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Published in:
Economic and Industrial Democracy

DOI:
[10.1177/0143831X11408144](https://doi.org/10.1177/0143831X11408144)

Publication date:
2012

Document version
Peer reviewed version

Citation for published version (APA):
Ilsøe, A. (2012). Signs of segmentation? A flexicurity perspective on decentralized collective bargaining in Denmark. *Economic and Industrial Democracy*, 33(2), 245-265. <https://doi.org/10.1177/0143831X11408144>

Signs of segmentation? - a flexicurity perspective on decentralised collective bargaining in Denmark

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This article addresses the contribution of decentralised collective bargaining to the development of different forms of flexicurity for different groups of employees on the Danish labour market. Based on five case studies of company-level bargaining on flexible working hours in Danish industry, it is argued that decentralised bargaining has enabled new balances between flexibility and security to develop for many but not all groups of employees. On the one hand, the company-level agreements on flexible working hours facilitate greater efficiency and employee satisfaction that often goes beyond the text of the agreements. On the other hand, less flexible employees often face difficulties in meeting the demands of the agreements and may ultimately be forced to leave the company and rely on unemployment benefits and active labour market policies. In a flexicurity perspective, this development seems to imply a segmentation of the Danish workforce regarding hard and soft versions of flexicurity.

Keywords: Collective bargaining, Working time flexibility, Industrial relations, Flexicurity

Introduction

In recent years the Danish labour market has performed well compared with labour markets in other countries, and up until the financial crisis and concurrent recession Danish key figures were among the best in the world (World Bank, 2006; OECD, 2005). Denmark exhibited not only low and steadily falling unemployment, but also rising employment frequencies and high job mobility. This success has often been explained by reference to the so-called Danish flexicurity model, which combines high flexibility for employers in the form of easy access to hiring and firing labour with high security for employees in the form of a relatively generous unemployment benefits system and an active labour market policy that comes into force if one loses one's job (Bredgaard et al., 2005; Madsen, 2004).

However, behind this story of key figures there is also a reality in which Danes increasingly have been offered other forms of flexibility and have enjoyed other forms of security while at work. This has involved the introduction of quite new forms of flexibility, such as working time accounts and compressed work weeks, but also a wider dissemination of more established forms of flexibility such as job rotation and individual wage supplements. These developments are a result of the decentralisation of the Danish collective bargaining system, which has increasingly made it possible for management to negotiate flexible solutions directly with shop stewards¹ and employees at company level (Andersen and Mailand, 2005). The local negotiations are based on types of trade-offs other than the Danish flexicurity model, but might also help explain the favourable developments in the Danish labour market. From this perspective it may perhaps be more meaningful to discuss a number of different forms of flexicurity in the Danish labour market rather than to focus solely on a single model.

The present article sets out to examine how decentralised bargaining contributes to the development of different forms of flexicurity parallel with the Danish flexicurity model. The article is based on case studies carried out in 2005, in which shop stewards and managers at five Danish industrial workplaces were interviewed on the negotiation and effects of their local agreements concerning flexible working hours. The case studies focus on agreements on flexible working hours understood as variations in the distribution of working hours (i.e. the use of time accounts). In addition to an analysis of the case studies the article goes on to discuss these developments seen in an international perspective. The question is whether Denmark is moving in the direction of a *segmented* labour market of the kind that can be observed in certain other European countries. By *segmented* we refer to the existence of separate labour markets within the same country between which

only limited mobility can be observed (Doeringer and Piore 1971; Peck 1996; Reich 2008). If the Danish labour market show such signs of segmentation, what are the mechanisms behind this development? Furthermore, the article addresses the question whether trends of segmentation has consequences for flexicurity as a concept.

First, however, the article presents an overview of the forms of flexibility and security in the Danish labour market to be found at company level and of the decentralisation of negotiations on working hours in the Danish industrial sector.

The Danish flexicurity model – more than a golden triangle

Both in Denmark and abroad the Danish version of flexicurity has become synonymous with a particular model, the Danish flexicurity model (Bredgaard et al., 2005: 5-6). The model refers to the combination of liberal hire/fire rules (*external numerical flexibility*), relatively generous unemployment benefits (*income security*) and an active labour market policy. It has also been dubbed ‘the golden triangle’ because it has demonstrated considerable explanatory power in relation to the positive developments in the Danish labour market from the mid-1990s to the mid-2000s, where not only a fall in unemployment levels but also an increase in employment rates was observed.² Consequently, it was relatively easy for workers in Denmark who lost their job to find new employment during that time (*employment security*).

Although ‘the golden triangle’ provides an important part of the explanation for the development of the Danish labour market, it is not necessarily a sufficient explanation. The regulation of the Danish labour market contains a large number of other forms of flexibility and security that contribute to an effective and balanced regulation. The majority of these are implemented via collective bargaining in the public and private labour markets (Andersen and Mailand, 2005: 11f). This includes sector-based maternity and paternity funds that can make it easier to combine work and family life (*combination security*). It also involves opening clauses that allow local negotiations on, among other things, flexible working hours (*internal numerical flexibility*), which can enhance the company’s adjustment to fluctuations in demand and thereby contribute to securing the number of workplaces (*job security*).

If we expand the flexicurity perspective in this way, it soon becomes clear that some forms of security and flexibility are predominately adjusted more centrally between the labour market’s parties, while others are primarily agreed at the individual companies. This is a product of the decentralisation process in the Danish collective bargaining system, in which collective agreements

at sector level have increasingly assumed the character of framework agreements within which management and shop stewards can negotiate local solutions (Due and Madsen, 2006: 46). Wage increases have been the object of local level bargaining right back to the start of the 20th century (*pay flexibility*), while flexible working hours (*internal numerical flexibility*) and changes of work function (*functional flexibility*) are more recent phenomena in local negotiations. Furthermore, considerations regarding the employees' family life (*combination security*) seem to receive more attention in local negotiations today.

