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Cutting to the Bone

Workers' Solidarity in the Danish-German Slaughterhouse Industry

Bjarke Refslund and Ines Wagner

3.1. INTRODUCTION

The pig slaughtering and meat processing industry has historically been characterized by Tayloristic work processes and work organization. In recent years, the industry has become increasingly integrated across Europe. Germany and Denmark are among the prime producers and exporters within the European and global pig meat market. Two decades ago, wages and working conditions in the two countries were similar (Strandskov et al. 1996). However, today their labour market structures and working conditions have diverged significantly. The Danish workforce enjoys comparatively high wages and good working conditions, avoiding tendencies towards segmentation and precarious working conditions. In the German industry, on the other hand, there has been a radical growth in precarious employment, a rapid weakening of the unions, and workforce dualization, mainly based on 'posted' labour migration.

The purpose of this chapter is twofold: first, to explain the reasons behind the dualization in Germany in comparison to Denmark; and second, to examine the implications of these differences for union power as unions oppose management attempts to undermine pay and working conditions. The analysis is based on a comparison of industrial relations at slaughterhouses of the Denmark-based Danish Crown, a multinational meat producing company operating in both Denmark and Germany. Findings show how inclusive institutions support inclusive worker solidarity in the Danish case. First, at the national-sector level, Danish unions were able to mobilize traditional forms of associational and institutional power resources, such as strong worker collectivism and high union density, to bolster collective bargaining power. This allowed them to maintain or improve working conditions for the workforce and oppose pressure for labour market dualization by including labour migrants on equal terms to native workers. Weaker institutional and associational power in Germany led to growing segmentation, which in turn divided the workforce and limited union options for developing a solidaristic response. The case study reveals sporadic attempts to

overcome this, but these resulted in only limited benefits for a small group of workers. The absence of traditional forms of solidarity paired with unions' inability to forge 'new' forms of more inclusive solidarity (such as organizing migrant workers) explains the associational and institutional weakness of the German meat sector union. This was associated with fragmentation of work and labour processes, both across the industry and within each production site, which led to the deterioration of working conditions. This is similar to dynamics observed in other industries experiencing vertical disintegration and competitive benchmarking across production chains (cf. Doellgast and Greer 2007; Flecker 2010; Greer and Hauptmeier 2016).

The two country cases examine how national as well as transnational dynamics are important in shaping wages, working conditions, work organization, and workers' organization and representation. At the national level, the different positions, strategies, and power resources of unions and workers presented very different options for mitigating the use of non-standard contracts and arrangements by large MNCs. In the German case, the use of posted and subcontracted labour was an important factor undermining the workers' position and lowering the companies' cost. At the transnational level, Danish and German slaughterhouses do not compete in independent markets, but are part of a global production system, which is embedded in a regional European production system. Danish production sites benefitted from the capacity of companies to segment labour markets across national borders. In the meat industry, Danish Crown and its competitors took advantage of Germany's weaker collective bargaining institutions to adopt labour practices and gain cost savings that the institutional inclusiveness and associational power of the Danish union blocked in Denmark.

The main motive for firms relocating production within the European Union has changed from being mainly about access to markets and market shares in the 1990s and 2000s to cost reductions (Brandl et al. 2010). This also occurred in the slaughterhouse industry, where Danish Crown relocated a substantial number of jobs from Denmark to lower-cost production sites in nearby countries like the UK, Poland, and, above all, Germany, affecting the balance of power between workers and management (Wagner and Refslund 2016). This suggests that capital mobility across borders is affecting outcomes in the two countries, and that there are elements of core and periphery opening up between sites, based on uneven regulation and union power in labour-intensive industries. Union strategies to counter the expansion of precarious work in this sector thus requires new strategies aimed at reinforcing encompassing sectoral institutions, strategic campaigns, and cooperation across national boundaries.

3.2. BACKGROUND AND METHODS

The case studies in this chapter are based in the slaughterhouse industry in Germany and Denmark. While both countries are considered coordinated market economies characterized by strong unions and encompassing institutions, their industrial relations systems also differ significantly (Crouch 2012). This seems to have been further reinforced by the 2008 financial crisis and the following

economic crisis in Europe—at least in some industries. A key difference is that Denmark has a much higher union density (still roughly 65 per cent) and has maintained sector-based collective bargaining. The German institutional setting has shown declining union coverage and an increase in institutional regulatory voids, leading to an increase in precarious work, including for migrant workers.

