Danish Labour News

# September 2010

**Contents:**


The 2011-Budget will have the economy bleeding jobs page 1

First Danish "No to austerity"-campaign was a success. page 2

New, large-scale LO-Campaign launched. page 3

LO: Enough austerity – let's work harder instead! page 4

LO will join ETUC-demo against austerity measures. page 5

New ECJ-ruling gives cause for concern. page 5

LO has not abandoned the Danish model. page 7

Flexicurity revisited. page 8


## The 2011-Budget will have the economy bleeding jobs

***The Danish government admits that the 2011 Budget proposal, which was published on 24 August, will slow down growth. The estimation of the so-called fiscal effect shows that half a percentage point is cut from next year's growth rate. This will lead to the shedding of 12,000 jobs due to the lowering of investments and the implementation of massive cuts in accordance with the austerity package launched in May.***

On 24 August 2010, the government published its proposed Budget for 2011. The proposal primarily contains the initiatives that were adopted with the support of the Danish People's Party as part of the May austerity package.

The proposed Budget is based on the assumption that the Danish economy is moving towards higher growth and moderate economic recovery and that it is therefore justifiable to carry out major cuts in the public sector.

LO-President, Harald Børsting comments, saying,

– This is the exact opposite of what Denmark needs. The so-called upturn is still in its infancy and is therefore fragile. The Government is making it harder to create jobs in the coming year.

In addition to the recovery package from May which includes a lowering of expenditure for adult- and continuing training, development aid and child benefit, the proposal adds allegedly "new" initiatives, among others, funds that give priority to health and education.

However, the funds that are set aside for these initiatives remain unchanged compared to previous allocations and the initiatives are far from new. The means for many of the initiatives, including the globalization funds and the prevention funds, have already been set aside following previous agreements, but the Government insists that they are new.


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***LO-workers will bear the brunt of the budget cuts***

– LO's members will be paying the highest price for the low growth rate in the economy. They are the ones who will be losing their jobs, and they are the ones who will suffer the consequences of the massive cuts in unemployment benefit and continuing training, says Harald Børsting.

Major cost-cutting in the education system will also be carried out. This includes youth vocational training and work-experience placements. The Government's budget cuts will have the adverse effect that the aim of providing training and education for 95% of this generation's young people is gradually becoming less and less realistic.

This seems completely absurd in view of the fact that, because of the crisis, we desperately need training and upgrading of the workforce.

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## First Danish "No to austerity"-campaign was a success

As reported in the previous issue of Danish Labour News, on 8 June 2010, LO helped organize a large demonstration in protest of the Government's austerity package under the title, "No to the austerity package - yes to jobs and education", at the palace square in front of the Danish Parliament.

This event clearly demonstrated broad public support for protest against the austerity package which had been proposed by the government with the support of the right-wing Danish People's Party - and without alerting or in any way involving the social partners. Among other things, the package included a proposal to reduce the unemployment benefit period by 50%.

Looking back, the organizers of this summer's campaign against the austerity package find it to have been a great success but acknowledge that the job is far from finished.

More than 80,000 Danes took to the streets to show their dissatisfaction that day.

In addition to this, 85,000 Danes actively supported the campaign on its facebook site. Here, many of them also posted personal testimonies on the consequences that the austerity measures would have for them.

LO sees the impressive attendance at the demonstration and massive support for the facebook campaign as an indication that the government, in its eagerness to slim down the welfare state, has reckoned without its host.

***Government adopts austerity plan***

On 16 June, and despite heavy criticism and public protests, the government and the Danish People's Party used their majority in Parliament to pass the restoration plan. To LO, this date marked a sad chapter in Danish politics. In spite of wide-spread popular resistance, the government chose to push through its austerity plan with the smallest possible majority.

- It is unfair that the average citizen must pay for tax relief for the wealthy, comments Harald Børsting. He accuses the government and the Danish People's Party of creating unnecessary insecurity on the labour market by compromising our unemployment benefit system and by weakening the possibilities for acquiring training and education.

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# New, large-scale LO-Campaign launched

***Unemployment is on the rise. Companies are shutting down. The poor are getting poorer and are growing in numbers. The LO-led trade union movement is concerned by the development in Denmark - and the way in which the economic crisis has been handled. LO therefore launches the campaign "Take Denmark seriously" and ask the Danes whether they are satisfied with the way things are going in Denmark.***

On 28 May, LO's General Council agreed to carry out a political trade union campaign. 14 of LO's 18 affiliated unions have joined in this effort so far. The campaign was launched on Sunday 15 august.