In many ways, this decentralisation process can be characterised as an *organised decentralisation* (Due et al., 1994; Traxler, 1995). From the very beginning the process took place within the framework of sector-level agreements between unions and employers' organisations on the Danish labour market and this is still the case today. Union densities and the coverage of collective agreements remain comparatively high in Denmark, where close to seven in ten wage earners are organised, and seven in ten are covered by collective agreements (Due and Madsen, 2009). Furthermore, more than half of Danish companies have on-site union representatives with bargaining competencies (Danish shop stewards) present, which suggests that most employees have a solid bargaining power in company-level bargaining (Navrbjerg et al. 2010). This has helped minimizing unions' fear that decentralisation of bargaining competencies would result in a deregulation of pay and working conditions. Furthermore, Danish sector-level agreements secure local managers and shop stewards a de facto right of veto to terminate any local agreement and fall back on the regulations of the sector-level agreements. This has been an important precondition for unions when accepting such strong delegation of bargaining competencies from the sector level to the company level. Table 1 below shows what forms of flexibility and security in the Danish labour market are wholly or partially negotiated internally at the individual companies (within the framework of the collective agreements/national legislation) and what forms are first and foremost determined externally.

Table 1: Internal and external forms of flexibility and security on the Danish labour market

	Internal forms	External forms
Flexibility	Internal numerical flexibility Pay flexibility Functional flexibility	External numerical flexibility
Security	Job security (Combination security)	Employment security Income security Combination security

Source: Wilthagen, 2002³.

There has been discussion as to whether other forms of flexibility and security should be included in the study of flexicurity in the labour market. The discussion has, among other things, involved the ‘employability’ of the individual employee (the suitability for employment) and the security to be able to choose among different types of jobs (Lescke et al., 2006: 3; Bredgaard and Larsen, 2006: 12, 24). This *employability security* is important because it can indicate decisive differences between various groups in a labour market with low unemployment like the Danish labour market. When unemployment is low and employment security high, it may be difficult to detect possible differences between employees who often change jobs and those who remain in the same job for a long time. Finally, the group of employees who change jobs and thereby provide an external numerical flexibility may be very heterogeneous. These may both be employees who voluntarily seek new and more challenging jobs at higher wages and thereby have no contact at all with the Danish unemployment benefit system, or they may be employees who find less challenging jobs at lower wages after being fired.

Flexible working hours and decentralisation in the industrial sector

In step with increased international competition flexible working hours (*internal numerical flexibility*) has become a more and more important instrument for adjusting labour and demand at company level. Whereas formerly the *number* of hours worked was the dominant issue in collective bargaining on working hours in industry, the main issue today is the *timing* of the hours (Marginson and Sisson, 2004: 274-277). Employers are finding it harder and harder to predict when, and to what extent they will need their workforce because fluctuations in demand are becoming both more pro-

nounced and more asymmetric. At the same time new technology and new ways of organising work have opened up opportunities for, and greater employee interest in flexible hours (Navrbjerg, 1999: 53). The introduction of team work and of flat organisation structures is linked with an increased employee influence that make it possible for them to adjust their work and family life in new ways.

We can distinguish two ways of varying the timing of the hours worked, both (of which are) commonly encountered today. Firstly, the *scheduling* of working hours can be varied, which means that in addition to normal daytime work one can, for example, draw upon night, weekend or shift work. Secondly, the *distribution* of working hours, which is the focus of the present article, can be varied (Marginson and Sisson, 2004: 274-277). This may be a matter of flexi-time or other forms of time accounts, in which working hours can be saved up and drawn upon later — typically within the framework of a month or a year. Variations in the scheduling of working hours have a somewhat longer history than variations in the distribution of the hours, but the latter have become vastly more important over the past 10-15 years. European surveys from 2004/2005 show that 51 % of all Danish companies use time accounts in some form today (Riedmann et al., 2006: 4).

In Danish industry working hours are regulated via the general sector level agreement, concluded between the Confederation of Danish Industries (DI) and the Central Organisation of Industrial Employees in Denmark (CO-industri), which permits the local negotiation of flexible working hours (Industrial Agreement 2007: §9, §12). This possibility has existed with various limitations since first introduced in the 1995 agreement (Navrbjerg et al., 2001: 18). It has subsequently been expanded a number of times in connection with an intensive decentralisation process in the collective bargaining system. Today local agreements on flexible working hours have become widespread in industry. An internal questionnaire carried out by DI in spring 2005 thus shows that approximately one-third of their member enterprises had concluded company level agreements on working hours within the framework of the sector level agreement.⁴ One in four of these agreements is a local framework agreement under which working hours can be negotiated individually. This latter possibility was introduced in 2000, when the two parties in industry also adopted the so-called Pilot Schemes (Industrial Agreement 2000: §9, §50). The schemes, which were made permanent in the Industrial Agreement 2007, made it possible, provided there was local consent, for management and shop stewards to entirely disregard four chapters in the agreement, including the chapter on working hours. The introduction of the pilot schemes paved the way for completely new forms of company level agreements; nevertheless, it has not contributed significantly to the spread of agree-

ments on flexible working hours in general. In spring 2006 46 company level agreements were registered under the pilot schemes, and the reach of such agreements is therefore still fairly limited.

