**Intra-European labour migration and low-wage competition – Comparing the Danish and Swedish experiences across three sectors**

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*The article compares how low-wage competition and labour migration from EU11 member states affects Industrial Relations and working conditions for natives and migrants in three sectors (transport, cleaning and agriculture) in Denmark and Sweden. The analysis shows that already vulnerable sectors –especially geographical dispersed sectors - are strongly affected.*

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The Nordic industrial relations (IR) systems are known for highly regulated labour markets with strong trade unions, well organised employers and wide-spread and encompassing collective agreements (Korpi, 1983; Kjellberg, 2013; Andersen et al., 2014). However, the increasing inflow of low-wage labour from the newer EU countries[[1]](#footnote-1) puts strains on national IR-systems(Cremers et al., 2007; Dølvik and Visser, 2009), as the inflow of labour migrants and posted workers is used by some employers to bypass the institutionalised but not legally binding labour market regulations in the Nordic countries (Lillie, 2010; Jonsson et al., 2014). While much literature have emphasised national variation, we claim that the within-country variation among sectors and firms is equally important when analysing this (see also Bechter et al., 2012; Lane and Wood, 2009; Hardy, 2015). So we apply a comparative sector-based design across two very similar national institutional settings. So far the majority of research on low-wage labour migration and the posting of workers have focused on the construction sector (e.g. Eldring et al., 2012; MacKenzie et al., 2010; Wagner and Lillie, 2014). While construction is highly affected (several Danish and Swedish large scale construction project like the Copenhagen Metro Ring, the City Tunnel in Malmö and the North Link in Stockholm confirm this), we argue that other sectors might be even more influenced by the low-wage competition. In Denmark and Sweden cleaning, agriculture and transportation are strongly affected, albeit to various extent and partly in various ways (Thörnquist, 2013a, 2015; Jonsson et al., 2014; Refslund, 2014, 2015; Sternberg et al., 2015).

We compare how the labour inflow from the newer EU member states affects IR and working conditions in these three sectors in Denmark and Sweden. The article thus aims to make the following contributions: i) How European integration and the deregulated and enlarged European market for services and labour challenges the Nordic IR systems, ii) how pressures stemming from Europeanisation affects already vulnerable sectors like cleaning and agriculture, and finally iii) the article aims at improving our knowledge on how sectoral variation within regimes can be explained by differences in union power, the role played by the state, including legislation, as well as sector characteristics like firm size and geographical dispersion.

**Labour migration in the enlarged Europe**

The definition of labour migrants is closely connected with the methodological problems in studying this topic. In Sweden, most high-level studies have concerned migrants who are included in the population register as “immigrants” (e.g. Tamas and Müntz, 2006; Wadensjö, 2012; Gerdes and Wadensjö, 2013).[[2]](#footnote-2) When it comes to workers from other EU countries staying for shorter spells than a year, the official statistics are often poor, yet “temporary” labour migrants in this sense are among those who are most vulnerable in the labour market (Thörnquist, 2013a, 2015; Jonsson et al., 2014). In this study, we aim to comprise a broad scope of workers from the newer EU countries working for longer or shorter time-periods in Denmark and Sweden. Since Sweden did not introduce transitional restrictions for the newer EU member states, there is for example no register data based on work permits. Moreover, many labour migrants stay for shorter time-periods than 6 months to avoid being registered under the Swedish tax regime. However, since July 2013, employers posting workers to Sweden are obliged to register with the Swedish Work Environment Authority (Act 2013:351; cf. Directive 2014/67/EU).

In Denmark the registration is however more advanced due to the merging of several registers including the wage register. As in Sweden, it is also compulsory for firms posting workers to register with the authorities (Refslund, 2014). There were at least 90,000 EU11-citizens working in Denmark in 2014.[[3]](#footnote-3)As a whole, the inflow from the EU11 countries to Sweden has been comparatively low, partly due to low demand for unskilled workers. The gross migration rate in 2011 was estimated to 1.1 in Sweden, compared to 2.3 in Denmark and 5.4 in Norway (Rose Tronstad and Andersson Joona, 2013: 27).[[4]](#footnote-4) On the other hand, the inflow of low-wage labour to Sweden for shorter spells than a year has been common in certain sectors, such as construction and road haulage (Thörnquist, 2013a; Jonsson et al., 2014), as well as in agriculture, horticulture and forestry (Svensson et al., 2015). Over the past few years, the registered labour migration to both Sweden and Denmark from especially Poland and the Baltic States has decreased due to improved labour market conditions in these countries (Thörnquist, 2015: 13-15; Refslund, 2014).