As part of the campaign, large-scale advertisements inviting the public to participate in the debate have been published in all major newspapers, on bill boards and a number of other platforms, such as the campaign web site and on facebook.

What's the situation Denmark? This is the point of departure as LO takes up critical issues such as unemployment, inequality and the weakening of the welfare state, presenting the facts and figures and asking the Danes – and not least its members - if this is the kind of society they really want.

These are some of the facts we present to the Danes and encourage them to discuss:

- 161,000 jobs have been shed in two years.
- The austerity package affects the poorest Danes four times as hard as the rich.
- Unemployment has doubled in the past two years. And the unemployment queue keeps getting longer.
- 9,114 young people cannot find a training post. This is an increase by 43 percent since last year.
- The government's decision to maintain its zero growth policy means that the number of workers in the public sector has been reduced by 10,000.
- The unemployment benefit period has been reduced by 50% and long-term unemployment has doubled.
- Fewer and fewer complete youth vocational training and end up in unemployment.

– Unemployment has increased explosively during the past two years and future welfare is under pressure. This is a very serious situation. We therefore want to engage in an open debate with our members and the Danes in general, on how best to solve the challenges of the future - whether the solution is to shrink the welfare state or to roll up our sleeves and work ourselves out of the problems, states LO-President, Harald Børsting.

The pivotal point of the debate is the campaign web site www.tagdanmarkalvorligt.dk, where everyone is encouraged to participate by sharing personal experiences, concern or suggest alternative solutions to the problems Denmark is facing.

However, the debate will not just take place in cyberspace. In the months to come, LO-President, Harald Børsting, will travel around the country to talk to regular members about what they believe the trade union movement can do to meet the challenges of the future.

– There is a pressing need to discuss the actual challenges that Denmark is faced with and I believe that there are a lot of Danes out there who are more interested

in political issues of real substance than gossip, spin and political rivalry, says Harald Børsting.

## LO: Enough austerity – let's work harder instead!

In view of the recent austerity package from the Liberal-Conservative government, it is doubtful whether the current government can be relied on when it comes to striking the balance in a tripartite agreement. The government sneaked in its austerity plan like a thief in the night - without consulting the social partners at all. And it did so despite of the fact that there would be drastic cuts in vital areas such as unemployment insurance benefits, adult education programmes and continuing training.

***LO ready to increase work performance***

- We in the trade union movement have openly stated that we would rather work our way out of the crisis than to shrink activities and cut down on welfare and unemployment benefit. If the majority agrees to contribute with an extra effort, we can manage the situation without burdening any of our vulnerable groups unnecessarily, states Harald Børsting.

– We are therefore ready to enter into tripartite negotiations to find DKK 15bn by increasing work hours, among other things. And we will now discus with our members how best to go about this.

As early as in 2005, the Welfare Commission foresaw that the long term economic challenges can either be met by raising taxes, dampening public spending or by increasing work performance. The latter is what LO likes to call the work-path, and it is the path that we recommend.

The work path has two fundamental means: Increased work hours for those who are already in employment and helping more workers enter the labour market.

***LO open to discuss increased work hours***

Increased work hours has been a hot issue because the Social Democrats and the Socialist Party joined in communicating the work path as their preferred strategy. According to their strategy, every worker needs to work 12 minutes more a day in order to raise the DKK 15bn. This message is not wrong - but it's just an average estimate of what it would take to find the necessary DKK 15bn. All roads lead to Rome – the important thing is to increase work performance.

Work hours are typically set during collective bargaining or negotiations at the workplace and the Danish Parliament therefore cannot dictate a rise in work hours.

***Striking a balance is a prerequisite***

LO wants to contribute to increasing work hours and help raise labour market participation. And we are ready to follow-up with more initiatives if the methods for reaching the goal should, unexpectedly, turn out to be insufficient.

However, it is important to strike a balance between the different interests. Inequality must not increase as a result of these measures. Workers should not work harder or longer if this means financing further tax relief for the rich. Furthermore, increased work performance measures must respect and be implemented in accordance with the Danish labour market model by which the parties to the collective agreement set the framework for the labour market.

- We wish to discuss with our members how best to safeguard the welfare system in the long term, particularly since they are the ones who are to work harder if we choose the work-path.