The meat industry is interesting to compare in both countries because of its size and employment impact. Germany is the largest producer and Denmark the fifth largest producer of pig meat in Europe. The sector is important due to the labour-intensive work setting and history of strong unionism in both countries, and is also a significant employer of migrant workers. Wage levels in both countries were almost at the same level twenty years ago (Strandskov et al. 1996). Today, employment conditions and wages diverge significantly. This development is analysed by looking at how the big market player Danish Crown, operating in both markets, is adjusting its corporate strategy according to the different regulatory and institutional contexts, and in particular to the constraints set by the sectoral unions. This permits us to analyse differences in the organizational and institutional setting across the two countries, while holding the industry and work organization constant, since these have only minor differences.

This chapter utilizes sixty-one in-depth interviews conducted in both countries with trade unionists, workers, company management, employers' organizations, works councillors, and policymakers at the company and industry level as well as at the national and European level. The interviews were conducted between April 2011 and October 2015. The semi-structured interviews emphasized developments in industrial relations, wages, and working conditions (including worker precarity); business strategies of the firms; structural conditions, including competition; and the unions' power resources and positions. The interviews form the key data for the analysis. The chapter also draws on other sources, such as press reports and reports from unions as well as the secondary literature.

3.3. EXPLAINING PATTERNS OF PRECARIOUS WORK

Despite some differences in the size and age of slaughterhouse production sites between Denmark and Germany, industry and work processes are much alike in the two countries. Industrial slaughterhouse work is characterized by of the dominance of low-skill work processes and classic Tayloristic organization. Indeed, slaughterhouse work has been described as the textbook example of Tayloristic production in the twenty-first century. However, pay, employment conditions, and the use of non-standard contracts are different in Germany and Denmark, both in the slaughterhouse sector as a whole, as well as within Danish Crown. In Denmark, wages and labour costs are very high compared with those in Germany. Wages and working conditions are still negotiated in sector-level collective bargaining between the food workers union (NFF) and the Confederation of Danish Industries (DI). The typical hourly wage level is around €25 for all workers and social security contributions make labour costs even higher. There are very strong traditions of worker representation, where union membership is the social custom and all large sites have a full-time shop steward.

In Germany a sectoral minimum wage in the slaughterhouse sector took effect in January 2014, starting at €7.75 and increasing to €8.75 by December 2016. Before its introduction, hourly wages could be as low as €3 to €5 for subcontracted ‘posted’ migrant workers (Wagner 2015a). ‘Posted workers’ are sent by their employer from one EU member state to another on fixed-term service contracts, and therefore work under partially transnationally regulated posted work contracts rather than under the normal national labour regulation of the host country. The social partners in the meat industry in principle negotiate sector-level collective bargaining coverage for all slaughterhouses. However, in recent decades the bargaining has been unstable, because the sectoral trade union NGG (Gewerkschaft Nahrung-Genuss-Gaststätten) has faced severe employer resistance to sectoral bargaining, which only ended with the signing of the 2014 collective agreement. In fact, the employers’ association even dissolved at one point, depriving the union of a centralized counterpart at the bargaining table (Behrens and Pekarek 2012). The number of workers with social security coverage in slaughtering and meat processing fell from 186,717 in 1999 to 143,138 in 2014.¹ Since EU enlargement in 2004, 26,000 jobs registered via the German social security system have been downsized, while the number of posted workers who pay social security in the sending country increased to 30,000 (NGG 2013). These figures include many smaller companies and small sites, but we are mainly focusing on larger production sites and firms in this analysis.

In Germany, in-house fragmentation of production has been associated with subcontracting to firms employing posted foreign workers. Using subcontracted and posted workers for numerous parts of the work processes has become the norm in large parts of the German meat industry, where subcontractors accounted for the overall majority of sites, in some cases composing up to 90 per cent of the workforce (Wagner and Refslund 2016). This also means that the large MNCs turn over responsibilities for employment relations and practices to the subcontractors, since they do not directly manage the subcontracted workers. In contrast, the Danish meat processing industry has not seen any use of subcontractors, posted workers, or any other type of work externalization or segmentation, since the union has had the associational and institutional power (backed by the threat of strikes) to reject externalization so far.