**Challenges facing the Nordic IR-systems following European integration**

There is increasing tension between the Nordic models and the processes of deregulation and integration within the enlarged EU (Hyman, 2001; Scharpf, 2010). Especially the countries in North-western Europe and Scandinavia are affected, since they have more regulatory policies that can be negatively affected (Scharpf, 2010: 238). At the same time, the legal foundations for any European social dimensions are weak (Falkner, 2010: 296), while the juridical and legislative aspects of the European free movement have become very extensive. This is further advanced by the very activist approach taken by the European Court of Justice (ECJ) (Scharpf, 2010) and it has been intensified after several ECJ rulings, in particular the Laval Case that gained widespread attention in Denmark and Sweden (Woolfson et al., 2010; Refslund, 2015).The judicial foundations for the Laval-ruling has been questioned by Nordic legal scholars (Malmberg and Sigeman, 2008; Ahlberg, 2013; Kristiansen, 2013).

While IR systems purportedly still are the realm of the national states, EU legislation has an ever-increasing impact on national models including IR (Crouch, 2014). The enlargement of the EU into the former Eastern Bloc has also meant considerable structural differences regarding the levels of wages and labour standards. This development challenges the Nordic IR-systems, which historically are based on self-regulation between unions and employers and a non-legal tradition combined with high union density and high collective bargaining coverage (Andersen et al., 2014). Labour market regulations in other European countries as well as in the European Union are to a much larger extent based on legislation and state interference (Crouch, 2012). The European approach to regulating labour markets through civil courts and legislation is thus in sharp contrast with the Nordic tradition of low (or none) judicial interference (and only little political interference) in the labour market.[[5]](#footnote-5) Moreover, the Nordic IR-systems have traditionally emphasised collective rights and organisations, while the EU approach gives more credence to individual rights (Kristiansen, 2013).

The inflow of labour from the newer EU countries does not necessarily mean underbidding of wages and job competition. We argue that both these phenomena are dependent on the terms and conditions on which migrant workers and posted workers are working, as well as whether or not they are used to replace native labour in the destination countries. In other words, competition in these fields is dependent on the existence of actors who have an interest in taking advantage of the differences in wages and labour standards between countries (cf. Lillie, 2010).

In recent years, the notion of “social dumping” has gained significant attention in the public debate and to a more modest extent in academia (Bernaciak, 2014; Vaughan-Whitehead, 2003). This notion is however often used without a distinct definition. In this article we relate to a definition elaborated by Bernaciak (2014: 16), where social dumping is defined as: *”as the practice, undertaken by self-interested market participants, of undermining or evading existing social regulations with the aim of gaining a short-term advantage over their competitors”.*

**Methods**

In this article we present the comparative findings from three case studies conducted in Sweden and Denmark within cleaning, agriculture and transportation. Some of the sector results draw partly upon our previous research findings (mainly Refslund, 2014 and Thörnquist, 2013a, 2015), while the empirical basis has been broaden for this article with a focus on the comparative perspective. The overall design of the article consists thus of 3x2 individual case studies. In the case studies, the empirical parts have focused on in-depth interviews with key actors in the sectors, mainly at the institutional level, such as union and employer association representatives at local, regional and national level, but also local managers, work leaders and company owners have been interviewed. The interviews (11 specific used in this article and more than 40 in total) were semi-structured and focused on labour migration and low-wage competition from the newer EU countries, and the effects on industrial relations and working life conditions in the sectors. The interviews in general lasted between one and one-and-a-half hours. Data from the interviews have been supplemented with information gained through existing research and literature, official statistics, public documents and reports and media coverage.

The Danish and Swedish industrial relations systems bear a high degree of resemblances (Andersen et al., 2014) which makes the comparative design highly relevant for emphasising and analysing sectoral variances that might be more significant than national variation (Bechter et al., 2012). In the following we present the sector-wise results from both countries emphasising divergences and convergences. Then we move on to compare the results and the main sectoral variation before we shortly summarise in the conclusion.

