

Denmark:

Industrial Relations pre-Covid-19

* Generally and in Aviation

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# Introduction

This report is part of the VIRAL project – *Varieties in Industrial Relations in Aviation during Lock-down* under DG Employment. The overall aim of the project is to improve the expertise and knowledge of industrial relations through analysis and research in the specific field of aviation – before and after the Covid-19 pandemic. The seven countries investigated are Denmark, France, Germany, Ireland, Italy, Poland and Spain.

# Part I

# Industrial Relations in Denmark pre-Covid-19

## Summary – Industrial Relations in Denmark

The Danish labour market is primarily regulated through collective agreements signed by the social partners, while legislation plays a more discrete role in the area of wages and working conditions. As such, the industrial relations (IR) system is dominated by a high degree of voluntarism and cooperation; trade unions and employers negotiate solutions to various challenges through collective agreements. This is possible because of a) a high union density (around 68 per cent), active employers’ organisations (density 53 per cent in private sector and 100 per cent in public sector) and relatively high collective bargaining coverage (83 per cent across sectors). While the peak organisations DA (Dansk Arbejdsgiverforening - Danish Employers’ Confederation) and FH Fagbevægelsens Hovedorganisation – Danish Trade Union Confederation) are outlining general policies and institutions, actual collective bargaining of wages and working conditions takes place at sector level. In the private sector the leading organisations at sector level on the employers side are the Confederation of Danish Industry (DI – Dansk Industri) and the Danish Chamber of Commerce (DE - Dansk Erhverv). Together, they represent almost 90 per cent of the total enterprises in private sector covered by DA. On the union side, within the private sector, the Central Organisation of Industrial Employees in Denmark (CO-industri) is a major stakeholders in the union confederation FH with a lot of bargaining leverage. Members of CO-industri are some of the large unions like United Federation of Danish Workers (3F - Fagligt Fælles Forbund), Danish Metalworkers' Union (Dansk Metal) and the private branch of Union of Commercial and Clerical Employees in Denmark (Handels- og Kontorfunktionærernes Forbund, HK Privat).

The Danish collective bargaining system has undergone a process of centralised decentralisation, i.e. while the framework is laid out in sector level collective agreements, a still growing latitude for local negotiations has been implemented in the agreements over the last three decades.

While the State has a relatively withdrawn role, tripartite cooperation and regulation plays an important role, especially when major welfare state issues are at stake (i.e. pension, paternity leave, vocational training). Quite often, the State, employers’ organisation and trade unions work out solutions that divide the responsibility between collective agreements and legislation.

## The historic background: The September Compromise 1899

In 1899, after 19 weeks of conflict, the employers’ organisation DA (Danish Employers’ Confederation) and the confederation of unions LO (today merged known as FH – Danish Trade Union Confederation) laid the fundament for future negotiations and conflict resolution in The September Compromise. Four ground principles was stipulated:

1. Management has the management prerogative, i.e. the right to organise, direct and divide work.
2. The peace obligation, i.e. the obligation for employees and union to secure no strikes while the collective agreement is running
3. The right to conflict, i.e. the right to strike or lock-out when a new collective agreement is negotiated.
4. The right to organise, i.e. the workers right to collectively organise in unions and the unions’ right to negotiate on behalf of the workers.

The model ensured the social partners extensive influence over labour market legislation in particular and the development of the welfare state in general, and the model is to this day the fundament for the Danish labour market.

Furthermore, effective institutions for conflict resolution is in place, and the institutions are highly effective and respected by all parties in the labour market.

The Danish labour market model is characterised by wage-setting and regulation of working conditions are primarily left to social partners, although legislation also dominates in areas such as vacation time, health and safety (see later). As such, relations between the parties are based on the premise of mutual respect for their diverging interests and consensus on how to resolve conflicts (Due and Madsen, 2008: 517). The parties only have the right to engage in disputes at the time when a negotiation concerning the conclusion and renewal of agreements takes place (the conflict right). During the settlement period, there is no resort to industrial action (the peace obligation). This applies, even if company based bargaining typically takes place after the peace obligation has come into force (Due and Madsen, 2008: 518). Obviously, strikes still occur even during the settlement period, but they are basically a breach of the collective agreement and labour court will rule that employees are obliged to to return to work immediately. Often a fine is applied for every hour they are not returning to work.

## Trade unions and employers’ organisations

In the private sector, the main organisations are Danish Employers’ Confederation (DA: Danish Employers’ Confederation) and Danish Trade Unions Confederation (FH: Danish Trade Union Confederation - formerly known as LO). While FH represents some 80 unions and through them 1.1 million skilled, unskilled and white collar employees in public as well as private sector, (Andersen and Hansen, 2019), DA represents 14 employers’ organisations with some 725,000 employees employed in about 190,000 companies.

Over the last 4-5 decades both organisations have become bigger and stronger. Trade unions have merged and joined the confederation FH and employers’ organisations have merged too and joined the confederation DA. However, within each confederation, some organisations are dominating. Within DA, two big employers’ organisations - the Confederation of Danish Industry (DI – Dansk Industri) and the Danish Chamber of Commerce or (DE - Dansk Erhverv) – represent almost 90 per cent of the total enterprises covered by DA. On the union side, within the private sector. The Central Organisation of Industrial Employees in Denmark (CO-industri) is a major stakeholders in the union confederation FH with a lot of bargaining leverage. Members of CO-industri are some big unions like the union for unskilled workers United Federation of Danish Workers (3F - Fagligt Fælles Forbund), Danish Metalworkers' Union (Dansk Metal) and the private branch of Union of Commercial and Clerical Employees in Denmark (Handels- og Kontorfunktionærernes Forbund, HK Privat).

While trade unions as well as employers’ organisations are branch specific, the demarcation lines are sometimes not clear. Hence, an ongoing competition for members is taking place among unions as well as employers’ organisations. For example, LO merged with FTF (Confederation of Professionals in Denmark) thereby expanding their power base and obtaining more leverage vis-á-vis employers’ organisations as well as internally in the union fraternity. As such, unions and employers organisations are also competing for members. Hence, companies might shop if they want to be members of DI or DE, and all things even, the more members the more power an employers’ organisation obtain within the fraternity of DA.

