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Collective bargaining 2010: Settlement provides security

Collective bargaining for the private sector is well under way and LO-President, Harald Børsting, is pleased with the first settlement which was concluded between The Confederation of Danish Industries (DI) and The Central Organisation of Industrial Employees (CO-Industri) on 21 February 2010.

– I believe that this is a responsible settlement which provides increased security in people's working lives. It is also a settlement that provides the opportunity for securing the members' real wages during local negotiations at company-level, says Harald Børsting.

Increased security has been incorporated into the collective agreement in the form of higher compensation upon dismissal.

In addition to this, workers who are covered by the collective agreement earn the right to contributions for labour market pension schemes sooner than they did earlier. Before, the seniority requirement for receiving these contributions was a minimum of nine months' employment. This has been reduced to two months. This also means that it will become harder for the employers to speculate in the hiring of cheap labour for short periods of time as all employees are now placed on an equal footing after two months' employment.

Finally, the settlement provides better opportunities for trying equal pay cases with the establishment of an equal pay tribunal.

The collective agreement settlement will expire in two years and is therefore subject to renegotiation in 2012.

DI and 3F (the United Federation of Danish Workers) are currently negotiating a collective agreement for the transport sector. The negotiators' deadline is 1 March following which the negotiations are transferred to The Conciliation Board.

Collective agreements negotiated this Spring will cover approximately 600,000 workers in the private sector.

If the parties fail to reach agreement, the earliest date for a possible industrial conflict will be 14 March. This is, however, unlikely since the conciliator, Asbjørn Jensen, will, at that time, still have the possibility to postpone a conflict for another two weeks.

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LO and the employers' joint proposal to fight unemployment

In February, 121,400 Danes were registered as unemployed. This is the highest number recorded since 2006 and long term unemployment is rapidly increasing.

LO and DA (the Danish Employers' Confederation) have therefore jointly prepared a action plan with 23 proposed initiatives for fighting unemployment. The two organisations presented their plan to the then Minister for Employment, Inger Støjberg, in end January 2010.

The 23 initiatives include measures aimed to improve access to training and education for the unemployed and to motivate the local authorities to make use of these offers. At the same time, LO and DA propose that the job centres must use the labour market policy tools more efficiently.

– I am pleased that we agree with the employers on changing the incentives in order to put a stop to the current activation circus. The rigorous cost control exercised by the local authorities push far too many of the unemployed into pointless activation. At the same time, I hope the government will listen to our proposal to improve training and education possibilities for the unemployed, says Harald Børsting.

DA is also satisfied with the joint proposal.

– The joint proposal from DA and LO encourages initiatives for more targeted upgrading and better exploitation of the relatively numerous job opportunities that exist on the labour market in spite of the current crisis, says DA's President, Henrik Bach Mortensen.

Rising poverty in Denmark – we need a poverty line

LO has , in connection with the EU's "Year for combating poverty and social exclusion", suggested that the Government should set an official poverty line in Denmark. More and more Danes end up in poverty. Today, approximately 67,000 persons - of which 20,000 are children - can actually be termed "poor" according to LO's proposed poverty line. However, so far, the Government has rejected the proposal to set such a line which would make poverty more visible.

– It is deeply concerning that an increasing number of Danes sink into poverty. It is therefore high time to define exactly which groups are exposed to poverty and, not least, what can be done to help them out of poverty, says LO President Harald Børsting.

- I am sick and tired of the Government's consistent and cynical rejection of the proposal to introduce a poverty line. The Government is obviously afraid that the existing poverty would become far too visible and, thereby, a political problem. Meanwhile, it is a disgrace to our welfare state that we are afraid to face the fact that there is also a downside to it.



According to LO's proposal, persons that fall below the poverty line are those who meet the following criteria:

- An income below DKK 92,000 a year.
- At least two successive years with this income
- Assets of a maximum of DKK 25,000

According to LO's scale, students are exempt from these criteria and are not considered poor.

LO's proposed poverty line (in Danish): www.lo.dk

The gender wage gap reveals inequalities

In average, men's wages are approximately 20 percent higher than women's. In order to reduce the gender pay gap, LO's General Council has adopted an equal pay strategy. Among other things, this strategy aims to create greater transparency in wage formation and to improve rights in connection with paternity leave.