**Comparing Denmark and Sweden**

Both Denmark and Sweden experienced increasing inflows of labour from the newer EU countries after 2004, and much of the East-West labour migration tends to be transient and circular migration, or posted workers employed by foreign subcontractors (Favell, 2008; Rose Tronstad and Andersson Joona, 2013). Even though the Nordic labour markets are highly regulated, there are also significant differences between industries and sectors. Manufacturing and public work have generally higher levels of unionisation and higher coverage of collective agreements, whereas agriculture and cleaning traditionally have had lower levels (Kjellberg, 2013).

Since the Nordic model is based on high membership rates in both unions and employer organisation, the low unionisation level of labour migrants and posted workers are very challenging for the unions as shown, for example in Danish cleaning and agriculture (Refslund, 2014). Migrants are more difficult to organise due to their often temporary labour market status (Schmidt, 2006), but the likelihood of migrants becoming unionised is increasing significantly with the duration of their stay (Friberg et al., 2014).

Since neither Denmark nor Sweden have legislated minimum wages and collective agreements are not universally applicable or extended (Ahlberg, 2013; Andersen et al., 2014), these systems are potentially vulnerable to low-wage competition via posting or through firms not signing a collective agreement. It is up to the unions to locate any firm not following the wage level set in the collective bargaining and take the necessary measures to force these firms into compliance. This can be problematic, especially in sectors like the analysed, where there are many minor work sites with a high turn-over. So, before the unions have located the firms and started negotiation the firm might be out of business.

**Cleaning**

Cleaning is a very labour intense sector with a wage share as high as 75-80 per cent of total production costs (Kirov and Ramioul, 2014: 299). The sector is characterised by physical and psycho-social demanding work; often working odd or split hours and a lot of part-time work(Kirov and Ramioul, 2014; Holtgrewe et al., 2012: 6). Cleaning is also a segregated labour market with a very high share of female workers and immigrants. In Sweden almost 50 per cent of the work force is foreign-born, and in Denmark it is at least 40 per cent in general cleaning (Thörnquist, 2015; Refslund, 2014). Thus, low-wage competition due to labour migration will affect not least previous immigrants (Somerville and Sumption, 2009: 3).

The European cleaning industry has experienced a drastic growth with a five times higher turn-over in 2012 than in 1989. There is however still a large share of informal jobs especially in domestic cleaning (Holtgrewe et al., 2012: 4-5; Torvatn, 2011; Gavanas, 2011;Scmulyar Green and Spear, 2014). The industry has increasing issues with precarious employment, like unwanted short-term employment, including employment by the hour and on-call arrangements. Such conditions are common especially in small companies with low profit margins. Overall general cleaning is characterised by below-average wages, lower union density and shrinking rates of collective agreements due to outsourcing in the public sector (Holtgrewe et al., 2012; Refslund, 2014; Torvatn, 2011;). Even though the state and the social partners have tried to mitigate unfair competition and economic crime in both Denmark and Sweden, these problems still cause serious market disturbances and labour abuse (Refslund, 2014; Thörnquist, 2015).

Public work is under fiscal strains in most European countries, which has led to growing public outsourcing in the cleaning sector (Grimshaw et al., 2012; Kirov and Ramioul, 2014). Several studies show that privatised public services often lead to insecure employment conditions, higher workloads and work pace and often also lower wages (Dube and Kaplan, 2010; Hermann and Flecker, 2011), and Nordic studies have confirmed this in outsourced public cleaning (Refslund, 2014; Kirov and Ramioul, 2014; Thörnquist, 2013b, 2015). Previously, public cleaning would set industry standards through collective agreements (Corby and White, 1999), but this mechanism has been weakened or completely abandoned in the past few decades because of public outsourcing (Refslund, 2014; Thörnquist 2013b, 2015). Thus, outsourcing of public work plays a significant role in the changing working conditions. At the same time the customers’ increasing demands in private services is creating additional pressure (Kirov and Ramioul, 2014: 295). In many countries, including Denmark, cleaning is now increasingly done outside of business hours, which means working early morning and evenings, which in the Danish case lead to migrants taking over large shares of these jobs (Interview 1).