## Collective bargaining

These two large organisations make sectoral agreements and prescribe *national standards*. They furthermore prescribe procedural and economic guidelines for local negotiations on pay and working conditions. However, the regulation of salaries and working conditions takes place through recurring *sector level bargaining rounds*, typically every two or three years. Hence, while the confederations are representing unions’ respectively employers’ organisations’ interests vis-á-vis the state, the actual collective bargaining takes place at sector level.

While each sector might bargain their collective agreement, the most decisive negotiations is taking place between the employers’ organisation DI and the sector union CO-industri. They represent companies within the metal sector and this sector is highly dependent on international markets. Hence, the economy in this sector is pivotal for the development of the Danish economy and the collective agreement in this sector is are pace-setting for the general development of the economy in Denmark. As such, the results of the collective bargaining in this sector spill-over to all other sectors including the public sector as the agreement reflects the economy of Denmark.

While the main trends in wages and working conditions are set in sector-level agreement, these agreements are to be considered framework agreements. Quite a few issues are still to be negotiated at work place level, and the scope of issues to be negotiated here has expanded over the last three decades.

Decentralization of the bargaining competences

During the last decades, a decentralisation process has taken place within the Danish industrial relations systems. The framework for collective bargaining continues to be outlined by sector agreements, whilst local bargaining increasingly determines the implementation and interpretation of these agreements at company level. This development reflect the need for increased flexibility at work place level. During the times of a relatively centralized industrial relations system in the 1970’s and 1980’s, companies implemented new technologies, new work organisations and at the same time they were increasingly exposed to an ever more fierce international competition. In combination these factors created demands from employers for increased flexibility within the collective agreements to accommodate the individual enterprises’ need for a more flexible work organisation to adjust to new technologies, economic fluctuations and a highly competitive market (Katz, 1993; Navrbjerg, 1999).

This development has changed the depth and scope of collective bargaining in Denmark. As still more issues regarding wage and working conditions are up for negotiations – including issues that overlap welfare issues like pension and paternity leave – the scope has broadened. At the same time the depth has changed too – meaning that still more issues are up for negotiations locally at company level. This means that both employee representatives and management needs to have the right bargaining skills to fully make use of decentralisation – but also to ensure that employees are still protected.

The shop steward is a watch dog and a negotiator at company level. He or she assures the implementation and the fulfilment of the collective agreements at enterprise level and conclude local agreements that take local needs into account. It is the shop steward and management who have to agree on what measures from the central collective agreement that should be implemented locally to ensure the needed flexibility – and under what circumstances. In many ways the bargaining structure from the central level has to be reproduced on the local level between skilled partners – or else the centralized decentralization becomes disorganized decentralization (Due and Madsen 2006). Furthermore, it potentially enhances the shop stewards influence – because without local consensus, management cannot use the scope of possibilities in the collective agreement.

Hence, a precondition for the strength of a voluntarist centralised-decentralised IR-model as the Danish is an extensive coverage of agreements, high union density and dense network of workplace representation, i.e. high shop steward density.

Union density and collective bargaining coverage

Overall 83 per cent of the Danish labour market was covered by collective agreements in 2018 – compared to 80 per cent in 2007 and 84 per cent in 1997 (Larsen et al, 2010; Navrbjerg and Ibsen, 2017; own calculations 2018). However, coverage varies between sectors, and while the collective agreement coverage was 100 per cent in the public sector in 2018, it was 74 per cent in the private sector. Some sectors, like cleaning, has a way lower collective agreement coverage.

The trade union density has slightly declined since the mid 1990’s, but has remained comparatively high with 68 per cent of Danish employees being union members in 2015. However, an important trend behind these figures is the fact that ‘traditional unions’ have lost ground to ‘yellow’ or ‘alternative unions’. This is an important development. While the traditional trade unions are based on a social democratic philosophy and most importantly are able to achieve collective agreements, ‘yellow unions’ or alternative unions are typically not part of the collective bargaining system. The main yellow union, Kristelig Fagforening (Krifa - Christian Union), is based on a Christian ideology and do not acknowledge interest conflicts between employees and employers. The yellow or alternative unions are generally not supporters of the collective bargaining model and as such not part of the Danish labour market model as defined above. Hence, it is an important development as eventually the bearers of collective bargaining, the traditional unions, are losing ground and that might eventually erode the legitimacy of the relatively voluntarist Danish labour market model.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Table 1: Trade union density Denmark – in per cent | 1995 | 2005 | 2015 | 2019 |
| Traditional unions | 71.0 | 68.1 | 59.1 | 56.2 |
| Alternative unions  (yellow unions) | 2.1 | 3.6 | 10.6 | 11.8 |
| Total | 73.1 | 71.7 | 69.7 | 68.4 |
| Sources: Arnholtz and Navrbjerg (2021), Due og Madsen (2015), Toubøl et al. 2015 | | | | |

Furthermore, trade union density varies considerably between sectors, with lower union density in the private sector compared to the public sector. (Navrbjerg and Ibsen, 2017; Larsen and Ilsøe, 2017; Toubøl et al. 2015). The workplace representation in terms of shop steward coverage was 52% in 2010 (Larsen et al. 2010; Ibsen et al. 2015).

53 per cent of the employers in the private sector were members of an employers’ organisation in 2015. However, it should be kept in mind that the vast majority of Danish companies are relatively small; the average Danish enterprise has four employees and for many it might not be meaningful to be member of an employer organisation.

|  |  |  |  |
| --- | --- | --- | --- |
| Table 2: Organised employers in Denmark – in percent | 2004 | 2009 | 2015 |
| Public sector | 100 | 100 | 100 |
| Private sector | 53 | 58 | 53 |
| Sources: DA Arbejdsmarkedsrapport 2004, 2009 plus table from DA 2017.  Including DA, FA og (i 2004 og 2009) SALA.  These numbers do include employers organisations like Kristielig Arbejdsgiverforening, Dansk Håndværk, Arbejdsgiverne. | | | |

## Channels for influence

Basically, there are three ways employees can obtain influence on working conditions in the Danish labour market model.