However, the development of sector level agreements since 1995 does not tell the whole story about how both sides of industry began to negotiate flexible working hours at company level. The changes in the agreement were largely a reaction to the fact that in the 1980s many companies had already developed and adopted different practices in this field, because intensified international competition had compelled them to think along new lines. Thus, a survey among shop stewards from 1998 shows that at this time up to 27% of all companies in industry had closed so-called closet agreements (i.e. company level agreements more or less hidden from the sector-level parties). The great majority of these agreements concerned working hours (Navrbjerg et al., 2001: 26-27). Even though the decentralisation of collective bargaining on working hours today appears to be a top-down process, initially it resembled more a bottom-up process.

Case studies

The present article is based on five case studies carried out in 2005 against the background of the decentralisation of collective bargaining on working hours in industry. The aim of the studies was to illuminate how management and shop stewards negotiated company level agreements on flexible working hours in practice. The focus of the investigation was on collective bargaining of a particular form of flexible working hours, namely variations in the *distribution* of working hours, and the case companies were therefore chosen according to whether they had concluded agreements in this particular field. However, in order to secure some variety in the sample, the selection both included small and large companies as well as service and production companies.

Each case study consisted of separate interviews with the chief negotiator on both the management and the union sides of the company and of an analysis of all written company level agreements on working hours. During the interviews managers and shop stewards were asked about the development in the agreements on working hours from the first agreement and onwards (including when, how and why the agreements had been concluded), how the agreements had been implemented and what effects of the agreements they had been able to observe. A recurrent question in all the interviews was whether the agreements combined flexibility for the company and security for the employees. Did both managers and shop stewards characterise the agreements as win-win situations in which both sides left the negotiating table as winners, or did they primarily refer to them as win-lose situations, in which only one of the parties had gained (Walton and McKersie, 1965)? At

two of the companies it was not possible to arrange a face-to-face interview with the chief negotiator on the management side (Cases 3 and 5), but a telephone interview was carried out with one of them (Case 5). Furthermore, interviews were conducted in an early pilot phase with representatives of both DI and CO-industri. Table 2 below gives an overview of the general characteristics of the case companies and their collective agreements on flexible working hours.

Table 2: Overview of main characteristics of the case companies

	Case 1	Case 2	Case 3	Case 4	Case 5
Number of employees	20	100	700	400	6000
Dominant type of work	Service	Service	Production	Production	Production
Fluctuation in demand	High	High/medium	Medium	High	Medium
Company-level agreements on working time	1	2	3	1	1 framework agreement
Aims of agreements	Avoid hire and fire	Motivate employees, formalise flexibility	Avoid hire and fire, formalise flexibility	Avoid hire and fire, reduce costs	Improve productivity and health
Lower/upper limits on time accounts (hours)	0 /-	-	-24/+24 or -20/+20	0/29	-
Main control of time accounts in service/production	Individual employee/-	Individual employee and colleagues/-	Individual employee/ individual employee and colleagues	Individual employee/ Management	Individual employee/ individual employee and shop stewards

Company level agreements on flexible working hours

At first glance the analysis of the negotiations at the case companies revealed substantial similarities in both service and production companies as well as in large and small companies. All companies had to struggle with major, and for the main part unpredictable, fluctuations in demand for their products/services. They sought to deal with this challenge via locally adapted agreements on flexible working hours rather than by hiring and firing employees along the way. On the whole, managers and shop stewards both found these agreements to be an effective instrument for handling the fluctuations. That said it was far from being a process without challenges – neither during the negotiations of the agreements, nor during their implementation. Moreover there were other motives behind the negotiations than the wish for greater job security, and other consequences were experi-

enced. In the following we shall present a closer analysis of the challenges and potentials experienced by managers and shop stewards in connection with the company level agreements.

Avoid firing – and avoid hiring

At three of the case companies shop stewards and managers pointed to the wish to reduce the need for hiring and firing as the primary motivation behind the negotiation of flexible working hours (Cases 1, 3, 4). Managers were, for instance, interested in avoiding the costs connected with hiring new personnel, and shop stewards were, among other things, interested in securing workplaces for as many employees as possible. It was therefore not difficult for the parties to develop a common interest in an agreement on flexible working hours, because the agreement could benefit both sides. However, other factors than management's interest in avoiding costly new hirings and the shop stewards' interest in preventing dismissals were involved, too. Some of these factors cut across traditional conflicts of interest between the two bargaining parties.

At the smaller of the service companies (Case 1) one of the shop steward's motives for concluding a local agreement on flexible working hours was not merely to avoid dismissals but actually to avoid new hirings. The company provides a niche service, and in the employees' view new staff who were trained in the same competencies but later dismissed would be potential competitors in the job market and thereby a threat to future job security. The shop steward was therefore interested in an agreement on flexible working hours that did not set a limit on how many hours could be saved up in the time accounts. In practice, however, the hours piled up to such an extent that it was difficult for employees to take time off in lieu, and management therefore became increasingly sceptical about the agreement. Nevertheless, management is still in favour of the agreement because it has meant massive savings on new hirings and has ensured that important competencies remain in the company:

“One reason is that it takes from six months to a whole year to train a man sufficiently. After that there will be work for him for a couple of years, and then he'll have to be thrown out. The special training they get here will in theory make them competitors. In that way we would train people who in the worst case could attack this firm, and that might mean jobs. They [the employees] wouldn't have that. That's why people said at the time that they would rather give it a real bash, and for instance put in two man-years in one year. They do that, and it works.” (Manager, Case 1)