The so-called gender segregated labour market is at the root of the problem. At the onset of their careers, young men or women often choose to work in an industry which primarily employs labour of their own gender.

– To put it briefly, women provide care in the public sector where wages are relatively low while men work with building & construction in the private sector, where wages are much higher, says LO's Vice President, Lizette Risgaard.

At the same time, men are much more likely to fill managing positions.

– Meanwhile, another main obstacle for bridging the wage gap is the traditional work-division at the home front, where mum takes leave to care for the children and is the main care-giver while dad is the main provider who does not make full use of high right to parental leave and paternity leave. This is outdated and it is a vicious circle.

– Another problem is that legislation has not caught up with the development. This makes it very difficult for both employers and employees to identify the pay gap at the workplace, says Lizette Risgaard.

LO's equal pay strategy consists of 12 focus areas that generally fall into one of two main categories. The first category encompasses legislation and more general efforts and the second includes possible initiatives to be considered by the parties to collective bargaining.

The equal pay strategy has been translated into english and can be downloaded from

Disappointing COP15 outcome – Aspirations for COP16

The outcome of COP15 (the 15th Conference of the parties) was a disappointment and certain countries did everything in their power to stand in the way of progress.

– However, it is uplifting to see that the parties will continue to work for a just transition of the workforce to green production, says LO's International Secretary, Marie-Louise Knuppert.

– It was, of course, very disappointing that the outcome of COP15 was not satisfactory. It is regrettable that certain countries, including Venezuela and China, blocked an agreement and that we now have to settle for a declaration, says Marie-Louise Knuppert.

– However, that being said, there are also bright spots seen from the point of view of the trade union movement. For the entire duration of the summit, we fought for agreement among the countries on a just transition to climate-friendly production. And, fortunately, we succeeded. The parties have agreed to continue to strive to safeguard the workers who lose their jobs on account of the transition to green production.

– So unless some countries actively work to remove the phrase "a just transition of the workforce" from the document, we trade unionists have a good point of departure when the countries meet for COP16 in Mexico.

Aspirations for COP16

– In the lead up to COP16, the Danish trade union movement and the international trade union movement will continue their work to emphasize the link between employment and climate change and make efforts to highlight the importance of this issue on the agenda even further. At COP15, many heads of state and government expressed their support for the international trade union movement's demand for "a just transition of the workforce". It is of vital importance to the workers around the world that such a just transition is included in the outcome of COP16.

– Towards December 2010, the work to ensure green jobs should be reinforced so that it becomes clear that there are millions of potential good jobs in new, cleaner technology, in the refurbishment of buildings to become less energy-consuming and new possibilities for job creation in Africa by means of a transfer of technology, says International LO-Secretary, Marie-Louise Knuppert.

LO's views on the EU 2020 strategy

In November 2009, The EU-Commission launched consultations on the future EU 2020 strategy which closed in January 2010. Among other things, this strategy aims for the EU to "make a stronger effort to work together to make a successful exit from the crisis and to shape the next generation of public policies in a very different set of circumstances." (COM(2009)647 final)

LO has reviewed the proposed EU 2020 strategy and the Danish government's draft consultation response and has submitted its comments for these proposals to the Danish government and to the EU-Commission, respectively. The following paragraphs outline our main views on and comments for the strategy.

We believe that the Commission's consultation paper is missing an in-depth discussion of how the EU will cope with the challenges of the near future: growing unemployment, public deficits and demographic change. The Commission seems to take for granted that the EU will quickly return to "normal times" with satisfactory growth rates and employment generation. But the crisis is far from over yet and such a return should not be taken for granted.

The Commission's consultation paper furthermore neglects to include the following:

- A social vision for the future of Europe. Many citizens increasingly see the EU as only an economic cooperation that is a threat to their social situation or rights. But the EU must also defend and raise these and that should be a cornerstone of the strategy.
- The combating of youth unemployment as the number one priority with regards to employment and education.
- Entry strategies to the labour market for the many unemployed. Exit strategies from crisis spending and rescue packages cannot be Europe's only concern these days.
- A gender-dimension to all policy aspects.