The Shop steward – part of collective bargaining

Obviously, the presence of a shop steward is vital for employees to get influence, and as pointed out above, shop stewards are pivotal to get the maximum out of a collective bargaining system based on centralised decentralisation. Any work place with five or more employees is entitled to elect a shop steward among the employees. The conditions for the election of the shop steward are not stipulated in legislation but in the collective agreement and The Cooperation Agreement. As such, the shop steward is trade union affiliated and is the trade unions’ representative at work place level.

However, the *shop steward coverage* is difficult to measure. Asking some 1600 managers from randomly selected workplaces according to size and sector, the result is that on average 52 per cent of Danish work places has a shop steward. Considerable differences exist between private (33 per cent) and public (91 per cent) sector. Size plays a major part here; the larger the work place, the higher probability that the enterprise has a shop steward. Among work places with 5-9 employees, some 35 per cent has a shop steward, while the share is 91 per cent in enterprises employing 100-249 employees (Larsen et al. 2010: 245-52). However, it has to be kept in mind that the presence of a shop steward is closely linked to the presence of a collective agreement; if there is a shop steward, very often there is a collective agreement and vice versa.

Without the support of members, the collective agreements will have limited legitimacy vis-á-vis the state. Hence, the *union coverage* is of importance. In 1995 73 per cent of employees on the Danish labour market were members of a union, a number that had declined to 68 per cent in 2019 (Ibsen, et al. (2015), Arnholtz & Navrbjerg (2021)[[1]](#footnote-1). While the decline is less pronounced compared to many other European countries, this recent trend does challenge the trade unions as well as the collective bargaining system. However, while the share of ’alternative unions’ in 1995 was only 2 per cent, in 2014 it was 9 per cent. Alternative unions – or yellow unions – are generally not as conflict oriented as traditional unions. Only one of them – The Christian Union Krifa – have made a few collective agreements. Never the less, the vast majority of employers and their organizations support the collective bargaining system with the traditional unions as institutions that secures industrial peace for two to four years at a time.

*The Cooperation Agreement*

The most important stipulations on employer–labor union information and consultation are to be found in cooperation agreements like the *Cooperation Agreement between DA and LO* (2006) (the first such agreement was entered in 1947) between the Danish Employers’ Confederation (DA) and the Danish Confederation of Trade Unions (LO) (see the full agreement in English here: <https://www.samarbejdsnaevnet.dk/fileadmin/user_upload/Pdf/SA_engelsk_pdf>

The agreement is broadly formulated and generally emphasizes the importance of engaging in a high degree of information provision and consultation. Employers are obliged by the agreement to update the local Cooperation Committees on the financial position and prospects of the company and the firms staffing plans. In firms where there are no Cooperation Committees, employees are to be informed individually or/and in groups. Employers also have to provide information on any ‘significant changes and developments with regard to any introduction of new technology in production and administration’ as well on ‘the employment situation’ (Cooperation Agreement, 2006: 7–8). As such, the Cooperation Committee is pivotal for formal cooperation between management and employees. To establish a Cooperation Committee, the enterprise should to have 35 or more employees. Typically, the Cooperation Committee consists of an equal number of employee representatives and management representatives – and the shop stewards is almost always among the employee representatives. A similar cooperation agreement is to be found in farming (see <https://www.gls-a.dk/wp-content/uploads/2015/05/Samarbejdsaftalen.pdf>) and within many other sectors, similar agreements exists, based on the main organisations FH’s and DA’s cooperation agreement.

If the enterprise is a stock-based corporation and has 35 employees or more in average over the latest three year, the employees have the right to seats in the board. The board has to consist of at least three members, and the employees have the right to elect at least two members for the board.

While Cooperation Committees and boards provide the employees a voice, it is still up to management to decide to what degree they will listen to their input; the management prerogative is intact and is as such only obliged to give information. Even the information given might be conditional as management can impose secrecy on some information if it can hurt the company, affect the stocks etc.

The Working Environment Act

Finally, according to the *Working Environment Act*, it is the responsibility of the management to assure a health and safety organization is in function at the work place. In enterprises with 1-9 employees cooperation on health and safety are obtained through regular direct contact and dialogue between the employer, the employees and any supervisors. In enterprises with 10-34 employees, cooperation on health and safety is handled through a health and safety organisation composed of one or more supervisors and one or more elected health and safety representatives, with the employer or a representative of the employer as chairman. The health and safety organisation is responsible for both day-to-day and overall tasks relating to health and safety. Finally, in enterprises with 35 or more employees, cooperation has to be organised by a health and safety organisation that has two levels, one responsible for day-to-day tasks while the other consists of one or more committees responsible for overall tasks related to health and safety. The chairman of a committee has to be the employer or a representative of the employer.

Basically, the employer is responsible for the physical and psychological working environment. While wages and working conditions (regulated through collective agreements), and cooperation (stipulated in the Cooperation Agreement) are very much regulated by the social partners, health and safety is regulated via legislation. However, still more issues regarding health and safety is up for negotiation at company level as still more issues are part of the collective bargaining system and the cooperative system – but the Working Environment Law is still the fundament. However, while rules on the organisation of health and safety exists, the day-to-day cooperation is crucial.

Collective actions – strikes and lock outs

A fundamental rule to secure peace at the labour market is the peace obligation, i.e. the obligation not to strike (or lock out) while the collective agreement is running. However, strikes are still occurring when workers are unsatisfied about working conditions or others issues, though these strikes are not in accordance with the collective agreements and as such are ‘illegal’.

When strikes or lock outs are taking place during the collective bargaining rounds, they are principally legal – but only then. However, due notice has to be given (two weeks), an arbitrator has to be involved before a second notice can be given (two week) etc. As such, the system for solving grievances are highly institutionalised and all parties, unions as well as employers’ organisations, adhere the system. The Danish industrial relations system has a so called ‘conflict ladder’ where any grievance is sought solved on the lowest step of the ladder.