The chairman of the local union is not satisfied with this development, however, as he would prefer the company to hire new staff rather than build up over-sized time accounts. He was formerly the shop steward at the company and still has a certain influence on the present shop steward, who has rejected management's wish to pay off the excess of hours. The union has stuck to a provision in the company level agreement that not more than 16 hours overtime per month may be paid out in wages. The manager has therefore sought to solve the problem in a different way. He has, so to speak, made cross-border use of flexible working hours. The company forms part of a major international company, in which there is a tradition of posting employees elsewhere when there is too much work in one place and too little in another. Wages are paid by the original place of employment, while travel and living expenses are paid for by the receiving company. The Danish part of the company has had employees from other European countries and from Southeast Asia on visits to help to reduce the backlog of orders. The manager expects in return that he will have to send out some Danes in a few years time, when he anticipates a steep decline in demand in Denmark. He expresses strong satisfaction with the exchange of employees because it can help to handle fluctuations in demand without competencies seeping out of the company. At the same time he has found that the visiting workers have learned a lot from their Danish colleagues so that the cross-border use of flexible working hours has also meant a cross-border up-grade of skills.

The example from the small service company shows that there may be more that unites than separates shop stewards and management today in companies with a specifically skilled workforce. The employees' competencies are both their own and the company's most important competitive parameters, and here flexible working hours can be used to secure a competitive advantage for both parties. This might especially be true when labour markets are tight as it was the case in Denmark at the time of study. *External numerical flexibility* becomes so unattractive for both management and employees that they are willing to stretch the *internal numerical flexibility* as far as possible. The example above involves both large fluctuations in the time accounts and innovative cross-border solutions.

However, employees need not be skilled workers or have participated in internal training for management to see it as a problem if their competencies disappear from the company. Thus, at one of the production companies (Case 4) the management regarded all their remaining employees as essential resources. The company had been through a number of firing rounds in recent years, and in the management's view it was not possible to lay off any more employees without vital experience being lost. The pronounced seasonal fluctuations in the demand for the company's products

had hitherto been handled via contract hirings, but the management now wished to make use of flexible working hours instead:

“18 months ago there were many more of us here, and now we have cut back so there is only a small core left, all of whom have a certain knowhow and core competency, and we very much don’t want to fire them. (...) So instead of firing, we ask them to take some more hours when it’s high season and to go home and take time off in lieu when we’re not so busy.” (Manager, Case 4)

Self-management of working hours

There could also be motives behind the negotiation of flexible working hours other than to avoid hiring and firing. At all five companies it was, for example, common practice that the employees themselves administered their time accounts from day to day – in Case 4, however, this applied only for service staff. This meant, among other things, that employees had better possibilities to reconcile their work and family life, while management could profit from savings on the line manager budget. Therefore, these more informal agreements contained some trade-offs other than immediately appeared when reading the company level agreements, but they were nevertheless of great importance for both management and employees and thereby for the formal negotiations on working hours. In practice therefore the effects of the flexible working hours extended far beyond the text of the written agreements.

Thus, at the biggest of the service companies (Case 2) there had been oral agreements on time accounts all the way back to the 1980s; in the course of time, however, it had been decided to formalise them in a written agreement. As it takes about two years to train an employee in this company, it has never been an attractive solution for the management to hire and fire staff, and flexible working hours has therefore long been a crucial instrument for tackling fluctuations in demand. These fluctuations are very pronounced and unpredictable, and consequently management sees an advantage in letting the employees themselves administer their working hours on a daily basis rather than having expensive line managers to do the same work. The primary motivation for formalising the arrangement was to preserve the employees’ wish to manage their own working hours. According to the shop steward, self-management means that the working hours can be adjusted precisely to the work there is, thus minimising any time wasted, and that employees can adjust their working hours to their private needs, for instance vacations and public holidays:

”You decide yourself. You yourself know what work you have. If I want to take time off in lieu on Friday, then I just send a note to my colleague and the secretary in the office. I don’t ask my management — it’s just something I do.” (Shop steward, Case 2)

The local collective agreement on flexible working hours does not only mean that they can avoid hiring and firing. The implementation of the agreement through a self-management of working hours by the employees provides both a more effective use of the hours worked and a better reconciliation of work and family life. In this case the agreement thus rests not only on a common interest in avoiding hiring and firing, but also on a common interest in letting employees manage their working hours themselves. This has two implications. Firstly, the case suggests that it is insufficient to assess the effect of local negotiations solely on the basis of the wording of concluded agreements. It is also necessary to look at how agreements are implemented, since crucial trade-offs may have developed on the shop floor that impact the overall balance of the agreements. Secondly, the case presents a complex trade-off that involves *internal numerical flexibility*, *job security* and *combination security* along with a number of other advantages for management and employees such as fewer line managers, a more effective use of working time and greater employee satisfaction. This complexity makes it difficult to distinguish management interests from employee interests – especially because they cut so much across the different elements in the agreement.

This complexity is also to be found at the smaller service company (Case 1) and at two of the larger production companies (Cases 3, 5), where in the same way the working time is primarily managed by the employees themselves. Here, too, shop stewards and management were interested in using company level agreements to establish ‘reasonable conditions’ regarding self-management of working hours so that this advantageous practice could be maintained. At one of the production companies (Case 3) management and shop stewards decided, for example, to further develop their agreement on time accounts, so that it was no longer possible to save up unlimited quantities of hours on one’s time account or to be correspondingly in debt. This stemmed from a recognition that some employees had difficulty administering their working hours themselves. For instance they could accumulate a large deficit of hours that it was very hard for them to work off again. Furthermore, managers and shop stewards sometimes found that on leaving the company employees had large deficits or savings on their time accounts, which they either had to work off before they could draw unemployment benefits or which were expensive for the company to disburse.