## LO will join ETUC-demo against austerity measures

***LO is also concerned by the development at the European level and will participate in the ETUC-led demo, "No to austerity", in September 2010.***

The ETUC Executive Committee has decided to lead a European mass demonstration in Brussels on 29 September. The issue that has given rise to protest appears from the campaign slogan, "No to austerity - Priority for jobs and growth". And it is no coincidence that the demonstration has been scheduled to take place on the same day as the meeting of the EU's Ministers of Finance in Brussels.

A long line of European organisations have already announced that they will participate in the demonstration.

LO officially supports this European Day of Action and will send representatives from LO to Brussels to participate in the demonstration – just as it has done in similar European-wide demonstrations recently to show its support for the political messages that these initiatives propagate.

## New ECJ-ruling causes concern

***New judgement from the European Court of Justice is a cause for great concern and confusion***

On 15 July 2010, the European Court of Justice (ECJ) gave its judgement in case no. C-271/08 on occupational old-age pensions for local authority employees. It ruled against the accused member state, Germany.

This judgement on call for tenders to pension providers causes great concern in LO because it may have political implications beyond Germany. LO-Attorney and PhD, Jørgen Rønnow Bruun has analysed the judgement and comments, saying:

– The judgement is of general public importance and it is far-reaching. It demonstrates, once again, that the ECJ puts the free market above the fundamental rights to negotiate collective agreements and to engage in industrial action in support such agreements.

The case has been brought against Germany by the EU-Commission claiming that Germany has failed to observe the directives on services and public procurement. The issue in question is whether collective agreement-based occupational old-age pension scheme contracts may be awarded to a local authority undertaking which has been agreed in the collective agreement or whether occupational pension schemes must call for tenders in accordance with European Union law on public procurement.

Denmark has intervened in the case in support of Germany because the Danish government has previously assessed that it cannot be ruled out that a decision that went against Germany would have consequences on the Danish occupational old-age pension system. LO participated in the Danish delegation.

At the general level, and similarly to Germany and Sweden, Denmark does not find that the public procurement rules apply to pensions since they represent part of the salary, and therefore fall within the employment relationship which is not governed by the rules on public procurement. Obligatory rules on calls for tender will also undermine the collective bargaining system.

***The Court's Grounds***

The collective agreement allows the employers to choose between named institutes which can be trusted with the implementation of the agreed pension scheme. In the view of the EU-Commission, such an agreement (on services) cannot be concluded if there has been no prior call for tenders. The provision in the collective agreement thus did not establish that a specific pension fund was to be awarded the service contract. On the other hand, the choice of pension provider was not completely free as the choice had to be made on the basis of a list of named companies.

In its grounds, the ECJ dismisses that collective agreements are excluded from the scope of the provisions on freedom of movement. The Court unequivocally states that the right of negotiation is subject to the free market, in this case, the freedom to provide services. It is remarkable that the Court allows itself to weigh the importance of certain provisions in the collective agreement against other provisions in the same agreement.

The ECJ even sets aside an explicit exemption provision in the public procurement directive regarding collective agreements. Furthermore, the court interprets what is essential in a collective agreement.

The ECJ concludes that the public procurement directive has been breached. The local authority employers should thus have called for tenders for the service contract regardless of the fact that the collective agreement had established a list of companies they were to choose from.

***Assessment of the consequences of the judgement on the Danish occupational old-age pensions***

The general public interest set aside, it is far from certain that the judgment will have an influence on the Danish occupational pension schemes.

In its written observations of the case, the EU-Commission underlined that the Danish system was not at issue in the case against Germany and that it differed from the German system. The Commission underlined, among other things, that the Danish system is obligatory, that most of the public sector is covered by compulsory pension schemes, that there are differences as to the implementation of the solidarity principle, that some of the Danish schemes involve both the public and private sector and, finally, that Danish employees have access to co-determination regarding the administration of the pension funds.

As a consequence of this ECJ judgement, the social partners and the Danish Ministry for Employment will cooperate on preparing an analysis of the consequences of the judgement on Danish occupational old-age pensions.

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On the basis of LO's analysis of the case and of the preliminary notifications from The Ministry of Employment and others, LO assesses that both the Danish government and the social partners will take, as their point of departure, the position that the judgment is not likely to have any immediate consequences on Danish occupational pension schemes.

LO continues to monitor the development in this specific closely.