## The role of the State

As pointed out the State has a relatively withdrawn role in regulation of the Danish labour market. Of course it delivers a framework for collective bargaining with legislation on labour market issues, but as far as the social partners delivers responsible results and has a considerable support from employees (trade unions) and companies (employer organisations), the State does not interfere. Only when major strikes or lock-outs during the national bargaining rounds are taking place, the State might interfere – but only if the conflict threatens vital functions in society or the economy as a whole. The action taken is typically to make the arbitrators suggestion into law. As such, State interference is the last and highest step on the conflict ladder.

While the State might seem to play a withdrawn role, it is still an important factor. Tripartite cooperation and regulation plays an important role in Danish industrial relations, especially when major welfare state issues are at stake (i.e. pension, paternity leave, vocational training). Quite often, the State, employers’ organisation and trade unions work out solutions that divide the responsibility between collective agreements and legislation. Examples are the labour market pension introduced in the early 1990’s, where pension plans became part of collective bargaining as the social partners and the state foresaw a demographic bomb under the public pension system. While the share of the wage set aside to pension in the beginning was quite modest (0.9 per cent), today it is about 12 per cent for unskilled and skilled workers and 17 per cent for academics and white collar workers (1/3 paid by the employee, 2/3 paid by the employer). This is but one example how tripartite negotiations between the State, the unions and the employers’ organisations results in solutions of major welfare state challenges.

# Part II

# Industrial Relations in Aviation pre-Covid-19

## Summary – Industrial Relations in aviation pre Covid-19

Economically, the aviation sector has been under considerably strain over the first two decades of the 21st century. Fierce competion from low cost airlines has forced legacy airlines to implement business models more akin to the business models of low cost airlines.

While negotiations on the Danish labour market generally are between sector level unions and employers organisations, the legacy airline SAS has had a long tradition for company unions and hence company based negotiation, very unlike what is normally seen in the Danish model. The unions within SAS have historically been quite strong, and from 1960s to 1990s they have been able to negotiate very good wages and working conditions.

However, as international competition became still more fierce from the mid-1990’s onwards, constant restructurings (read: cuts in wages and personnel) have generated turmoil over the last two decades, leading to recurring conflicts between SAS and pilots as well as cabin crew. While SAS had some 35,000 employees in the beginning of 1990’s, only about 10,000 was employed in 2019 and a quarter of the fleet was wet leased. Over the years, negotiations have led to concessions from unions, and the recurrent conflicts have eroded trust and loyalty in the company – a feature that in the old days were crucial.

While all low cost airlines put SAS under pressure, most attention has been on Ryanair as this airline has challenged the Danish labour market model more than any other. Ryanair made a base in the 2nd biggest airport Billund in 2012 without signing collective agreements. In 2015, Ryanair started flying form Copenhagen, but was taken to Labour Court for not negotiating collective agreements as they were obliged to. Ryanair lost the court case to the trade unions, led by FH, and as a consequence, Ryanair abolished all bases in Denmark. However, Ryanair continued operating in Denmark, only from bases in Lithuania and Poland, and as of 2019, Ryanair was the 3rd largest airline in Copenhagen after SAS and Norwegian. Ryanair still hasn’t closed any collective agreements in Denmark, despite now operating again with a base in Billund – but with individual contracts with cabin crew and pilots.

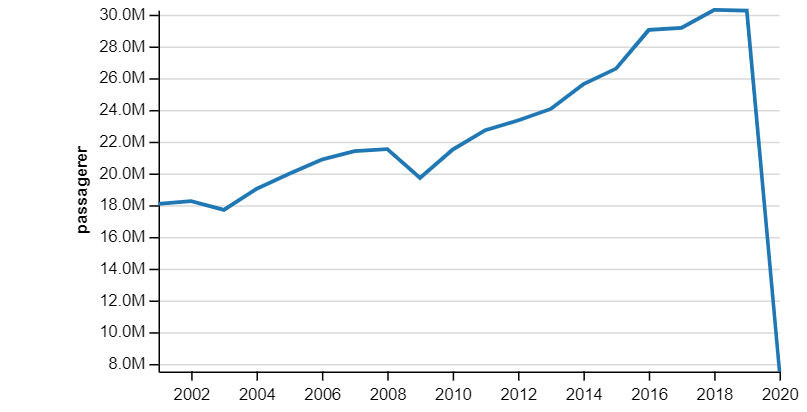
Ground crew in Danish airport are adhering the Danish model and all have collective agreements. However, there has recently been conflicts between SAS and the ground crew working for SAS.

## Overview: The structure and economy of aviation in Denmark

Passengers and the economy – Copenhagen and Billund

The central hub in Danish aviation is Copenhagen Airport (CPH), established in 1925, whereas Billund Airport (est. 1964) is the most important hub in mainland Jutland. CPH had some 18 million passengers in 2002 and reached it peak in 2019 with 30 million passengers. It is widely considered an important Scandinavian hub for connecting flights.

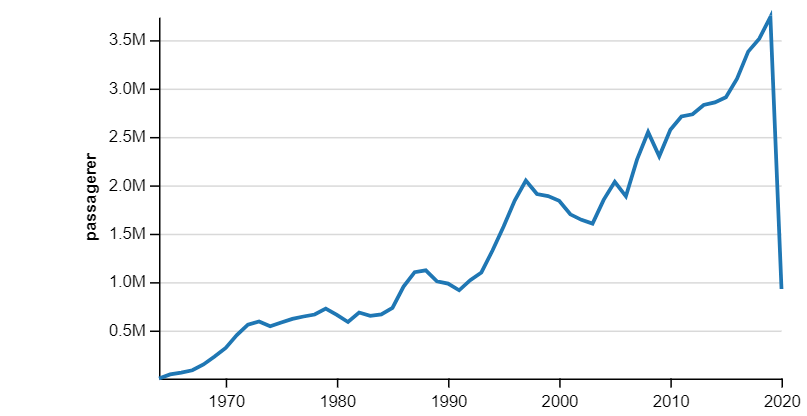
**Passengers per year in Copenhagen Airport**



Billund Airport is about 1/10 of CPH, servicing about 2 million passengers in 2000 and 3.6 million in 2019.