The majority sets the agenda

Even though all five companies had developed complex trade-offs on flexible working hours that benefited both management and employees at many levels, it had for certain companies been something of a battle to reach that point. This was rarely due to conflicts between shop stewards and managers, who as already mentioned had attained a very high degree of consensus on the agreements' form and content. The conflicts more often arose between actors on the employee side.

At one of the production companies (Case 4) the management and the leading shop steward had tried to introduce flexible working hours for a number of years. They were facing a high demand for the company's products in the spring, whereas demand was low in the autumn. During the spring season management therefore had to hire extra personnel on a contract basis, and these workers were expensive to train for such a short period of time. Both managers and shop stewards thought this could be avoided and more workers could be hired on a permanent basis if the fluctuations were handled via time accounts instead. A majority of the employees were, however, of a different opinion, and the shop steward found it hard to convince them that it was a good idea to conclude an agreement on flexible working hours. They were reluctant to work extra in the spring, when the weather was good, and to take time off in the autumn, when the weather was not so good. Furthermore, one of the other shop stewards disagreed strongly with the leading shop steward on this question. She represented a group of employees on the production side, among whom there were many lone mothers, and it was not possible for them to practise the flexibility asked for. They simply had too little room for manoeuvre to be able to concentrate overtime in such a long period of time.

It was only after a number of firing rounds that a majority of the employees were prepared to vote yes. This was not only due to the fear of dismissal, but also to the fact that the number of female employees – including lone mothers – had been strongly reduced in consequence of the firing rounds. However, the agreement was not as far-reaching as the leading shop steward and management wished, and the company still has to hire a not insignificant number of employees on a contract basis in the busy period. Although both parties are aware that they will never be entirely able to avoid such hirings because of the size of the fluctuations, the shop steward still expresses a wish to reduce their number substantially:

“We'd very much like to have a calm workplace. A workplace that didn't fire so many people.

What we've got now, that's in and out. In January, for instance, we might take 100 workers in and

fire them again in August. There we'd rather have a wavy movement that goes up and down, in which we could take time off in lieu in the autumn and then tackle the extra hours in the spring." (Shop steward, Case 4)

Developments in the local negotiations at this company show that agreements on flexible working hours are not necessarily a win-win situation for all groups of employees. It is not everybody who has sufficient room for manoeuvre in their daily lives to be able to benefit from an agreement that will lead to large fluctuations in their weekly hours. Commitments outside work set limits for the flexibility employees can offer their workplaces. Lone mothers are, for instance, very dependent on the opening hours at schools and day-care institutions and are therefore particularly unable to be flexible. Since this company, as opposed to the four other case companies, only offers employees in the service department a considerable degree of influence on the daily administration of working hours, it might appear probable that a greater degree of self-management of working hours for employees in production could solve the problem for the lone mothers. The idea is of course that a more individual adaptation of working hours could make it possible for less flexible groups to remain in a company and a job where the demand for flexibility is high.

Considering the nature of the fluctuations it does not, however, seem likely that this would solve the problem completely. Because of the pronounced seasonal fluctuations the overtime extends over a long period in which there is very little possibility of time off in lieu along the way. This accords poorly with a flexibility capacity amounting to an hour more here and an hour less there. At one of the other production companies (Case 5), where the production workers have greater influence on the administration of their own working hours, the shop steward has for example had to acknowledge that employees with very small children often find it hard to live up to the company's flexibility requirements. The fluctuations have very different rhythms at the different production locations in this company, and it has therefore been agreed to conclude a framework agreement on working hours for the entire company, under which individual production locations and departments can negotiate a locally adjusted solution. This gives the shop steward the possibility of moving newly fledged parents to the departments or locations in the company where the fluctuations are smallest and more evenly distributed. Unfortunately this has not always proved feasible, and in some cases employees have had to leave the company.

The need to adjust company level agreements on flexible working hours within the company is also to be found in another of the production companies (Case 3). Here they have cho-

sen to negotiate separate agreements on working hours for three different groups of workers because their job functions exhibit very different fluctuations in working hours. One of the company's production locations has moreover been permitted to arrange the beginning and end of the work day to accord with local traffic conditions. Here, however, the primary motivation is regard for the employees, who formerly had to wait around in the mornings because the bus timetable fitted in badly with the company's operating times. The management and the shop steward have also discussed the possibility of adopting a framework agreement for the company, under which employees can choose to negotiate individual working time agreements with the management. The shop steward sees a certain potential in the project because it will open up further flexibility without necessarily compelling all employees to work flexibly. In the shop steward's view there may, however, also be a fear that employees will feel pressured into entering into such agreements to be sure of their jobs in the company.

The above examples show that no matter how much the agreements on flexible working hours are adjusted to employee and company requirements, this may not necessarily work for all. Even though the agreements have a strong effect in relation to reducing the need to hire and fire, management may still need to have a certain marginal labour force if the fluctuations are very pronounced. Conversely, the agreements may have a positive effect on the reconciliation of work and family life for some groups of employees at the same time as other groups may experience just the opposite. Under the right conditions the development of *internal numerical flexibility* may increase *job security* and *combination security*, but not necessarily for everyone. Managers and shop stewards try to find the pivotal point at which both the company and as many employees as possible will benefit from the agreements, but there may be groups of employees who cannot provide and therefore cannot benefit from flexible working hours. Irrespective of the agreements' balanced content, the effects of the agreement is not experienced as flexicurity for all employees involved.