Since in Germany works councils form the institutional base for workplace worker representation, firm fragmentation leads to segmentation of workforce representation because of the ‘dual system of interest representation’ characteristic of German industrial relations. Under the dual system, unions and employers are solely responsible for collective bargaining, while works councils are the main workplace employee representation bodies. In Denmark, the unions’ strong collectivistic approach to wages and work organization has prevented similar attempts at labour force dualization. The sector-based collective agreement inhibits management’s ability to stage competition between the production sites as a way of obtaining concessions. When there have been tendencies towards

¹ Statistisches Bundesamt, Genesis Online: <https://www-genesis.destatis.de/genesis/online;jsessionid=D2F7C37C6EB6828205F3102C131DB8CE.tomcat_GO_2_1?operation=previous&levelindex=3&levelid=1428400012637&step=3>.

concessions in specific sites, the national union has managed to avoid this since it would be a violation of the sector collective agreement. This is typical of Nordic industrial relations: sector-based collective bargaining remains strong in the Nordic countries, in particular in low-skill sectors like pig slaughtering, and is semi-institutionalized, e.g. through third-party mediation, following patterns from the leading sectors (Vartiainen 2011).

This general pattern, which we found based on our studies of Danish Crown, can also be observed at the German MNC Tönnies, which similarly operates in both countries. Tönnies' German sites have externalized the labour force, e.g. through subcontracting agencies, but in Denmark, Tönnies has signed the industry-wide collective agreement and abstained from any work externalization. This reinforces our claim that the power resources and institutional position of the union in the two countries are the main factors explaining differences in outcomes.

At the largest Danish Crown site in Horsens, around one-third of the workers are Eastern Europeans, mainly from Poland. However, they are employed under the exact same conditions as their Danish colleagues. All are union members as well, and the workforce is not divided into core and periphery. While the labour migrants in Germany are mainly employed via subcontractors and have precarious work contracts, in Denmark the labour migrants are fully included in the Danish industrial relations system, in terms of collective agreement coverage, employment contracts, and union representation.

The German cases shows a 'vicious circle' in which weak union power in Germany, firm segmentation strategies, and regulatory gaps facilitated by worker posting lead to greater divides in the labour movement and less success by the union in including migrant and/or posted workers (see Chapter 1). Worker posting causes regulatory gaps in Germany because free movement of services in the European Union establishes that firms can 'post' workers temporarily to another member state. This allows undercutting of pay and conditions when there is no statutory minimum wage, as was the case in Germany until 2014, and also no extended collective agreement (Wagner 2015b). However, even with a minimum wage, the cross-border nature of the worker posting and the national orientation of labour protection make enforcement of legal standards difficult (Wagner 2015c).

Danish Crown has been making headlines in Germany with regards to the poor conditions of posted workers. The subcontractors employing these posted workers should pay the statutory minimum wage. However, subcontractor workers report frequent cases of under- and non-payment of wages. They also endure highly flexible working times, employment insecurity, lack of proper work clothes for the cooling chambers, and substandard housing arrangements (Wagner 2015a).

In Denmark, the stronger organization and power of the trade union movement and the single-channel representation system unites the workforce across different employment categories and avoids labour market segmentation, for example by removing the possibility to use posted workers. In Germany, the externalization of work predominates, with many jobs taken over by foreign workers posted through staffing agencies, which are situated outside of Germany.

In Section 3.4, we use two case studies to examine how unions used different forms of associational power to prevent Danish Crown from imposing a concessionary agreement in Denmark, and to achieve representation for a group of (mostly) posted workers Germany.

3.4. CHALLENGES IN MAINTAINING AND BUILDING INCLUSIVE INSTITUTIONS

3.4.1. Wage Bargaining in Danish Crown's Danish Production Sites: The Case of Bornholm

Danish Crown has on numerous occasions tried to lower the wages in their Danish production sites, often under the threat that the work will be relocated to production sites with lower wage levels in Germany, Poland, and the UK (Refslund 2012, 2013). While the local workers have been inclined to accept local wage concessions to avoid relocation, the outcome so far has always been rejection of any wage reductions. The main bulwark against local concessions has been the sectoral collective agreement, which makes local concessions difficult, combined with a strong collectivist tradition, which instils in the workers a solidaristic feeling obliging them to reject local concessions.

In the 2000s, the transnational threat of relocating production sites was imminent in Danish Crown's Danish operations. Relocation started with a closure of parts of production in Ringsted in 2004. This took place after workers rejected a new lower-paying wage agreement. As a result, Danish Crown moved most of this site's production to Germany. A significant number of Danish slaughterhouse jobs were moved to Germany, as well as to Poland and the UK, and Danish production sites were closed. Although this international relocation amounted to a significant job loss in Denmark (around 2,500 jobs), even more jobs were lost in recent decades to centralization and productivity improvements (Refslund 2013). The job loss is seen by the slaughterhouse union as a huge problem, but the chairman of the slaughterhouse workers union (NNF) said in 2009: 'We would rather have 6,000 good jobs than 8–9,000 insecure jobs in the Danish slaughterhouse industry.'² This statement continues to reflect the situation almost a decade later. Danish Crown still maintains a significant part of its production in Denmark. However, the issue of wage reductions has been a reoccurring one, both in sectoral collective bargaining and at the plant level, often backed by the threat that Danish Crown would move parts of their activities to other, cheaper production sites within the company.