Some 22,000 people are employed in Copenhagen airport including all support functions. The company Københavns Lufthavne A/S itself employs 3,500 people. In a Danish context, these are considered very big companies and as such, the airport is a considerable stakeholder in Danish economy and especially in the Copenhagen area.

**Passengers per year in Billund Airport**



Airports and crucial air routes – public or private?

A general political dispute has been if major vital infrastructures like railways (and trains) and airport (and airlines) should ever be privatized. The argument against has been that no private investor should ever have control over vital infrastructures like airports, railways, hospitals etc. as they are the lifeblood of the national infrastructure. As such, most of the large privatizations in Denmark has been highly disputed. Many politicians questions the wisdom in privatizing important national infrastructure to private investors who only has focus on revenues and not on national or societal issues (Berlingske Business (2005); CEVEA (2019)).

#### Copenhagen Airport – from government owned to public stocks

From the establishment in 1925, Copenhagen Airport was state owned until 1990, when the airport became a joint stock company. In 1994, the state sold 25 per cent of the stocks and in 1996 another 24 percent and then again another 17 per cent in 2000.

The two dominating investors in CPH has been Macquaries, an Australian based hedge fund with a huge portfolio in airports, and CAD, Copenhagen Airports Denmark; the latter is effectively owned by the Canadian Ontario Teachers’ Pension Plan and the Danish pension plan group ATP Group (Arbejdsmarkedets Tillægspension). While Macquaries was part of the ownership from 2005 to 2017, ATP bought the last of Macquaries stocks in 2017. As of 2021, CAD owns 59.4 per cent of the stocks, the Danish state owns 39.2 and the remaining 1.4 per cent is on private hands.

In 2010 the then Secretary of Trade and Economy in Denmark, Brian Mikkelsen from the liberal party Venstre, who are usually a proponent of privatization, stated in 2010 that the privatization Copenhagen Airport was a mistake.

*“When you are a private capital fund you are not thinking of the well-being of the Danish state, you are thinking of your investors.”*

Brian Mikkelsen[[2]](#footnote-2)

#### SAS – from state-owned to public stocks

This is the historical reason why the legacy airline SAS were owned by the Danish, Norwegian and Swedish states through most of the 20th century, and the discussion was also fierce when Copenhagen Airport went public in 1990 and sold stocks to private investors from 1994 onwards. The goal was only to privatize partly and let the Danish state become a dominant shareholder with a ruling that no private stockholder could possess more stocks than the state. However, EU did not acknowledge this arrangement and the state was forced to a complete privatization of the airport, which by some was seen as a disaster because the state lost control of some of the most important infrastructure.

## Legacy vs. low-cost – SAS vs. Ryanair

Scandinavian Airline System - partly state owned legacy airline

Scandinavian Airline System – SAS – was established in 1946 as a cooperation between the three national airlines in Norway, Denmark and Sweden respectively. The airline was owned by the three states and initially operated in Scandinavia. In 1948, routes to European destinations was established and in 1954 SAS started routes to New York and Tokyo in 1957. In the 1970’s and 1980’s the company developed to be a company primarily for businesspeople, culminating in the establishment in 1997 of the Star Alliance partnership together with Lufthansa, Thai International, United Airlines, Air Canada and Varig Brazilian Airlines. In 2001, SAS became a joint stock company, owned 21.4 per cent of the Swedish state, 14.3 per cent by the Danish state, and 14.3 per cent by the Norwegian state. The remaining 50 per cent was on private hands. In 2018 Norway sold all its shares and only the Danish and Swedish states are shareholders in SAS today. Before the pandemic the Danish state owned 14.2 percent and the Swedish state owned 14.8 percent.

From mid-1990’s SAS have undergone several saving plans as competition became still fiercer, not least due to liberalization of aviation and the resulting emergence of low-cost airlines competing on the same routes as legacy airlines. SAS’ results has varied quite a lot over the years.

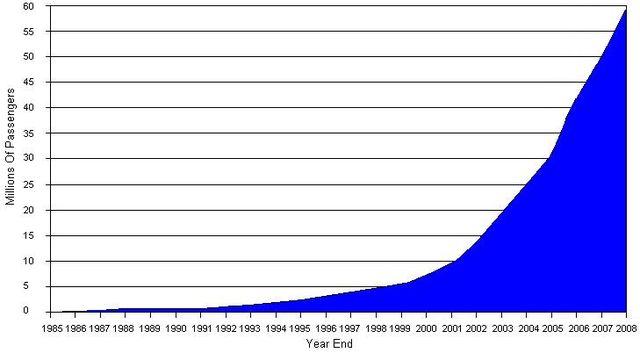
As Scandinavian states have owned the majority of SAS and SAS has been seen as a flagship of the nation states Sweden, Denmark and Norway, it has been possible to achieve support from the Scandinavian states in times of crisis. However, EU directives on competition has made direct support impossible. It is though still an advantage for SAS to have states as shareholders since it makes access to loans easier. One example was in 2012, where SAS was in crisis and needed large bank credits in order to survive. However the banks demanded a guaranty in order to supply the credits. Denmark, Sweden and Norway guaranteed bank loans to SAS for around 3 billion DKK (400 million Euro). The European Commission later investigated if the guaranties where a breach of EU’s completion rules, but the commission concluded that the guaranties were given on market terms, hence they were not a violation of the rules.

Ryanair in Denmark – the case of low-cost vs. strong IR-system

Ryanair was established in the mid-1980’s and was an insignificant company on the brink of bankruptcy in the beginning of the 1990’s.

However, Ryanair was able to take advantage of the liberalization of aviation from the early 1990’s onwards. The break-through took place in 2000 when Ryanair launched a homepage with the possibility to buy tickets online. From then on sales skyrocketed. Ryanair had around 5 million passengers in Europe in 1999 – in 2019, the number was 149 million, making Ryanair the largest in Europe and no. 5 in the world, by passengers serviced. In 2019, the result was 1 billion euros.