In the recent years the Danish cleaning industry has experienced a dramatic increase in Eastern European workers, and the share has more than doubled since 2008, so it is estimated that around 40 per cent of all workers in general cleaning are from EU11. Due to significant outsourcing many small firms have started operating in the Danish cleaning industry often through complex webs of subcontracting companies typically operating without collective agreements and paying wages significantly below the collective agreement levels. These subcontracting firms have been the main source of precarious work among labour migrants, such as working over time without extra pay or being paid at extreme low levels. There are also examples of straight-out exploitation where chiefly Romanian workers have faced exploitative conditions combined with illegal practices like tax-evasion and very poor working and housing conditions (Interview 1). There have been several court cases concerning exploitation of labour migrants (Refslund, 2014: 15), and at least two persons have been sentenced to 2-3 years’ imprisonment.[[6]](#footnote-6)

Due to the many small firms and changing working sites combined with the unions’ restricted resources, the sector has lower levels of collective agreements, and it is thus hard for the unions to organise and reach the labour migrants. Here the absence of universal applicable collective agreements or minimum wages is challenging the unions and the IR-model. It also makes posting less relevant since workers can be employed directly without any collective agreements (Refslund, 2014).

In Sweden the pattern is somewhat different, in that the inflow of EU11 labour migrants in office cleaning has been comparatively low (Thörnquist, 2015). However, there are an unknown number of mainly female labour migrants working in domestic cleaning, in many cases informally (Gavanas, 2011; Scmulyar Green and Spear, 2014). An important reason behind the limited east-west labour migration in office cleaning is that cleaning in Sweden is carried out mainly during business hours, at least in the formal sector. However, many undocumented migrants are working in this industry, often during night-time to be less visible. Over all, there is no labour shortage in office cleaning, and job-competition is often high.[[7]](#footnote-7) In addition, the contract periods in public procurement are generally 3–4 years, which impacts the inflow of labour migrants who intend to stay for shorter time-periods, as well as the use of posted workers (Thörnquist, 2015).

Swedish governments – especially the former centre-right government – have encouraged the establishment of small enterprises through tax reforms and other incentives. Tax relief for people buying domestic cleaning services has also contributed to the large increase in small cleaning companies, especially among foreign-born women. Moreover, over 60 per cent of the Swedish municipalities have introduced a system of “customer choice” (Le Grand, 2007) in home-based care and services for elderly and disabled, where the users can choose between the public provider and different authorised private providers (Thörnquist, 2013b, 2015).

This system presupposes a diversity of providers, and all companies authorised by the local authorities have access to this tax-financed “quasi market” (Kastberg, 2005).This has contributed to a strong oversupply in the Swedish market for cleaning services, especially in large. Oversupply and high price pressure in public procurement, put strain on the workers, since the employers try to reduce labour costs to gain competitive advantage. However, this has not in the first place resulted in the use of low-wage EU11 workers. The main strategy has instead been to engage highly subsidized labour through the Public Employment Services - that is native workers - including previous immigrants, participating in labour market programmes. This means that the employers can expect considerable wage subventions (often 80-85 per cent), and many small companies are in fact dependent on these subventions to survive. Thus, job competition and the market disturbances are to a large extent generated within the domestic labour market. As in Denmark, many small companies lack collective agreements, some of which have started within the labour market programmes as well. Moreover, the use of individual labour contracts with sometimes extremely precarious and arbitrary employment conditions have been revealed in recent years; in some cases, the employers have been temporary agencies from the newer EU countries (Thörnquist, 2013b, 2015).

**Agriculture**

Agriculture has historically played a very important role in Danish economy and it still does, while this sector has long been shrinking in Sweden. In both countries, however, agriculture and horticulture have faced strong inflows of EU11-workers after 2004. Before EU Eastern enlargement, there were practically no migrants working in Danish agriculture, but in 2013, 24 per cent of all workers in the sector were EU11-workers. This happened despite sharp declines in overall employment. According to interviewed Danish union officials this was due to companies replacing higher paid natives with labour migrants (interview 2-3). The migrants are often directly employed without collective agreements, for example in greenhouses, or through subcontracted companies without collective agreements that typically pay below average wages. In Denmark, as well as in Sweden, agriculture has historically had lower union density and collective bargaining rates. The low collective agreement coverage, especially in small companies, makes it difficult for the unions to get a foot-hold and this is reinforcing the problems with many migrants without collective agreement and union membership. In many Danish agricultural companies, it is now normal to employ a majority of EU11-workers (Interview 2).