One of the most recent (public) disputes was in the slaughterhouse in Bornholm in early summer 2014. Danish Crown stated publicly that it needed to cut annual costs by 3.4 million euros in its production on Bornholm in order to secure the slaughterhouse's profitability. Bornholm is an island to the east of the Danish mainland in the Baltic Sea with a population of around 40,000. Due to its isolated position, it is difficult to transport the pigs to Danish Crown's next nearest slaughterhouse in Zealand, where the pigs would have to be ferried if the Bornholm site closed. The 125-year-old slaughterhouse slaughters around 450,000 pigs a year and employs around 175 workers. During the initial wage negotiations between the company and the union (NNF), which negotiates wages via the collective agreements, Danish Crown wanted the workers to accept an 8 per cent wage reduction. The company cannot negotiate directly with the affected workers because the

² <http://www.ugebreveta4.dk/fagforbund-hellere-6000-sikre-slagtere-end-9000-us_19056.aspx>.

sectoral collective agreement makes local concessions almost impossible. Because wage reductions were rejected by the union negotiators, Danish Crown stated in a press release at the end of May 2014 that they would close the site. Following this, there was a heated public debate. Many observers, including local and national politicians, were critical of Danish Crown's decision, especially because of the large employment impact on the local community. Moreover, according to critics, the fact that Danish Crown makes a large profit made the decision to close the site problematic. The previous history of offshoring of jobs and Danish Crown's use of posted and subcontracted workers in Germany were also explicitly mentioned in the debate. Although this critique at first mainly came from centre-left politicians,³ the site closure became a national political topic.⁴ Danish Crown might have had concerns about its reputation in mind, which could also affect customer loyalty and hence sales.

Following the public announcement of the closure, the national government and the minister of business and growth stepped into the negotiations about reducing Danish Crown's costs in Bornholm. The national government promised a small tax discount and the local municipality had already offered to lower charges for wastewater treatment (of which there is a lot from a slaughterhouse) as well as electricity. Local farmers, who at the same time are owners (albeit with small shares) as well as customers at the slaughterhouse, also accepted economic compensation in order to safeguard the slaughterhouse.

Faced with public pressure, the negotiations were taken over by the DI and the national union (NNF). Ultimately Danish Crown's management accepted a five-year agreement that lowered costs for the company, but at the same time obliged the company to invest in the production site in order to secure sustained future production. The workers would still not accept any wage reductions. However, a somewhat atypical agreement was reached, where the workers invest 3.5 per cent of their wages in a fund for capital investment in the production site, e.g. for upgrading of technology. The workers can have their investment back after the five years period, but only if the goal of reducing costs by 3.4 million euros a year is reached. A similar agreement covering all Danish Crown's Danish slaughterhouse workers had previously been rejected in a general ballot among all Danish Crown workers in Denmark. The idea at that point had been to establish a fund for employee investment in further pig production in order to secure supply to Danish Crown. In return the workers would be given a four-year guarantee that no Danish slaughterhouse jobs would be closed down. The agreement was rejected in a general ballot among the workers, despite the recommendation by the union NNF to accept the agreement.⁵ A study among slaughterhouse workers showed that they did not trust the guarantee, and believed that Danish Crown would close

³ For an example of this critique from leading national social-democrat MPs, see: <<https://www.dr.dk/nyheder/politik/socialdemokraterne-beskylder-danish-crown-have-lav-trovaerdighed>>; and from a centre-left think tank, see: <<http://cevea.dk/debat/29-arbejdsmarked/736-danish-crowns-slagterilukning-er-taberstrategi>>.

⁴ For instance press coverage, see: <<http://www.business.dk/foedevarer/sass-larsen-banker-danish-crown-og-nnf-paa-plads>>.

⁵ <<http://politiken.dk/oekonomi/virksomheder/ECE2065867/slagteri-ansatte-kan-se-frem-til-at-miste-250-kroner-om-ugen/>>.

parts of production down when the four years had passed (Kristiansen and Weber 2014). So this previous agreement was rejected by the majority of the workers because it was seen as a concession bargaining strategy. However, in Bornholm the workers were guaranteed their investment back and the contribution was lower, which made the agreement more acceptable for the workers.

