, mainly the Philippines, has virtually exploded.

This tendency is also seen in Norway and Sweden.

"The increased use of Filipino women further underlines the need for actual labour; they are older than previously and, in many cases, already have an education. Furthermore, the Filipinos are world renowned for being professional and hard working domestic workers - and have become very popular as au pairs".

This quotation appears from the report, "On equal footing? - An evaluation of the Norwegian au-pair scheme", by Cecilie Øien, which documents that it is rarely a wish to engage in a cultural exchange that motivates the Filipino women. Instead, the au pair scheme is primarily a strategy for securing an income.

Rhetoric, needs and reality

The increased use of the au pair scheme should be seen as an indication of the growing need for assistance for household chores among working parents. It also increasingly reflects a genuine need. The use of the scheme, however, is limited due to the requirement to house the au pair and to provide this "extra family member" with pocket money.

It has probably never been the host family's need for cultural exchange that has motivated the scheme but rather their need for help with tasks such as shopping, cleaning and child care. The rhetoric on culture, languages and family membership on "an equal footing" has contributed to concealing the employer/employee-relationship. This has had the effect that questions regarding pay- and working conditions have been kept out of the equation.

Danish survey on the conditions for au pairs

Throughout a number of years now, FOA (The Danish Union of Public Employees) has worked with this issue and has initiated the first Danish study in 2008 prepared by PhD Helle Stenum from Aalborg University. The survey examines the migrants from the Philippines, in particular, and their use of the au pair scheme in Denmark.

In the survey, Helle Stenum elaborates on the problematic aspects of the scheme. Among others, she defines the inherent dangers of the au pair scheme:

"It takes place in private households and there are no standard tasks or time frame. There are no colleagues, no actual complaint procedures or control mechanisms. The work is, in many cases, invisible - both literally - since it takes place within the four walls of the household - and figuratively - in the sense that household chores are traditionally performed by women and are unproductive. Furthermore, this work takes place in a framework which can be strongly affected by emotional dependency and personal relationships. If the "domestic worker" lives with the family, the effects of the above conditions are further accentuated."

Among other things, the FOA-report concludes that:

- The au pair scheme rarely serves as a means for cultural exchange any longer but works as a migration programme for domestic workers from third world countries.
- The au pairs who move here are often providers or co-providers for families in their home country.

There is no doubt that the Danish au pair scheme has, to a wide extent, become a method for importing cheap labour from third world countries - something which can also be considered as social dumping.

And there seems to be no doubt that the scheme provides these women with the possibility to earn an income which, in spite of its inferior size, ("pocket money"), by far exceeds what they might earn in their country of origin – even as trained labour – in so far as there are any jobs to be found there at all.

A number of surveys, including the one prepared by FOA, point to possible improvements to the current au pair scheme which might help prevent abuse and improve the cultural dimension of the stay.

What is LO's stance on the issue?

LO is not against the au pair scheme in so far as it serves its intended purpose which is to provide a framework for cultural exchange. We also recognize the need for child care and cleaning assistance among busy families. It gives young people, in and outside Europe, a possibility to stay and work in another country and experience a different culture.

However, LO is concerned by the development by which the intended cultural exchange across borders is replaced by the cynical use of cheap labour imported from poorer countries. LO is highly aware of this issue and monitors the development closely in cooperation with FOA and 3F (The United Federation of Danish Workers).