In Sweden, EU11 labour migrants are commonly used as seasonal workers in horticulture, especially in the open-field production of vegetables and berries in southern Sweden, and in berry picking in the forests in Central and Northern Sweden. Labour migrants are to some extent also working for longer spells in stock breeding, for example in pig farms (Interview 4-5). In contrast to cleaning, however, few foreign-born workers living in Sweden are working in the ”green sector” (Svensson et al., 2015). The wide-spread use of temporary labour migrants in agriculture, as well as in certain parts of forestry (such as planting and thicket cleaning), has mainly been explained by difficulties in recruiting workers in Sweden, despite high unemployment, especially among young people and immigrants (interview 4-5). According to the Swedish Municipal Workers' Union, *Kommunal*, which organises workers in agriculture, Swedish workers are reluctant to take up seasonal work, not only due to low wages and harsh working condition, but also because of changes in unemployment benefit regulations introduced in 2007 by the former centre-right government. Among other things, this meant that the unemployment benefits were based on average working days during a 12-months period (interview 5). Thus, from this point of view, the state has contributed to labour market segmentation.

*Kommunal* estimates that 16–20,000 temporary labour migrants (mainly from the EU11 countries) are working in horticulture and agriculture annually and they are often mediated by previous migrants settled in Sweden. In addition, foreign (mainly Polish) temporary employment agencies are providing cheap labour in these sectors (Interview 5). As in Denmark, many companies avoid collective agreements to gain competitive advantage, or they settle (“false”) collective agreements without following them (cf. Thörnquist, 2013a: 9-11). Thus, the workers are often subjected to highly precarious working conditions, including job insecurity, low wages, no social benefits, poor housing and exposure for pesticides (cf. Svensson et al., 2015). This also means that employers who follow laws and collective agreements are at high risk of being pushed out of this price-sensitive market (Interview 5).

Regarding berry picking in Swedish forests, almost all workers nowadays are labour migrants. They come either from South East Asia (especially from Thailand) or from Eastern Europe (mainly Poland, Bulgaria, Romania and Ukraine) (Wingborg, 2014). Berry picking has often occurred within the informal economy under very poor working conditions (Woolfson et al., 2012). In the past few years, however, the Swedish Migration Agency has introduced stricter regulations for berry pickers, especially from third countries. Among other things, Swedish berry companies employing workers directly or through foreign staffing companies, must guarantee a monthly minimum wage. Moreover, Kommunal has introduced a collective agreement for berry pickers, and the Staffing Agreement applies to workers employed by staffing companies whether the employer has signed a collective agreement or not (Interview 5). Consequently, these restrictions concern only workers who are employed. Berry pickers from the newer EU countries, who generally work on their own account and sell berries directly to purchasers, are not covered. Thus, it is reasonable to assume that that the recruitment of Eastern European workers will increase in the future.

In Sweden, and to some extent in Denmark, the use of labour migrants as seasonal workers in the "green sector" has thus created a segmented labour market (Deakin, 2013) with significant differences in tasks, wages and employment and working conditions. Since there is hardly any mobility or competition between migrant workers and permanently employed domestic workers, we may even talk about a dual labour market (Piore, 1979).

**Transportation**

Road haulage is no doubt the Swedish industry that has been most affected by low-cost competition related to the EU eastward enlargement. More specifically, the problems concern long-distance freight transportation with trucks-tractors and trailers, which is the sector with the most exchangeable workers. The transnational road freight transportation has been almost outcompeted, but domestic route traffic is also affected (Thörnquist, 2013a; Sternberg et al., 2015). In Denmark, the pattern is somehow similar, and transnational long-distance road haulage has also almost completely vanished since the EU enlargements in 2004/2007 due to European low-wage competition. The employment in Danish export haulage dropped with 7-8,000 jobs to below one thousand in ten years. Both in Denmark and Sweden, the transnational road haulage companies that have survived are mainly highly specialised firms, for example in wind turbine transports (Interview 6-8). Transport workers' unions are known as powerful unions, but a growing number of drivers are not organised, partly due to the increasing use of self-employed workers (Thörnquist, 2013a).

The transnational road freight traffic within EU has been deregulated, while domestic freight transportations remain regulated through Directive (EC) 1072/2009 on cabotage traffic (Lafontaine and Valeri, 2009). The Directive states that foreign hauliers on export journeys may carry out three transportations in the destination country within a week after delivery of the main cargo. However, the problem is that this regulation is openly violated or circumvented in most EU states (Hilal, 2008; Sternberg et al., 2015; Steen et al., 2015). The interpretation of the Directive also remains disputed, with for example Finland and the Netherlands applying a very strict understanding of the cabotage rules. Moreover, the European Commission strongly advocates so-called combined transports (i.e. transnational transports by ship or train and trucks). The Combined Transport Directive (Council Directive 92/106/EEC) presupposes further liberalization of transnational transports. The European Commission had planned to lift all restrictions on cabotage in 2013, but after massive protests from the European Transport Worker Federation, the Commission withdrew from these plans (Interview 7-8).