While the transnational dimension of Danish Crown's activities were not explicitly articulated in this case, the threat of transnational mobility was still very present. After the final agreement was reached, a Danish Crown spokesperson said in an interview: '[if we do not get lower costs through taxes and/or wages] a significant reduction in the number of slaughterhouse jobs will occur in the next ten years, since they will be moved out of the country'.⁶ The cost level in Denmark is constantly compared with cost levels in other Danish Crown subsidiaries abroad, and often the media coverage of the case included comparison of the wage levels for slaughterhouse workers in Denmark with their German counterparts.

The case ended with a broad agreement to reduce the cost of production; however, the slaughterhouse workers only carried a very small proportion of the cost through investing around 3.5 per cent of their wage. The workers' share can only be used to improve the production facilities at the actual site. If Danish Crown closes the site the workers are guaranteed their investment back.

3.4.2. Transnational Action in the German Meat Industry

The second case of contestation involves a group of ninety workers working for a German subcontractor at the second level down the subcontracting chain in a Danish Crown slaughterhouse. Eighty of these workers were Romanian while ten were German. These workers established a works council in order to improve their working conditions. However, the main contractor, Danish Crown, repeatedly voiced to the workers its disgruntlement over the establishment of the works council and asked them to abolish it. The works council however continued to meet, so in an attempt to get rid of it, Danish Crown gradually withdrew orders from the subcontractor, in order to phase out the whole workforce. Because of the declining orders, the subcontractor had to file for bankruptcy and had to let go of the entire workforce. None of the staff was taken over by another company or by the main contractor. However, another subcontractor tried to recruit the laid-off workers under worse employment conditions, meaning at lower pay, with no health insurance, no vacation pay, and with workers not receiving their social security payment in Germany but elsewhere.⁷

The German workers along with the Romanian workers established a works council in order to improve their working conditions. The workspace can be described as a highly flexible labour market, with low levels of jobs security and

⁶ <<http://www.business.dk/foedevarer/sass-larsen-banker-danish-crown-og-nnf-paa-plads>>.

⁷ The subcontractor had recruited the workers as posted workers. The absence of a statutory or sectoral binding minimum wage regulation at the time and the lack of inclusion of the meat sector in the German Posting Law meant that the workers' wages as well as social regulations referred back to the sending country context.

pay, and a fluid composition of the workforce. The segmented nature of the industry allows for the creation of ambiguous employment relations in which illegal practices, discrimination, and exploitation rarely get noticed due to the divided labour force and the isolation from the main contractor's works council. In fact, neither management nor the works councillors of the main contractor were aware of the existence of the second-level subcontractor and the working conditions of its workers.

The details of the workers' grievances related to underpayment of the promised salary, highly flexible working times, employment insecurity, lack of proper work clothes for the cooling chambers, and substandard housing arrangements. These labour practices received attention from management when the Romanian workers started talking with the German workers about establishing a works council in the subcontractor. According to one Romanian worker, it was difficult to establish solidarity because of the many nationalities at the plant. These workers were engaged in industrial work for the first time and were intimidated by management: 'there was no trade union for us, no one told us our rights and once we asked for them the employer said, if you don't like something, we will send you right back home'. However, the German workers were union members and also knew the institutional structure of the German dual system of representation, namely the in-firm possibilities for forming a works council. Due to the institutional knowledge of the German workers, they decided in unison to set up a works council, had elections, and by doing so set up a representative structure for the workers.

However, already during the election period Danish Crown management warned the workers that they should abstain from such elections and from forming the works council. One member of the works council recalls that 'we distributed flyers for the workers to inform them about our plans to form a works council and they [Danish Crown] got wind of it. Then, we put a table at the entrance in order to distribute the flyers and then management came and said, "put this away immediately" and the people who distributed the flyers were ordered to stay away from the slaughterhouse' (interview with Romanian slaughterhouse worker, 2013). The workers ignored such threats and just weeks after the works council was formed they slowly noticed that they had to work shorter shifts. The shifts and the orders for the subcontractor diminished week by week. Finally, at one point, the subcontractor filed for bankruptcy and the workforce of that subcontractor lost their jobs. However, at the same time Danish Crown hired a new subcontractor with a home base in Hungary, which posted fifty Hungarian workers to the slaughterhouse—essentially in order to take over the jobs of the subcontractor that had to file for bankruptcy. In the meantime, the workers who lost their jobs in this process were offered new contracts by a staffing agency. The conditions they were offered had lower pay and holiday allowances.