***The consequences of the judgement in a wider EU-context***

The judgement of the ECJ once more reflects the urgent need to adopt a social protocol in connection with the next EU-enlargement. The ETUC has prepared a proposed social protocol and LO fully supports it.

– Sadly, the judgement has been preceded by a number of similar judgements (Viking, Laval, Rüffert and Luxembourg), which have also been to the detriment of the trade union movement, concludes Jørgen Rønnow Bruun.

## LO has not abandoned the Danish model

***The debate on the Danish model has, once more, resurfaced as a result of a recent surge of social dumping cases in the form of underpaid foreign construction workers employed at Danish building sites.***

In this connection, some have suggested that Denmark should copy the Norwegian model, according to which collective agreements in one or more sectors can be elevated to providing universal coverage.

In this context, universal coverage does not imply that the Danish Parliament would issue legislation on pay and working conditions. It means that the collective agreement covering the industry in question is extended to covering everyone – including foreign companies operating in Denmark. Here, the social partners decide by themselves whether or not to make the collective agreement universal. For instance, they might choose to do so in industries that are particularly vulnerable to social dumping, such as building & construction, transportation, services and in the food industry. In areas where social dumping is not a problem, "universalisation" would be superfluous.

– Of course, this does not mean that LO has abandoned the Danish model. We have always supported it and we always will. Denmark is characterized by an unusually flexible labour market and we would not dream of replacing this model with legislation.

– LO has set up a committee which is examining every possible strategy for eliminating social dumping. It is deeply disturbing that foreign carpenters are working in Denmark for wages down to DKK 30-40 an hour. That is not a living wage, says LO's President, Harald Børsting.

The committee on social dumping is therefore looking into a long line of possible solutions to this problem. The Norwegian model is just one possibility among others. Introducing chain liability is another option. Chain liability means holding the original supplier responsible for every "link" in the chain (of suppliers, employers, workers) responsible. For instance, in the building sector, the contractor has the ultimate liability for the observation of collective agreements in every link down the chain of both Danish and foreign sub-contractors.

– However, we have in no way committed ourselves to a certain model, says Harald Børsting.

– To us, it is crucial that we hold on to the Danish collective bargaining system which makes it possible for employees and employers to negotiate and apply local level solutions that fit the individual company when this is necessary. However, as we all know, in order to preserve a good system it is also necessary to adjust to developments in society. The committee is expected to conclude its work before year-end.

## Flexicurity revisited

Flexicurity is as topical as ever although it has been analyzed and discussed in great length and detail on many occasions. However, misunderstandings still abound, and there continues to be a need to explain and elaborate on the Flexicurity model and what it is actually about and how it works in society today.

The Flexicurity model is, to a certain extent, challenged by developments in Europe but not to the extent which is claimed by the author of the analysis published in the ETUI Policy Brief, issue 3/2010, for example.

In his article, "Not for bad weather: flexicurity challenged by the crisis", Andranik Tangian argues that Flexicurity is insufficiently compatible with a sustainable economy, and claims to be able to, "show with statistical certainty that countries with high labour flexibility are more damaged by the crisis".

One of LO's economists, Steen Jørgensen, has the following observation regarding an obvious flaw in Tangian's analysis,

– The author is only looking a period of economic decline. In such situations, systems with flexible rules will react to the decline more quickly than the less flexible ones – which is precisely the point. In times of economic recovery, growth picks up quicker. In effect, the economy grows at a higher pace in general. This means that structural GDP, which measures GDP during stable economic conditions, is higher in countries with flexible rules.

– It is therefore a misunderstanding on his (Tangiane's) part to base his comparison on the structural GDP and conclude that the Flexicurity countries fall far below the bar (structural GDP) than the other countries of the comparison. Our structural GDP is markedly higher precisely because of the Flexicurity system. We can therefore "afford" to find ourselves in a situation where our GDP is lower than the structural GDP during a cyclical downturn, compared to the other countries, and still be in a better position than them. Another important aspect of flexicurity is that the fine-meshed social safety net ensures that rising unemployment does not lead to drastic income reductions, concludes LO-economist Steen Jørgensen.

In next issue of Danish Labour News, Flexicurity will be the main theme. As it has been reported in this issue, the Danish government is, with its austerity measures, putting the social security system under pressure – especially with the halving of the unemployment benefit period - and thereby also jeopardizing the Danish Flexicurity model.