Young people are currently more severely affected by mass unemployment than other groups. It is therefore not an exaggeration to claim that an entire generation of young Europeans risk losing out because they never get to enter the labour market properly. The EU must act to meet the challenge of youth unemployment. The means for this include ensuring continuing education – including

vocational training – for those who cannot find work. This should not just be a priority based on short- and medium-term goals but also because it is crucial in view of the future demographical challenges.

The Danish Confederation of Trade Unions furthermore believes that the EU 2020 Strategy should be particularly strong on the following aspects:

- Ensuring stronger and fairer labour markets. Today there is increasing pressure on employment conditions and working standards, often in the outright form of social dumping due to abuse of the rules of the internal market. This development must be countered.
- Rules and regulation as a lever. Deregulation is not the answer to the EU's challenges. Rather, rules and regulation should strengthen European competitiveness by motivating companies to create products and solutions with high standards.
- Education and competences that cover broad areas and are developed through a lifetime. Europe will still need skilled labourers and qualified workers with technical expertise. The focus on education can therefore not only be academic. Moreover, there must be a special emphasis on education for the young generation that is facing mass unemployment at the moment. Finally, lifelong learning systems with a high degree of public financing as well as employer financed training and further education, as part of collective agreements, should be prioritised.
- Research and innovation that includes all employees. There are many sources of innovation and they should all be reaped. Employees are an often overlooked resource of innovation, but are key to developing and implementing new products and practices. Hence, employee driven innovation must be strengthened in the EU.
- Just transition of the workforce. In the transformation to a green economy, jobs will be created while others will be shed. But not always in the same place. To ensure that climate change and the policies to combat it does marginalize groups of workers, the EU must invest the social and education policies that can make the transition as smooth as possible.

For the EU 2020 strategy to be successful, governance is central. Yet one key aspect seems to be missing from the Commissions thinking on this: the role of the social partners and social dialogue.

If the EU 2020 strategy is to become a success, this does not just presuppose prior consultation with the social partners but also that workers and employers are looked upon as parties that are able to develop and implement the strategy. It is therefore necessary, both at the national and European levels, to support the social partners in entering agreements to realize the EU 2020 strategy.

At the both the national and the European level, it should be supported that the social partners reach agreements that ensure the achievement of the strategy.

The Danish proposal for a consultation response to the strategy mentions this issue, but it needs to be emphasized even further. The EU-policy must support the social partners in ensuring the implementation of the strategy. Both by giving them space for doing so and by ensuring a proper framework for these efforts.

In addition to this, LO finds that the EU 2020 strategy should strengthen and develop the internal market. However, this should take place without undermining the social dimension of the EU-cooperation. The strategy must therefore include a balanced development and enforcement of the internal market that does not compromise the social aims of the EU. In this connection, it is also absolutely crucial to ensure that the sovereignty of the member states is maintained when it comes deciding on the terms and conditions for services of general interest.

Finally, the Danish Confederation of Trade Unions fully supports the contribution to the consultation by the European Trade Union Confederation (ETUC).

The Danish model – A European success story

In December 2009, The Friedrich Ebert Stiftung, published "The Danish Model – A European success story", written by the Danish social democrat and former Foreign Minister, Mogens Lykketoft. This publication offers valuable in-depth knowledge on the Danish labour market model and its development over time.

The analysis in its full length can also be downloaded from www.lo.dk/english. We have summarized some of the main features and mechanisms of the Danish model described in the analysis here:

The basics

The Danish Model is a reference for many other countries regarding the design of welfare policies. The basis characteristics of the Danish Model are:

- A fairly even distribution of qualifications, high labour market participation by both men and women.
- An extensive redistribution through a progressive taxation system, paying for public services within education, child care, care of the elderly and health care.
- A uniquely small disparity in living standards compared with other countries.
- The rather heavy taxation - especially on private income and consumption - does not harm employment - on the contrary it stimulates competitiveness

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through investment in education, research and development, good infrastructure, etc. Low corporate taxes and only small mandatory social contributions from the employers.

- A public sector which in international comparison is highly effective and citizen-friendly. Corruption is practically non-existent.