The trade union NGG organized an information event for the workers who were let go from the company in order to gain a deeper insight into the issues at hand and whether the firing occurred under lawful conditions. The workers and the union were under the impression that the workers were unlawfully laid off and aimed to file a suit against the subcontractor. The aim of the suit was to claim back pay and possibly regain the workers' jobs, even if at another firm. The NGG organized an event in order to help to organize the suit, i.e. in getting relevant

documents from the workers, helping them to fill out the legal paperwork and to answer outstanding questions, explaining again what they intend to do, and managing their expectations. Also, they needed to help the workers in collecting unemployment benefits. All unemployed workers had the right to receive unemployment benefits. The German workers received these benefits because they were familiar with the system and handed in the relevant documents at the employment bureau. It was unclear how many of the Romanian workers received unemployment benefits, as many did not, or were not able to, hand in this paperwork to the bureau. Some did not have their contracts anymore, while others had left the necessary documents in their home country.

Approximately seventy Romanian workers showed up at the meeting. Most of them had little money left for outstanding bills. Some had no electricity and no running water at their houses anymore because the employer had paid for the housing, but now was no longer doing so. The NGG assisted the workers in filing the law suit in order to claim and reinstate the jobs of the subcontracted workers. Union representatives prepared all the paperwork and certificates of authority for the workers so that the union could file the suit. There was one condition, which was that the workers had to remain members for one year after they filed the suit. There were also two related law suits. The first was against the subcontractor, to determine if the laying off of the workforce was legally justified. The second was an action against another subcontractor, who tried to rehire workers under worse conditions, even though they should only be able to take over staff under the same conditions.

The NGG also clarified that suing to get the jobs at the subcontractor back was not possible in the German legal system, but rather they were trying to get another German firm to take them over. The translators assisted the workers in filling in the paperwork. There was hardly any contact between the German and the Romanian workers during the event.

NGG won the court case; and the workers were rehired by a German staffing agency to work within the same Danish Crown slaughterhouse under the same conditions. All of the Romanian workers accepted the new positions while only one of the German workers went back to work in the slaughterhouse. The other German workers decided to take work elsewhere or to receive unemployment benefits. Even though the workers were able to form a works council, Danish Crown's phaseout of the whole subcontractor prevented the works council from actually changing the status quo of employment conditions.

3.4.3. Discussing the Findings

The case studies highlight how the slaughterhouse industry has followed divergent trajectories in the integrated European market in Denmark and Germany, despite the fact that they share many characteristics and that the same MNC operates in both countries. The Danish union has successfully opposed any use of external subcontractors, and flexibility demanded by the employer is typically achieved by hiring and firing during peaks. Since the Danish union is able to maintain encompassing wages and working condition for all workers in the production site, it does not make sense for the firms to use subcontracted workers. The cases

further show that the Danish workers are able to uphold solidarity across production sites at a level substantially higher than in Germany, where cross-worksites solidarity is more or less absent.

Differences in sector regulation of collective bargaining also play an important role in patterns of wages and working conditions. While hourly wages in Denmark remain well above €25, the German slaughterhouse industry implemented a minimum wage of €8.75 in December 2016. On top of that, the pension schemes are much better in Denmark and there are also large differences in, among other things, overtime pay, evening pay, and night work supplements, which are better in Denmark. Despite numerous local pressures on Danish slaughterhouse workers, where they were faced with concession bargaining to either reduce wages or accept job losses due to transnational relocation, the Danish slaughterhouse workers managed to maintain their collectivist consciousness and reject any wage reductions or concession bargaining. While this strategy has meant the loss of jobs in some sites, it has also meant no wage reductions, although there have been some disputes over this within the slaughterhouse workers' ranks. Concessions made in collective bargaining tend to backfire on workers in the long run, as shown in the German metal industry (cf. Benassi 2015). The collective agreements in the Danish slaughterhouse sector is settled at the sector level rather than plant level, which have provided workers with a strong bulwark against concessions despite being faced with strong transnational cost pressure (Wagner and Refslund 2016).

An interesting aspect of the Bornholm case is the workers' opposition and rejection of the proposed agreement based on employee investments or indirect wage reductions in return for job security. Here the Danish workers opposed their own union representatives in the ballot, rejecting the idea—mainly because they did not trust the job guarantees given by management, especially in the longer run (Kristiansen and Weber 2014). This confirms previous findings that Danish slaughterhouse workers are typically confident that they can find alternate employment if their job is offshored. This was highlighted in numerous interviews with slaughterhouse union representatives. It is also important to emphasize that while there has been a significant decline in overall employment at Danish Crown in Denmark, this is not only due to the transnational relocations. The majority of the job loss is explained by ongoing productivity gains from centralization and automation of production (Refslund 2013).