**Passengers in Ryanair 1985-2008:**

 <https://investor.ryanair.com/traffic/>

Ryanair started flying from Billund Airport in 2012, where it had established a new base. The establishment was relatively smooth, even though Ryanair did not close any collective agreements with neither pilots nor cabin crew. The union for unskilled workers, 3F, tried to mobilize employees to put pressure on Ryanair to engage in collective bargaining, but to no avail.

In 2014, Ryanair announced the establishment of a base in Copenhagen. However, this time trade unions were more pro-active; 7th of January 2015 the trade union for flight personnel FPU in cooperation with the Danish Confederation of Trade Unions FH demanded negotiations of collective agreements for pilots and cabin crew operating in Copenhagen – as it is their right. However, Ryanair wanted no collective agreements. As it is the right of the unions, the 3rd of February FH gave notice of dispute in accordance with the Danish labour market system. However, Ryanair questioned the legitimacy of the claim as they maintained that Ryanair is an Irish company and Irish labour law should apply as most of the work takes place in international airspace. Hence, it had to be tried in Labour Court as there were doubts whether the case was within the Danish jurisdiction or the jurisdiction of the EU court. FH did not dare to start a strike without being sure the legal base were in order.

As such, the trade unions followed the conflict ladder as institutionalised in the Danish labour market system. While the court were considering the claim, the first Ryanair plane landed in Copenhagen the 16th of March 2015. The atmosphere was tense, especially among ground personnel, who are members of the United Federation of Danish Workers, 3F. 3F, organizing mostly baggage handlers, have always stood strong in Copenhagen Airport. However, the planes were able to take-off, and for the following three month, Ryanair flies in and out of CPH with a base in Copenhagen.

The Labour Court case started 26th of March 2015. On 20th of May, Labour Court assembles and the parties present their respective cases. July 1st the Labour Court rules in favor of the Danish unions: Ryanair is obliged to engage in collective bargaining, as Danish labour law applies because employees from Danish bases are to be considered Danish labour. Ryanair declines to engage in collective bargaining and threatens to close the base in Billund if the unions do not cave. Trade unions decline, and 17th of July Ryanair closes the bases in Copenhagen as well as in Billund.

However, with bases in the Baltic and Poland, Ryanair has been able to fly in and out in of CPH ever since. From bases abroad, aircrafts fly to CPH 5.30 in the morning and then to various destinations in Europe. Employing this strategy, at the end of 2019, Ryanair had 36 arrivals and departures every day in CPH, and Ryanair was the 3rd largest airline in CPH with 2.3 million passengers yearly, only surpassed by Norwegian (5,2 million passengers) and SAS (10 million passengers). Hence, if the trade unions had hoped to be able to put pressure on Ryanair to engage in collective bargaining for market share reasons, Ryanair showed something else.

At the end of the second lock-down in Denmark in May 2021, Ryanair announced an opening of a base in Billund to start in autumn 2021 – with the intention to close a collective agreement with FPU. In October 2021, Ryanair opened the base in Billund, however without a collective agreement; negotiations between Ryanair and FPU broke down. As time of writing (March 2022), still no agreements with any Danish union has been closed though Ryanair has some 20 arrivals and departures every day in Billund. The individual employment contracts are on a level below the Danish norm - and on a level that Danish trade unions, including FPU, would not accept.

***The three largest airline companies in Denmark in 2019***

**Passengers in 2019:**

SAS: 10,156,956 (0.2 percent less than 2018)

Norwegian: 5,196,685 (9.3 percent less than 2018)

Ryanair 2,279,356 (20.6 percent more than 2018)

## Actors in aviation: Trade unions and employers’ organisations

Trade unions

#### Aviation

Most important unions organizing pilots and cabin crew are:

* FPU (*Union of Airline Staff)*
* *CAU (Cabin Attendants Union)(only SAS personnel)*
* *DPF (Danish Airline Pilot’s Union) (only SAS personnel).*

#### Ground staff

While the union affiliation in aviation is quite diverse, ground staff is by and large organized along the traditional branch based structure. United Federation of Danish Workers (Fagligt Fælles Forbund, 3F), Danish Metalworkers' Union (Dansk Metal), Union of Commercial and Clerical Employees in Denmark (Handels- og Kontorfunktionærernes Forbund, HK) and Danish Union of Electricians (Dansk El-Forbund, DEF) are all branch specific unions and they are all members of Danish Trade Union Confederation.

Danish Association of Managers and Executives (Ledernes hovedorganisation, Lederne) is, as the name indicates, a union for managers. It is a peak union in its own right.

For ground staff the most important trade unions are:

* *3F* (*United Federation of Danish Workers)*
* *Dansk Metal (Danish Metalworkers')*
* *HK (Union of Commercial and Clerical Employees in Denmark).*

Beside these important and relatively large unions, there are also trade unions organizing electricians, air traffic controllers, managers etc.

Employers’ organisations

The main organisation representing employers in aviation is Confederation of Danish Industry (Dansk Industri, DI). Obviously, quite a few companies operating in Danish airports are from other countries and are not members of Danish employers’ organisations – if at all members of an organisation. Some of the major airlines operating in Denmark, like Ryanair and perhaps more surprisingly Norwegian, are not members of an employers’ organisation. However, Norwegian has closed collective agreements with FPU at company level as opposed to Ryanair.

## Aviation Industrial Relations – not exactly like the rest of Danish IR

While generally collective bargaining in Denmark is taking place on sector level, collective bargaining in aviation is a mix between sector, branch and company level. Some companies are members of large employers’ organizations and the collective bargaining are negotiated between employer organizations and trade unions on sector level. Some companies are not part of employers’ organizations (e.g. Norwegian and Ryanair) and collective bargaining are conducted at company level between trade unions and companies.

Company unions are especially widespread in the legacy airline SAS, where pilots as well as cabin crew have had specific unions for SAS employees. Over the years, the conditions for the employees in SAS has been quite favorable, and as SAS in the 20th century was the dominating frontrunner in Danish (actually Nordic) aviation, the wage level and working conditions in SAS laid out the foundation for working conditions in Danish aviation. Still, employees in other companies in aviation also needed collective representation and hence joined other unions. As such, union structure in aviation is somehow fragmented with some pilots and cabin crew joining specific SAS uions, while others have joined unions like FPU. However, ground staff is by and large organized along traditional branch/sector lines.