In Sweden, recent investigations have revealed thousands of trucks on illegal cabotage journeys as well as foreign trucks never leaving the country (Sternberg et al., 2015). This also means that the drivers are working way below Swedish collective agreements and labour standards. In addition, Swedish forwarding agencies and haulage companies recruit drivers from the newer EU countries, and increasingly also from non-EU countries to reduce transport costs. As a large part of the production costs is labour costs also in this industry, many small and medium-sized companies with low profit margins are highly vulnerable to low-cost competition (interview 8-9).

Some companies try to “solve” the problem by replacing their employed Swedish drivers with self-employed drivers from the newer EU countries, or from countries outside the EU. However, most of these workers are in fact working as employees, but without all the rights employed workers are entitled to in a regular contract of employment. Thus, the employers use “false self-employment” (i.e. “disguised employment”) to circumvent collective agreements, labour laws, social insurance costs and other employer duties implied in a regular contract of employment. This practice, which is common also among foreign hauliers, has meant further downward pressure on Swedish wages and labour standards (Thörnquist, 2013a).

The Swedish Transport Workers' Union, *Transport ,* and the Swedish Association of Road Transport Companies, *Sveriges Åkeriföretag*, cooperate actively in the common interest of curbing the undercutting of prices and wages and thus save the Swedish road haulage industry. Among other things, they press for stricter legislative measures to control illegal cabotage as well as other forms of unfair competition. In the past few years, the Swedish Tax Agency has strongly increased control of both foreign and Swedish trucks to stop tax evasion. Moreover, a new law was introduced in March 2015, which entitled the police and custom officials the right to “clamp” vehicles and keep them for 24 hours if they suspect violation against Swedish or EU regulations. Stricter regulations without a time-limit have been discussed as well. *Transport* is also one of few trade unions in Sweden that seriously consider a legal extension of the collective agreements (Interview 7-9).

In Denmark, the national road transport remains highly regulated mainly due to Danish legislation (*Godstransportloven*) on national road haulage (vehicles above 3.5 ton). To acquire a permit for road haulage you have – among other claims - to adhere to employment conditions *on par* with the collective *and* national agreements of which there are currently three recognised. Because of this there are no advantages of employing migrant or temporary workers since they would still have to follow the collective agreement terms. There have on the other hand been examples of firms operating smaller road carriers (less than 3.5 ton vehicles) employing temporary workers or workers below the terms set in the collective agreements since these are not regulated by the national legislation. A loophole in the Danish legislation allowing Danish firms’ subsidiaries abroad to drive in Denmark with foreign drivers have recently been closed (Interview 6).[[8]](#footnote-8) Moreover, in Denmark the government has prioritised resources to secure enforcement of the cabotage regulation by police and tax authorities earlier than in Sweden, and there seems to be only few problems with illegal cabotage (i.e. a fourth trip) in Denmark. On the other hand, many foreign trucks are continuously carrying out domestic transport without formally violating regulations, since they make one transnational journey per week (Sternberg et al., 2014). Overall the level of cabotage is still moderate with an estimated cabotage penetration of 4,6 per cent (Sternberg et al., 2014).[[9]](#footnote-9) Especially smaller firms and operators are however concerned with the risk of increased cabotage; whereas the larger transport firms have more capacity to take advantage of cabotage with their own trucks (Interview 10 and 11).

**National sectoral variance across the two countries**

National regulation has a significant impact on the outcome of labour migration (Bosch and Weinkopf, 2013; Menz, 2005), and studies suggest that migrant workers on average have better conditions in the Nordic countries than in most other countries (Ruhs, 2012; Friberg et al., 2014). However the impact and outcome of low-wage competition from labour migration can obviously not be deduced only from the institutional setting. This article shows how the outcome varies across sectors within national systems and across rather similar institutional settings (cf. Hardy et al., 2012; Hardy, 2015). This also suggests, as stressed by Crouch (2005: 440) that we need to study how different models of capitalism exists within the single national case.