3.4.4. Explaining the Differences

As reported in Table 3.1, the key explanatory variables for the different trajectories are different levels of union power resources and the accompanying possibilities for forging solidarity among workers. In Denmark, the workers were able to maintain sectoral solidarity and sustain the high wage floor even on the isolated island of Bornholm, mainly through the sector-based collective agreements, which enabled the union to reject local concession bargaining. The sectoral collective agreements were backed by strong workers' collectivism at the individual sites, similar to the type of workers' collectivism Lysgaard (1961), for example, identifies in a paper mill in his classic sociological analysis of workers and their organization.

Table 3.1. Summarizing the explanatory variables

	Organizational and institutional power: bargaining coverage and structure and institutional support	Collective identity and identification
Denmark	Full coverage; single-channel representation structure; posting excluded by union strength; institutional support	Union membership as a clear norm; tradition of integration of migrants; strong tradition of collectivism
Germany	Lower coverage; dual channel representation structure; ease of posting with weaker framework; weak institutional support	Low membership density; less integration of migrants in the slaughtering sector; segmentation; divides in workforce is exploited

Union membership is a social norm at the production sites, and in practice it is often not possible not to be union member, because co-workers will not work with non-unionized workers.

In Germany, on the other hand, there were very weak foundations for any type of solidarity, due to the low associational and institutional power resources of the union and the workers. In particular, the practice of employing migrant posted workers via subcontractors has proven effective in reducing contestation from workers. The weak power base of the German slaughterhouse union in terms of membership, organizational resources, and institutional support explains the contrast with the Danish site. Even though some successes were achieved in the German case, it was fleeting and did not change the status quo of the power relations. The fragmentation of the workforce in German slaughterhouses makes it hard to sustain contestation, since there is often little or no interaction between different groups of workers, such as subcontracted and permanent staff, or even between different nationalities of migrant workers. These fragmentation tendencies are reinforced by the lack of efficient workers' representation structures at the workplace level. The Danish single representation system, where the unions and the professional shop stewards are the sole workers' representatives at workplace level, overcomes workplace fragmentation. This has a significant impact on the way the sector functions in Denmark. There was also in Bornholm a unitary approach among the local shop steward and the national union, despite somewhat clashing interests. In combination with the strong centralized collective agreements, the strong unions eliminated the firms' ability to use workforce externalization as a means to reduce wages and lower the working conditions. This shows how institutions are important in determining how flexibility is achieved in different national contexts.

Due to the fragmentation of labour processes and division between workers, often with numerous subcontractors working in the same slaughterhouse, the structural power of the slaughterhouse workers is also lower in Germany. The Danish union has prevented fragmentation of the workforce, and hence has a higher structural power, since the union can coordinate not only plant-level industrial actions but also multi-plant or national industrial actions. Furthermore, the Danish slaughterhouse workers are highly aware of the risk of concessions spreading from one site to another, so they would engage in industrial action, even when their own worksite was not involved (Refslund 2013).

The findings in the German case show how action by individual workers and lower-level union strategy can prove to be complementary to the overall institutional setting, as suggested by Hardy (2015). It also illustrates the different power bases actors can draw on. Here, the institutional power of judicial proceedings proved to be a source of power for the unions, instead of, as traditionally is the case in the German system, firm-level channels of worker representation.

We have in previous research shown how differences in unions' power resources explain much of the difference between developments in the slaughterhouse industry in the two countries (Wagner and Refslund 2016). Here we add to our previous analysis of power resource configurations by looking at how power resources interact with transnational dynamics, and how this plays out within one MNC across two national settings. Therefore, we can investigate both employers' and labour strategy to analyse the interrelationship between structural factors and the level of precarity found in the sector. Our findings suggest that the embeddedness of a union's power resources is a key explanation for diverging outcomes. Thus, it is not just the explicit differences in power resources, but also how these are embedded in the broader social system and the production system (Refslund and Sørensen 2016).

There have been some tendencies towards less inclusive forms of labour market organizations in Denmark, in particular in sectors such as agriculture and cleaning (Rasmussen et al. 2016) and the telecommunications industry (Benassi et al. 2016). However, the slaughterhouse industry is more embedded in the national institutional systems and has more powerful unions, and thus is not affected by this segmentation and the associated deterioration of wages and working conditions.