One of the companies we have been in contact with in a different context had a very palpable experience of the limits to adjustment. Against the background of strong seasonal fluctuations an agreement was concluded on flexible working hours, as in Case 4, with an accumulation of saved hours in one half of the year (42-hour week) and time off in lieu in the other (32-hour week). In this connection individual female employees were exempted from the agreement, as they would otherwise be unable to take and fetch their children to and from their day-care institutions. In one of the production departments, however, the agreement led to a dramatic rise in the number of long-term sickness absences, especially among the oldest staff. The work involved hard manual labour,

and the employees were simply unable to cope physically with an extended working week over a lengthy period. In consequence the agreement on flexible working hours was dropped after the first year.

Summary and conclusions

Flexicurity at the company

The case studies show that the decentralisation of collective bargaining in the field of working hours has facilitated the development of complex trade-offs so that today flexible working hours figures as an effective instrument that can benefit both management and employees. The decentralisation has made it possible for the negotiating parties to use variations in the distribution of working hours as a mechanism for reducing the need to hire and fire. Managers and shop stewards find it easy to develop a common interest in securing as many jobs at the company as possible through the use of internal forms of flexibility because many workers in Danish industry possess knowledge and experience that are of critical importance for their employers – they are in brief, core workers. This stimulates the development of a form of flexicurity internally at the company based on the interaction between internal numerical flexibility and job security rather than on the interaction between external numerical flexibility and employment security, as is pointed out in connection with the Danish flexicurity model.

Furthermore, the implementation of local agreements on working hours in practice give rise to benefits other than just savings on training and increased job security. Here, the flexicurity balances at the companies go beyond the texts of the agreements in both form and scope. Thus, at four of the companies the agreements are largely administered by the employees themselves, which gives rise both to an increased combination security and a more effective use of the hours worked. To a high degree these benefits draw on earlier practices, but they have been expanded and extended under the framework of the company level agreements. The agreements establish ‘ordered conditions’, so to speak, so that it is clear for everyone what the rules are. This may strengthen the employees’ motivation for managing their working hours themselves and adjusting them to both the company’s and their own needs.

Local agreements on working hours producing internal forms of flexicurity is not solely a Danish phenomenon. A number of European case studies demonstrate how management and workers’ representatives develop extensive working time agreements that benefit both the company

and the employees (Ozaki, 1999: 129-134; Haipeter and Lehndorff, 2005: 142; Seifert and Massa-Wirth, 2005: 218, 224-226). However, both the case studies presented in this article and most other European examples are characterised by two aspects of significant importance. Firstly, the agreements presenting internal flexicurity arrangements on working hours are found in companies with a significant amount of skilled and/or experienced workers. Whether or not this is the result of educational activities or of long cut back processes only leaving the most qualified workers behind this raises the question whether internal forms of flexicurity can be developed as easily in companies with less qualified workers. Managers do not depend as much on an unqualified (and replaceable) workforce as a qualified one, and therefore managers might be less motivated to develop agreements that benefit workers with low qualification levels. Secondly, it must be underlined that most case studies on local agreements on working hours (including those presented here) have been conducted in unionised companies with workers' representatives or shop stewards present. This highlights the importance of employee bargaining power when developing agreements that lead to internal forms of flexicurity. In countries like Denmark, where union densities, coverage of collective agreements and presence of shop stewards remain high, most skilled and/or experienced workers are well represented at local level and hold the potential of concluding working time agreements. However, there might be substantial groups of skilled/experienced workers in less organised settings, who do not possess the bargaining power to negotiate such agreements. In Germany, for instance, union densities and the presence of works councils have been declining over the last decades leaving especially employees at SME's with little bargaining power towards management (Hassel 1999; Dribbusch 2005).

Hard versus soft forms of flexicurity

In step with the efforts made by companies to handle the increasing fluctuations in demand via company level agreements on flexible working hours some companies have, however, had to recognise that though flexible working hours are a necessary instrument, they are not sufficient to solve the problem. Such agreements can mean a marked reduction in the need to hire and fire, but it is not certain that they can entirely eliminate it. Firstly, the fluctuations may be of a nature and extent that make it difficult to deal with them via flexible working hours. It is therefore still necessary now and again to cut into the permanent workforce and to hire staff on temporary contracts. This need to combine internal and external forms of flexibility is also encountered at companies in other European countries. Thus regional surveys among companies in Germany, England, Spain, France and Italy show that fluctuations in demand are tackled both through hiring and firing and through

flexible working hours and changes of job functions (McIlroy et al., 2004: 303-307). Secondly, not all groups of employees can offer the same degree of flexibility. Even though managers and shop stewards try to strike a balance that takes account of the flexibility capability of the greatest possible number of employees, there may be groups that for family or age reasons cannot obtain the same benefits from the agreements. Some groups of employees may therefore be obliged to leave their jobs more or less voluntarily and enter into more external trade-offs in the Danish flexicurity model.

Although we should keep in mind that this study is based on a limited number of cases, this seems to suggest that the dividing line for employees between ‘insiders’ and ‘outsiders’ follow not only their qualifications but also their possibilities for being flexible. There are indications that the employees who are able to provide a high degree of flexible working hours are becoming an increasingly important resource for the companies, and that shop stewards are able to negotiate ‘soft’ forms of flexicurity for these groups of employees (internal numerical flexibility, job security and combination security). Conversely, there are examples showing that it is the less flexible employees who are consigned to ‘hard’ trade-offs outside the company, as they might lose their job and receive unemployment benefits instead (external numerical flexibility and income security).