All three sectors are affected by labour migration and low-wage competition following European integration (see figure 1). However, there is also significant variation across countries and sectors, which confirms that we need to pay close analytical attention to both within-country and inter-sector variance in order to better understand changes in industrial relations (Bechter et al., 2012). What in general make cleaning and agriculture vulnerable sectors are high shares of low-skilled labour, below average levels of collective bargaining and unionisation, but in particular also the geographical dispersion of working sites. In the road haulage industry, the problem is both dispersed and mobile working sites. In the Nordic countries, where applying collective agreements is dependent upon the unions’ presence or pressure from unions, sectors with low levels of unionisation will be more prone to social dumping. Subsequently, economic sectors with many small, changing and geographical dispersed work sites, as the sectors analysed, face high risks of precarious employment, because the unions have limited resources to locate the sites and initiate industrial action to obtain a collective agreement. It thus becomes easier for employers to create non-regulated work spaces to bypass the labour market regulations (cf. Lillie, 2010), for example by employing migrants without collective agreements. This tends to be reinforcing since fewer union members means less resources to organise and push for collective agreements. However, when the work sites are highly concentrated and well-known, such as Danish slaughter houses, the model typically have “full coverage” of labour migrants (see Refslund, 2012). Manufacturing are also only very modestly affected. Finally, the competitive pressure is also affecting the analysed sectors, although to varying degrees with the lowest competitive pressure in Swedish cleaning.

Figure 1 Cross-national sector comparison



Source: Case study data.

Note: Data for unionisation and collective agreements coverage refer only to the “native” labour market, and does not include the segments dominated by labour migrants.

The impact has been less significant in Sweden than in Denmark in agriculture and cleaning. In cleaning, the recruitment of low-wage labour from the newer EU countries has been limited partly by the employers' possibility to use a tax-financed reserve army of cheap native labour – that is workers participating in labour market programmes with wages highly subsidized by the state. In Swedish agriculture/horticulture, the immediate effects on the labour market of the comparatively high inflow have been mitigated as migrant workers do not in fact directly replace native workers. Yet the presence of sectors within a bargaining area with few or no organized workers working below regular wages and working conditions is always a serious problem for unions and a threat against established IR and labour standards. Hence, as regards seasonal work in Swedish agriculture/horticulture (as well as in forestry), we may talk about sectors with a highly segmented, not to say dual labour market (cf. Piore, 1979). While there also is tendencies towards dual labour markets in Denmark especially in agriculture and cleaning these are not as pronounced as in Sweden.

Transportation is – like aviation – affected by the transnational character of the industry, which makes it difficult for national IR-regulation to curb the sector like the experience from Danish and Swedish export road haulage highly confirm. The relative strong organisations have not been able to safeguard employment in the cross-national segment, and jobs have almost completely vanished except for some highly specialised tasks. Thus, this too is a segmented, albeit not exactly a dual labour market in the classical meaning of Piore (1979), since competition between migrant workers and native workers is still high.

Despite variations in union density and collective agreements this does not translate into any simple pattern as seen in figure 1. However, all the analysed sectors tend to have below averages, which partly are explaining why they are affected in the first place. The most important explanatory variable is however the geographical dispersion, which points to the important role of geography in analyses of contemporary capitalism (Brenner et al., 2010). Because of the unions’ lack of resources to locate and initiating industrial action in the numerous small and changing firms and worksites in the sectors the traditional way the Nordic IR-systems work face severe challenges. Since it is entirely up to the unions to secure wages and collective agreements (in the absence of any minimum IR-standards including wages) employers can bypass the institutionalised IR-system by “flying under the radar”. Even in transportation that has the highest levels of unionisation and collective agreement coverage, there are increasing pressures. In Sweden an increasing number of foreign but also native transport workers are registered as self-employed, which makes it even more difficult for the unions to organise. The relative lower impact in Danish domestic transportation is mainly explained by the strong impact of national legislation and control mechanisms that were introduced earlier than in Sweden and that are supporting the sectoral IR-regulation.

The case studies also show how the state remains an important actor both direct and indirect in Nordic industrial relations (Dølvik, 2013). In some of the vulnerable sectors where the unions have difficulties in covering all workers, the state – and the municipalities – have traditionally had an active role through either bench-marking collective agreements (e.g. in public cleaning ) or national legislation (e.g. road transportation, especially in Denmark). While Danish legislation on road transportation remains intact the public bench-marking in cleaning has been undermined through outsourcing. In Sweden, the reinforced national legislation against illegal cabotage and other forms of unfair competition may help to curb social dumping in road haulage. The trend in cleaning is roughly the same in both countries. However, in line with EU's new Directive 2014/24/EU, social clauses in public procurement could fill some of the gap left by outsourcing (Schulten et al., 2012). Social clauses has gained significant attention following problems in outsourced cleaning and home-based services (Refslund, 2015; Thörnquist, 2013b, 2015), but also in high-profiled public construction works, like the Copenhagen metro and the South Link in Stockholm (Jonsson et al., 2014).