About 1% of the agreements are concluded through single-employer bargaining, whereas the rest of the agreements are concluded through multi-employer bargaining. It may be worth mentioning that even though the agreements involving SAS are formally conducted by DI and therefore must be categorized as the results of multi-employer bargaining, the company is in fact the most important negotiator on the employer side.

Thus far Ryanair has not complied with traditional mode of collective bargaining in Denmark as they have no bases in Denmark. As mentioned, Ryanair had a base in Billund from 2012, but they choose to close it in 2015 after a conflict with trade unions in Copenhagen Airport.

Union density and collective bargaining coverage in aviation

The aviation industry in Denmark has a high level of trade union density and collective bargaining coverage. The largest airlines – SAS and Norwegian – has a union density close to 100 percent. For companies dealing with luggage handling, security and administration the union density is also very high. In Copenhagen Airport it is hard for an employee to get and keep a job if they are not member of a trade union. Members in alternative trade unions are often not accepted by coworkers since they regard it as undermining the bargaining power.

Employees in Ryanair does not have union representation and has not thus far negotiated collective bargaining agreements in Denmark.[[3]](#footnote-3) The other low cost airlines in Denmark has union representation and collective agreements. The precise collective bargaining coverage is not known; however a EURO-found report from 2010 estimated that 95% of employees in the sector has collective bargaining coverage (Jørgensen et al, 2010).

|  |  |  |  |
| --- | --- | --- | --- |
| **Four most important agreements in terms of employees covered** | | | |
| **Bargaining parties** | **Scope of agreements** | | |
|  | **Sectoral** | **Type of employees** | **Territorial** |
| CO-industri and DI  (Industry agreement)  3F, Dansk Metal, HK and DEF | Manufacturing, transport, services, IT | Workers in handling companies, flight mechanics, ground staff, administration clerks, electricians | National |
| CUD – SAS/DI | Civil aviation | Cabin crew in SAS | Company |
| DFF-S/FPU – DI | Civil aviation | Pilots, cabin crew | National |
| LFF – SAS/DI | Copenhagen Airport | Ground staff in mainly SAS | Company |

Employee representation and channels for influence in aviation

As many of the companies in aviation are large, most of them fulfill the requirements to a) have a shop steward (five employees or more and/or b) to have a cooperation committee (works council).

Hence, most employees in companies and airlines with bases in Denmark have trade union representation. The two largest airlines – the legacy airline SAS and the relative new-comer Norwegian – have union representation as well as cooperation committees and shop stewards. Trade unions and cooperation committees work together and elected shop stewards represent members of the trade unions.

Ryanair employees do not have trade union representation in Denmark.

Balance of power between employee representatives and employers

The constant internal restructuring of SAS have been accompanied by outsourcing – or more precisely wet leasing - where SAS has leased planes on year-long contracts. The planes are painted in SAS colors and the crew is wearing SAS uniforms - but planes and crews are operating from bases abroad. As of 2019, one in four planes in the SAS fleet was wet leased. This development has obviously put employees and unions in Denmark, Sweden and Norway under pressure, and employees do not feel secure in keeping their jobs. While it could be argued that this works in favor of management, management is under pressure too due to fierce international competition – especially from low-cost airlines like Ryanair.

While SAS adheres to the Danish model and engage in collective bargaining, Ryanair’s approach is quite the opposite, trying to avoid collective bargaining at any price. However, Ryanair have had bases in Lithuania and Poland, and from 2015 onward, Ryanair flew to Copenhagen in the morning and operated in the whole of Europe from Copenhagen. In 2019 Ryanair served as many as 2.3 million passengers, making Ryanair the third largest company in Copenhagen.

Collective actions – strikes and lock-outs

As mentioned, SAS have had company-specific unions for many decades. While the unions initially were able to secures very favorable conditions for its members, still more fierce international competition has forced SAS to restructure and unions to engage in successive bargaining rounds where strikes have been a recurrent issue. For example in 2019, the SAS union Danish Airline Pilot’s Union (DPF) used the opt-out possibility in the three-year collective agreement and terminated the collective agreement with SAS after only two years. The pilots demanded a 13 per cent pay raise, arguing that SAS came out with a result of more than 1 billion DKK (135 million Euros) and referred to the fact that pilots had taken severe pay cuts over the years when SAS was suffering; now, SAS had positive results for four consecutive years (see p.19). SAS responded by terminating all cooperation agreements. Then the pilots sent a strike warning. The tone was pretty relentless, SAS arguing that such wage demands was irresponsible in times of fierce international competition.

No negotiations took place from the strike warning in start-April, and the strike started 26. April 2019. It lasted till 3. May, where an arbitrator settled the dispute. The settlement awarded the pilots 3.5 per cent wage increase in 2019, 3 per cent in 2020 and 4 per cent in 2021. The strike resulted in 4.000 cancelled flights, affecting 370.000 passengers – an estimated loss of 453 million DKK (60 million euro), making the SAS CEO Rickard Gustafson predict it very difficult to reach a positive result for SAS in 2019. However, SAS came out of 2019 with a plus of 440 million DKK (60 million euro) as oppose to 1 billion (133 million euro) in 2018.

This is but one example of conflicts between SAS and their counterparts in the trade unions. Over the years conflicts have unfolded between the cabin crew union and SAS and between the pilot union and SAS, indicating that though unions have been SAS specific company unions, they have by no means been in the pocket of SAS.

From time to time, luggage handlers have been on strike, but the strikes have been quite limited in scope and time. Consequences for the traffic in the airport are massive as no planes can fly without luggage handled, hence solutions have been found pretty fast. The strikes are an indication to employers how important luggage handlers are for the airport logistics, hence it is also to be considered a demonstration of power.

Changes in IR in aviation in the 2010’s

SAS – the Scandinavian legacy airline – has been under pressure for the two past decades. While the organisation had some 35,000 employees in 1990, recurring restructuring through the 1990’s and beginning of the 2000’s reduced the labour force to a mere 9,000 employee in 2013.