3.4.5. The Transnational Dimension

The cases discussed in this chapter illustrate the ever-closer integration of production in contemporary European capitalism, where developments in one country have significant impacts on developments in other countries. The wage dimension has been particularly influential in the European slaughterhouse industry; the very low wages of posted workers in the German industry has a significant impact on the Danish industry, contributing to strong wage pressure in Denmark (Wagner and Refslund 2016). Labour costs as well as other costs in Germany are often highlighted in wage disputes in the Danish slaughterhouse industry. Some of the most labour-intensive work processes, such as deboning, have been moved from Danish slaughterhouse to German ones; also animals being slaughtered in Denmark are processed in Germany (Refslund 2013). But the general work processes remain largely the same across the Danish Crown group in the Danish and German production sites. The ability of the Danish workers to uphold wages and working conditions is not directly dependent on Danish Crown's use of posted and precarious workers in their German production sites, since the work processes are not segmented across national borders. While the external pressures are comparable across the two countries, what differs is their impact due to the interplay between institutions and actor strategies.

The Danish slaughterhouse workers have fought fiercely against any transfer or relocation of jobs from Denmark. Their stance against any wage reductions may have implications for the overall number of jobs in Danish Crown in Germany, but the Danish workers are not dependent on Danish Crown's application of low-wage posted workers in Germany. The decisions taken by Danish Crown on where to locate various production elements can be seen as an example of regime shopping, since the MNC is adjusting its labour market behaviour and practices to the possibilities given in each country, a phenomena discussed by, for example, Morgan and Kristensen (2006). Danish Crown is taking advantage of the subcontracted workers in Germany because it is possible for them to do that there. While the relocation from Denmark to Germany puts pressure on Danish unions, their institutional embeddedness and their ability to unify the workforce prevented this from leading to deteriorating conditions. Here, the transnational dimension of the relocation could be absorbed. The transnational dimension in the German case is the 'insourcing' of foreign labour. This leads to deteriorating employment conditions and the loss in union power in Germany because of the already weak institutional position of the trade union.

The case from Bornholm can be seen as a micro-example of some of the inherent dynamics when analysing Danish Crown's attempts to reduce the wages at Danish production sites. However, it also shows how the embeddedness of the industry in the country affects the outcome of wage bargaining, as compared to other industries that can more easily relocate production. The entanglement of local pig production with the slaughterhouses is important; a significant parameter for why Danish Crown cannot just close and move production is that the pigs produced in Bornholm (around 450,000 a year) would have to be transported off the island. While the European pig meat industry shares many characteristics with other manufacturing industries, it is more nationally embedded because of the close connection between primary production and the slaughtering and processing of the pigs. This also affects Danish Crown's general ability to offshore jobs. Furthermore, the ownership structure of Danish Crown, which is still owned by the farmers' cooperative (although Danish Crown very much acts as a traditional MNC), has an impact on the company's ability to relocate the remaining production.

While the cases have focused on national differences, it is clear that the transnational dimension is important for developments in the industry. The unions are well aware of this and the European Food Sectors Union (EFFAT) has produced material about being a posted worker in Germany in several mainly Eastern European languages. NNF is actively working for solidarity with their German colleagues, and much of the negative publicity that Danish Crown has faced in Denmark but also in Germany started with critical investigations by the NNF magazine. However, NNF does not perceive NNG as an equal partner due to its lack of power and influence, so while the union is very interested in raising the overall standards in Germany, union representatives do not perceive this as a realistic scenario in the near future. While the minimum wage in Germany has reduced some of the wage gap, there is still a significant cost reduction motive in operating in Germany rather than in Denmark. The huge differences in associational and institutional power thus confirm some previous research findings, indicating that there are substantial obstacles for cross-national union cooperation (Gennard and Newsome 2005; Greer et al. 2013).

3.5. CONCLUSION

The cases show how unions' associational and institutional power can strongly influence firms' options for externalization and fragmentation of the workforce—which in this industry occurs mainly through subcontracting to agencies employing labour migrants. While this has become the norm in the German meat processing industry, the stronger Danish unions have prevented this by using their single representation channel and strong collective norms of unionization. Nonetheless, as the case studies show, employers' attempts to fragment the workforce resulted in contestation in both countries. In Denmark, workers resent both international relocation as well as lowering wages, and in the German case we see resentment towards the widespread use of posted and agency work at very low wages and often poor working conditions. Differences in the associational power resources of the unions and the institutional support and inclusiveness of the systems explain the success of the Danish unions and the failure of the German ones in preventing the deterioration of conditions.

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