**Conclusion**

The findings in this article shows how labour migration from the newer EU-countries is challenging the Nordic IR-systems, especially in sectors that are more vulnerable due to high shares of low-skilled work and dispersed, small and mobile work sites. Nordic IR-systems have traditionally been characterized by strong unions and high unionisation rates (Korpi, 1983), and although this has been challenged by new modes of organising production, increasing internationalisation and the impact of neo-liberal ideas, Denmark and Sweden still have some of the most coherent and egalitarian IR-systems in Europe (Kjellberg, 2013; Andersen et al., 2014; Bechter et al., 2012; Refslund et al., 2015), but as the case studies show, there are significant sectoral variance.

In the absence of minimum standards (neither legal nor extended from collective agreements), it is entirely up to the unions to locate and initiate collective agreements. This is problematic when the work sites are small and geographical dispersed, and often changing as in the sectors analysed, which is further complicated by the low unionisation rates of the labour migrants. If the unions have no members in these firms and sites, it is even more difficult to locate the firms and compel the employers into a collective agreement. This leaves room in the IR-model for employers to create what Lillie (2010) terms “non-regulated spaces” in a regulated setting. When comparing with sectors with more concentrated work sites (like the slaughter house industry cf. Refslund, 2012) the work site size becomes paramount in explaining the impact in the Nordic IR-systems (Kjellberg, 2013). Sectoral differences in competitive pressure, national regulation and labour supply also has implications for both the inflow of labour migrants as well as the implications thereof. The unions are in general reluctant towards legislation and extension mechanisms, so the issues identified in this article might be somewhat of an Achilles’ heel in the traditional Nordic model of self-regulation.

As shown the state still plays an active role in Nordic IR in both creating some of the problems through outsourcing, but on the other hand also curbing the outcomes through legislation and public procurement regimes. So we still need to emphasise the role played by active governments as argued by Dølvik (2013).

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2: Regional union representative, agriculture (3F), Denmark.

3: National union officer agriculture (3F), Denmark.

4: President of the SLA Stockholm.

5: Union officer, Kommunal Stockholm.

6: National union officer, Transport (3F), Denmark.

7: Investigator, Transport Stockholm.

8: Union officer, Transport Stockholm.

9: Regional director Swedish Association of Road Transport Companies.

10: Director, Transport section, Confederation of Danish Industries.

11: Director, Danish Transport and Logistics Association.

1. The newer EU countries are the eight Eastern and Central European countries that joined EU in 2004 and Bulgaria and Romania in 2007. Including Croatia we will term these countries EU11. [↑](#footnote-ref-1)
2. To be registered as an “immigrant” in Sweden one must stay at least 12 months, or express a clear intention to do so (Wadensjö, 2012: 45-46). [↑](#footnote-ref-2)
3. Own calculations based on public figures from jobindsats.dk (cf. Refslund, 2014). [↑](#footnote-ref-3)
4. The gross migration rate for a country refers to the number of registered immigrants divided with the total population in a given year. [↑](#footnote-ref-4)
5. Although there is are independent labour market courts and strong protective legislation. [↑](#footnote-ref-5)
6. For the court ruling: <http://www.domstol.dk/oestrelandsret/nyheder/domsresumeer/Pages/Domisagomudnyttelseafrumaenskerengoeringsarbejdere.aspx> [↑](#footnote-ref-6)
7. In recent years, the recruitment of ”third country” labour migrants have been restricted in sectors with no actually no labour shortage. [↑](#footnote-ref-7)
8. See also <http://www.fagbladet3f.dk/temaer/piratkoersel/34602e4a03704a7584356dd470052567-20150526-lov-mod-piratkoersel-vedtaget> [↑](#footnote-ref-8)
9. It is hard to establish exact figures on cabotage. Eurostat data is questioned by several key informants in the two countries due to the share of self-reporting from the newer EU member states. Sternberg et al. however report a figure based on various sources including field studies and online reporting. [↑](#footnote-ref-9)