Even though it can be argued that both flexible and less flexible employees experience balances of flexicurity, the content of these balances seems widely different. The groups that work for many years in the same job provide other forms of flexibility and enjoy other forms of security than the groups that often (and involuntarily) change jobs. In other words, there is a difference between working flexibly and being flexibly employed. It is beyond the scope of the present study to be able to say precisely where the employees who are excluded from the companies go in the Danish labour market. At the time of the study, Danish unemployment was at a historical low, and it was relatively easy to find work, but the selection processes during the later financial crisis and economic recession are likely to have made it more difficult for excluded workers to find new jobs. Some might find new jobs, but the question is of course in what sector and on what conditions. Others might disappear entirely from the labour market and go over to sickness, incapacity or early retirement benefits. Nevertheless, the trend points in the direction of a greater segmentation of the Danish workforce with regards to ‘soft’ and ‘hard’ forms of flexicurity, which may be of decisive importance for the future mobility and employment rates on the labour market.

More than one of the case studies shows that the local adjustment of working hours at individual production locations/departments (and the self-management of hours) is essential for both management and employees to benefit from the agreements. Flexible working hours are not

‘one size fits all’ even within the same company, and the implementation of the company level agreements in practice is therefore of crucial importance for the composition of their effect. This is connected not only with local variations in how the demand fluctuates and in the employees’ general flexibility capability, but also with the flexibility in the surrounding society (bus and train schedules, opening hours at day care institutions, etc.). The question is, however, whether an increased local adjustment and an increased individual adjustment of the working hours are sufficient solutions in the case of those workers that risk exclusion. First of all, this group of workers is very heterogeneous. Employees are less flexible due to a number of reasons (age, family obligations, transportation options etc.). Secondly, some of these employees might also find it difficult to obtain permanent employment due to other reasons than their flexibility capacity. For instance, studies have shown that immigrants have to make do with ‘hard’ forms of flexicurity to a far greater extent than other groups in the Danish labour market (Ejrnæs, 2006). Thirdly, there are limits to the extent to which working hours can be adjusted to individual needs as the needs of colleagues must also be considered.

Whether or not employees are consigned to ‘hard’ trade offs due to their flexibility capacity or due to other reasons, it seems important to maintain a focus on how both the soft and the hard trade-offs develop. This is especially true when it comes to securing the future employability of those who work flexibly and for the flexibly employed as their training options can be very different (Keller and Seifert, 2005: 320). Employees with limited flexibility capacity might receive less training than employees who are able to work very flexible hours, which can turn a lack of flexibility into a lack of skills. The workers in the periphery of the workplace may for example miss out on the possibilities for further training offered by the companies and thus find it more difficult to remain attractive for employers than the core workers. A new fund for further training in the industrial sector (Industriens Kompetenceudviklingsfond), which was set up as part of the 2007 sector-level agreement, may give supplementary training a powerful boost and thereby strengthen *employability security* for core workers. The fund gives all employees the right to two weeks’ further training of their own choice each year. The trend in the active labour market policies and further training offers to which the peripheral workers are more likely to be referred does not seem to be moving in the same direction. Here user payment has increased and the activity level has fallen (Jørgensen, 2007: 81-83). Conversely, it is also important to compare the content and not just the financing of the further training offers. Experience from Germany shows that further internal company training

may be of such a specific nature that employees with high seniority have difficulty in finding employment elsewhere after being fired (Schulten et al., 2002).

Discussion and perspectives

Insiders and outsiders on flexibility

The results from the case studies are not unique in a European context. The increased international competition and the decentralisation of collective bargaining seems to be creating a corresponding two-way movement in many other countries: on the one hand companies are becoming more and more dependent on the employees that possess vital competencies and experience, and on the other hand they are being forced to introduce flexibility in different forms (internal *and* external) to preserve their competitiveness. In many European countries (including Denmark) we can therefore observe the paradox that job mobility is increasing at the same time as a roughly constant share of workers remains in the same job. The rise in job mobility must therefore be ascribed to certain groups in the labour market (Auer and Cazes, 2003: 25).⁵ This development has been linked to an increase in hiring on fixed-term contracts. Especially in countries like Germany, where a strong employee protection via collective agreements and legislation makes it difficult (and expensive) for employers to hire and fire employees (Keller and Seifert, 2005: 306; Bosch, 2004: 623; Romans and Hardarson, 2005: 7). In the German case, many of these workers on fixed-term contracts are hired in companies taking care of functions outsourced from companies focusing on skilled work only (Palier and Thelen 2010). However, irrespective of whether short seniority (less than one year) is a result of fixed-term contracts or of dismissals from open-ended contracts, it is possible to observe in many countries a trend towards a division of the workforce into a group that is hired for shorter periods and a group that is employed for longer periods at the same workplace. This has an effect on what employers and employees expect of — and wish to invest in — one another (Marsden, 2004: 662-668; Stone, 2004: 88f). It could therefore be maintained that we are moving towards a labour market in which the bonds between managers and employees are becoming stronger for some groups in the labour market and weaker for others. A new and looser social contract is manifesting itself at the same time as the traditional manager-employee relationship is being strengthened.

Nevertheless, trends of so-called *dual labour markets* are not a new but a continuous and highly persistent phenomenon (Piore, 1971; Rubery, 1978). They might change quantitatively and qualitatively, but they tend to survive both economic booms and economic crises like we have

seen during the 2000s. Furthermore, we both find trends of dual labour markets in Liberal Market Economies (LME's) like the US and in labour markets of Coordinated Market Economies (CME's) like Germany, although the composition of the dividing lines may differ (Keller and Seifert, 2005; Reich, 2008). According to *insider-outsider* theory, a key explanation to this ongoing creation and reproduction of dual labour markets is internal power struggles among employees. The core argument of this theoretical perspective is that insiders (employed, organised and skilled workers) seek to negotiate high transaction costs to keep outsiders (unemployed, un-organised, un-skilled workers) out of their company (Atkinson, 1987; Peck, 1996; Lindbeck and Snower, 2001). If hiring, firing and training initiatives are expensive for employers, they will be less likely to replace expensive insiders with less expensive outsiders. This also means that insiders have a better platform to obtain higher wages through collective bargaining (Dobbie, 2006; Häusermann and Schwander, 2009).