However, the pressure has been further increased during the last 10 years by the rising low cost airlines, especially Norwegian and Ryanair. The pressure has had consequences for working conditions as well as wages in SAS due to fierce competition. As wages and working conditions are the main variables to adjust, SAS has recurrently tried to adjust wages and raise efficiency, even before the low cost airlines became real competitors, since revenues were negative for many years (see p.19). However, it has not been easy for SAS to get concessions from employees since pilots and cabin crew in SAS are well organized and has been able to maintain better working conditions and wages compared to most competitors.

Before the pandemic, SAS employees have had their own unions for both cabin crew and pilots. These unions negotiated collective agreements with SAS through the employers’ organization DI. However, the competitive environment has no doubt weakened the position of the SAS unions since they are aware that SAS has been challenged by new and cheaper airlines where staff does not have the same working condition and wages.

FPU is part of the traditional union fraternity FH (Danish Trade Union Confederation). FPU organizes staff from most of the other airlines, and all things equal has less attractive collective agreements than the existing SAS collective agreements.

## The State - legislation

There is comprehensive legislation governing the formal rules and procedures for aviation but very little legislation affecting working conditions in the Danish aviation industry. As well as for the rest of the labour market, the State plays a relatively withdrawn role regarding industrial relations in aviation, and it is the social partners that regulate almost everything concerning working conditions. The Danish aviation law primarily declares that the industry has to abide by international and EU aviation laws and directives. It also states the general formal rules for aircrafts, their crew, maintenance of the aircraft etc. in Danish airspace and airports.

However, there is a paragraph in the law that concerns health and safety. It states that companies with more than 10 employees have to appoint health and safety representatives and establish a health and safety committee consisting of employee representatives as well as employer representatives. The committee has to find solutions to health and safety issues on aircrafts etc. All expenses in relation to health and safety representatives as well as health and safety committees is to be paid by the employer.

# Appendix A – Trade unions and employers’ organisations in aviation in Denmark

***Most important trade unions for airline staff***

*Union of Airline Staff (Flyvebranchens Personale Union, FPU)*

* Pilots, automatic fingerprint identification system (AFIS) operators and cabin crew from nine different airline companies
* Density with regard to the union domain 70 %
* Estimated 1.900 members

*Danish Air Traffic Controllers Association (Dansk flyvelederforening, DATCA)*

* Air traffic controllers in Denmark
* Density with regard to the union domain 100 %
* Estimated 285 members (data from 2022 – but no significant changes due to corona)

*Danish ATS Operators (Foreningen af Danske Flyvelederassistenter – DATSO)*

* Assisting air traffic operators in Denmark
* Estimated 122 members (pr. 1.1.22 – but no significant changes due to corona)

*Cabin Attendants Union (CAU)*

* SAS cabin crew; pursers, stewards and stewardesses
* Density with regard to the union domain 95 % (estimated)
* 900 members (2019)

*Danish Airline Pilot’s Union (Dansk Pilot Forening, DPF)*

* SAS pilots
* Density with regard to the union domain 100 % (estimated)
* 300 members (2021), probably some 600 members before C-19[[4]](#footnote-4)

**Most important trade unions for ground staff**

*United Federation of Danish Workers (Fagligt Fælles Forbund, 3F)*

* Blue-collar, skilled and unskilled, workers, private/public sector workers, transport workers, handling assistants in airports.
* Density with regard to the union domain 75 % (estimated)
* Estimated 3.150 members in the sector (2019)

*Danish Metalworkers' Union (Dansk Metal)*

* Technicians and flight mechanics
* Density with regard to the union domain 80 % (estimated)
* Estimated 1,000 members (new development in 2021: SAS pilots (DPF) and SAS cabin union (CAU) now members of Danish Metalworkers' Union)

*Union of Commercial and Clerical Employees in Denmark (Handels- og Kontorfunktionærernes Forbund, HK)*

* Salaried employees, white-collar, commercial and clerical workers
* Density with regard to the union domain 45-50 % (estimated)
* An estimated 1.000 members in the sector (members of HK/Private)

*Danish Union of Electricians (Dansk El-Forbund, DEF)*

* Electricians
* Density with regard to the union domain 80 % (estimated)
* Estimated 120 members

*Danish Association of Managers and Executives (Ledernes hovedorganisation, Lederne)*

* Managers and executives
* Lederne has an estimated 1.400 members in Copenhagen Airport and private firms related to aviation.

**Most important Employer organization**

The dominant organisation representing employers in aviation is Confederation of Danish Industry (Dansk Industri, DI).

*Confederation of Danish Industry (Dansk Industri, DI)*

* DI has an estimated 28 member companies in the sector. These include airports, airline companies, baggage handling companies, catering companies and other companies related to aviation.
* All commercial airports and the majority of the large airline companies operating in Denmark are members of DI.
* All the major aviation companies are members, including Scandinavian Airlines (SAS), Norwegian and Copenhagen Airport.
* Estimated 30,000 employees work in member companies that are directly linked to aviation while another 20.000 employees are working in companies indirectly linked to the sector. (data from DI report in 2016)
* DI membership covers estimated 95% of the companies in the sector

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1. Different accounts estimates the union coverage differently, but the differences are not considerable. See Due et al, 2010; DA 2009; Ibsen 2000; Scheuer 1996. [↑](#footnote-ref-1)
2. <https://jyllands-posten.dk/politik/ECE4321278/Brian-M.-Forkert-at-privatisere/> [↑](#footnote-ref-2)
3. Ryanairs dismissal of trade unions and collective agreements was the reason that the company could not establish bases in Copenhagen Airport. Ryanair had a base in Billund from 2012, but they choose to close it in 2015 after a conflict with trade unions in Copenhagen Airport. The Labour Court made a verdict 1. July 2015 in favor of the trade unions, imposing Ryanair to engage in negotiation on collective agreement. Ryanair denied and withdrew from CPH as well as Billund Airport. [↑](#footnote-ref-3)
4. <https://piopio.dk/piloter-gaar-sammen-med-smede-og-soemaend> [↑](#footnote-ref-4)