Flexibility and security

The agreements on terms of employment combined with the structure of the unemployment insurance system – the so-called flexicurity-model – have supported developments towards more and better paid jobs on the Danish labour market: It has been part of the unwritten social agreement that the trade union movement would not insist on long periods of notice for workers. It has therefore been much easier for employers to hire and fire in line with fluctuating market conditions compared to employers in Germany and France – or even in neighbouring Sweden.

When employers know that it is possible to get rid of manpower when market conditions change, they will not hesitate to hire new people during an upswing. For instance, Denmark has experienced faster and healthier progress than most European countries in private employment for almost 15 years since 1994.

However, another aspect of the social agreement is the unemployment insurance system, where the lowest paid workers from the first day of unemployment and for several years ahead are entitled to benefits equal to 90% of their current wage. There is a maximum amount - to the effect that coverage is significantly lower for the higher paid workers - for instance skilled metalworkers receive only around 60% of their usual net income in unemployment benefit.

The ideology behind the generous entitlement to benefits for low paid workers is that no one should be forced to give up their home because of unemployment. In turn, in order to be entitled to unemployment benefit, the claimant is required to be fully available for the labour market.

The interaction between the trade unions and the political system

The characteristic social structures created in Denmark in the 20th Century are to a high degree the result of the strong organisation, mutual relationship and great political influence of the trade union movement and the Social Democrats.

There has been an efficient, but also highly pragmatic distribution of work between the trade unions and the political labour movement. The trade union movement was acknowledged as a negotiating party with the employers more than 100 years ago, and upon recommendation from both sides a no-strike agreement was concluded when collective agreements applied. That is why Denmark has rarely experienced "wildcat" strikes in periods covered by collective agreements. And almost all collective agreements have been renewed without conflict.

The blue collar worker groups are in general all unionised in LO – the Danish Confederation of Trade Unions, which is the trade union movement that has historically been linked to the Social Democrats. Over the past 50 years two other strong confederations have gained strength - FTF (the Joint Council for Salaried Employees and Public Servants), which unites large groups of employees from the public service sector such as teachers, nurses, kindergarten employees and social educators as well as employees from the financial community, and AC (the Danish Confederation of Professional Associations), which unites academics from the public and

the private sectors. As a main rule, clear demarcation lines exist for membership of the different unions and of the confederations. The confederations cooperate in negotiations with employers. They participate in a large number of public boards, councils and commissions alongside employer organisations, business organisations and public authorities and thus have influence on proposals for new employment legislation, etc.

It should be noted that on several occasions - not least from the 1960s to the 1980s – the trade union movement agreed on a number of so-called "income policy" packages. This can be described simply by saying that the unions accepted lower pay increases than market conditions could provide in return for legislation on social improvements and economic policies that could stimulate employment. Naturally, such agreements were based on the strength and capacity of trade unions to deliver the agreed slow-down of wage levels and the government's ability to fulfil its promises in its economic policy.

The Danish model under pressure

The general election in 2001 led to a centre-right minority government under the leadership of the Liberal leader Anders Fogh Rasmussen coming into power, and the elections in 2005 and 2007 did not change much in the balance of power between the government and the opposition.

The government consists of Liberals and Conservatives, but in all major issues it depends for its majority on the support of the populist Danish People's Party. This party is based on xenophobic hostility to immigration.

It appeals to right-wing nationalism and opposition to the EU. When it comes to economic policies, the people's party offers loyal support to the centre-right government though with some further demands – not least as regards senior citizens.

In the midst of the crisis it has become more obvious that the government has invested all too little in education research and development in order to maintain Denmark's leading position in the global economy. With increasing unemployment, there is a strong need to reverse the cuts from recent years in active labour market measures. There is an urgent need for a much stronger educational component for the unskilled workers now being thrown into unemployment and whose traditional jobs will probably not return to Denmark in the future.

The crisis also puts the focus on the weaker position that many people are now in, because they were somehow lured into opting out of the unemployment insurance system and stopped being organized in the trade unions. The government's preference for the private sector – and its "freedom of choice" and a tax policy in line with this preference – explains the limitation of resources for important public services.

Denmark is still one of the countries in the world with the least inequality. But the overall result of 7-8 years of centre-right government is that inequalities have increased. The Danish model does face serious threats. The major challenges do not, however, come from the pressure of globalisation but a potential decline in support for the model among the electorate as a consequence of the centre-right policy.