The case studies presented in this paper suggest that this power struggle among employees not only follow the traditional dividing lines between insiders and outsiders, unionization and skills, but also the flexibility capacity of the employees. In fact, a skilled and organised employee might risk losing his/her job, if he/she cannot meet the flexibility requirements of an agreement on working hours. This means that struggles between different groups of insiders also can contribute to the production of outsiders. During their extensive study of company level bargaining in the US, Walton and McKersie identified such struggles as *intra-organisational bargaining* (Walton and McKersie, 1965: 281-293). When local managers and union/workers' representatives negotiate they not only have to come to agreement with each other but also with those they represent. However, especially union/workers' representatives often find it difficult to coordinate bargaining objectives as workers typically form a heterogeneous group with no clear hierarchy. The representatives can form coalitions that represent the majority of workers, but it is difficult to satisfy all groups. Therefore, the sub-process of intra-organisational bargaining includes a mechanism of exclusion that can turn insiders into outsiders. When collective bargaining is decentralised from sector level to the company level this increases the number and scope of local negotiations and thereby potentially contributes to this segmentation process. Whether or not local bargaining processes result in exclusion at the single company depend on many factors - the composition of the employees, the number and types of agreements concluded and the implementation of the agreements in practice. However, the risk is always there, as intra-organisational bargaining form an integrated part of any collective bargaining process.

On the road towards a broader and more critical approach to flexicurity

A division of the labour market in relation to 'hard' and 'soft' forms of flexicurity may also have consequences for the use of flexicurity as a concept. Some might argue that it does not make sense to speak of a Danish flexicurity model or of flexicurity at all if trends of segmentation can be observed that indicate little mobility between insiders and outsiders on the labour market. However, the existence of soft forms of flexicurity does not seem to question the existence of hard forms (i.e. the Danish flexicurity model). Workers excluded from the soft forms are still entitled to unemployment benefits or social assistance when fired. Furthermore, the cases presented and analysed in this article have illustrated how the concept of flexicurity can offer important analytical insights when studying the composition of and the mechanisms behind segmentation. Here, the concept has helped us identify important differences in flexibility and security between different groups of workers.

The findings support a broader use of flexicurity and a stronger focus on flexicurity as an analytical concept that can be applied to the study of any group on the labour market. Although the concept originally was formulated as a policy in The Netherlands back in 1995, the concept was quickly adopted by researchers and used in analyses of European labour market regulation (Wilthagen, 1998: 10f; Klammer and Tilmann, 2001; Wilthagen, 2002: 4). In the beginning, politicians as well as researchers reserved the concept for the flexibly employed. The agenda was to focus on security for those groups that provide the hardest forms of flexibility on the labour market. Since then the concept has been used more broadly in research and has been applied to analyses of groups in the labour market other than the flexibly employed (Andersen and Mailand, 2005; Bredgaard and Tros, 2006). This makes good sense in the light of the case studies presented above. It is possible that to retain a narrow definition of the concept is to do the flexibly employed a disservice. There may well be important differences between flexicurity for the flexibly employed and flexicurity for employees who work flexibly, differences that one does not see if one looks exclusively at the flexibly employed. This suggests a broader use of the concept of flexicurity, not least in comparative studies of flexicurity for different groups in the labour market.

This also means that it might be fruitful to use the concept in fields that have traditionally been the preserve of other theories. Our analysis of decentralised negotiations on working hours has in this case illustrated that the concept can contribute to a better understanding of the overall balances between flexibility and security at company level – and thereby of the difference between the total gains of the core workers and the exclusion of the peripheral workers. The flexicurity concept seems to supplement traditional IR bargaining theory, which often focuses on the

negotiation of formal written agreements and their content, with a focus on informal trade offs. These trade-offs might influence not only the total effects of agreements, but also future negotiation processes. They can have a longer history than the written agreements and constitute a framework for the negotiations, but they can also be developed as the agreement is translated into practice. It therefore seems entirely necessary to take their contribution into account if one wishes to identify the real differences in the flexicurity balances in the Danish labour market.

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Notes

¹ Shop stewards (in Danish: tillidsrepræsentanter) are present at most companies in Denmark. They are elected among union members at the workplace and usually have extensive bargaining competencies.

² In the period 1997-2006 unemployment thus fell from 7.9 % to 4.5 % among job-seekers between the ages of 16 and 66, while the employment frequency rose from 71.9 % to 73.6 % in the same period (Source: Statistics Denmark, www.statistikbanken.dk).

³ The titles of the individual forms of flexibility and security have been taken from the so-called 'Wilthagen matrix', which presents an overview of the most relevant forms in a flexicurity context (Wilthagen, 2002: 6).

⁴ We obtained access to the result of the internal questionnaire during an interview in June 2005 with a representative from DI.

⁵ European questionnaires show that while the proportion of the European workforce with more than 10 years' seniority in their present jobs remained relatively stable from 1992 to 2000, the proportion with less than one year's employment rose substantially. The European average for the share of employees with more than 10 years' seniority in their present job was 40.7% in 1992 and 41.1 % in 2000. The percentage of employees with less than one year's employment in their present job rose from 14.9 % to 16.8 % in the same period. This trend was also evident in Denmark. Here the share of employees with more than 10 years' seniority was 33.6 % in 1999 and 31.1 % in 2002, while the percentage of employees with less than one years' employment was 17.9 % in 1992 and 23.0 % in 2000 (Auer and Cazes, 2003: 25).