What happens when Multinationals from LMEs operate in CMEs?  
- the case of Ryanair in Denmark

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3. april 2017
The Danish Model

- 2.7 mio. employees (2016)

- Unemployment rate: 4.4 % (December 2016)
- Union density: 69 % (2015) (9 % yellow unions)
- Employers’ organisations’ density: 58 % (private), 100 % (public)
- Collective bargaining coverage: 84 % (2012) (100 % public, 74 % prv)

SME’s:
- 60,000 companies close down every year
- 55,000 companies start up every year
Union density - internationally

Source: OECD, 2016
The Danish Model

A consensual, voluntarist model

• The collective agreements regulate the major part of labour market related issues

• The social partners (the social partners) are consulted intensively in law-making processes

• Shared understanding of the bargaining schedule when renewing the agreements

• High level of consensus

→ Coordinated Market Economy
Work stoppages 1997-2015 (number)

The Danish Model

*Coordinated Market Economy*
- with a liberal twist (flexicurity, SMEs)
- dependent on an ongoing cooperation and fine tuning
- which can be disturbed with major consequences

→ What is the role of multinationals?
Foreign companies in Denmark
(Statistics Denmark 2016)

2013:

- 4009 foreign owned companies (2003: 3066)
  = 1 % of companies in DK

- 19 % of work force in private sector (16 % in 2003)

- Average of 70 employees (vs. 4 employees in Danish companies)

- 23 % of the total turn-over in the private sector (20 % in 2003)
Foreign companies in Denmark
(Statistics Denmark – turn-over)
Foreign companies in Denmark
(Statistics Denmark – number of employees)
Foreign ownership – who?
(Statistics Denmark 2016)
Foreign ownership – who?
(Statistics Denmark 2016)

Companies originating from CMEs:
- Sweden: 26 %
- Norway: 7 %
- Germany: 14 %
- Netherlands: 4 %
**Total** 51 %

Companies origination from LMEs:
- USA: 15 %
- UK: 10 % (before Brexit... 😊)
**Total** 24 % (*plus misc.*)
Danish companies abroad

- 12,000 Danish subsidiaries
- 1.3 mio. employees

Outsourcing

- From 2009 to 2011 - 16,857 jobs outsourced
- Of these: 4,636 high-end jobs (28%)
MNC’s influence – indflydelse

Marginson & Meardi – generally speaking:

- Influence is big and growing...
  ... not least due to their size and number (MNCs are big players in countries with many SME’s)

- Regime shopping perhaps not as systematic as expected → Ad hoc regime shopping?

- Wages are higher in MNCs (confirmed by Statistics Denmark 2005)

- Working conditions often better in MNCs
Danish experiences - macro level

Minbaeva & Navrbjerg (2010) (120 HRs in MNCs):

- MNCs accommodate to Danish IR
- 5% have a negative view on unions
- 84% meet all demands in labour law
- 54% claim to deliver better conditions than law
- Not significant differences btw. US firms and firms originating in CMEs

... but how about Ryanair...?
The Case of Ryanair in Denmark

2012: Ryanair establishes base in Billund (Jutland)
    Unions try to protest – but no support from workers

2014: Ryanair announces establishment of bases in Copenhagen
The Case of Ryanair in Denmark

2015:
- 3. January: FPU and LO demands a collective agreement for the personal on CPH base – Ryanair refuses

- 3. February: LO/FPU notifies industrial action
  - Ryanair does not accept the notice
  - LO/FPU ask Labour Court to acknowledge the notice

- 18. March: First Ryanair flight out of CPH

- 26. March: Ryanair put base in CPH – meeting in labour court
The Case of Ryanair in Denmark

2015:
- 15. june: Case presented in Labour Court

- 1. July: Labour Court rules:
  - LO/FPU may initiate Industrial Action to obtain collective agreement
  - When an employee is living his or her life in a certain country, then the IR of that country applies – no matter if that person is working in an airplane with registration in another country.
  - LO/FPU claims victory for The Danish Model

- 17. july: Ryanair abolish bases in CPH and moves to Kaunas, Lituania.
The Case of Ryanair in Denmark

Result of round 1 – status summer 2015:

Three wins for labour movement:

• Juridical: IR for employee living in that country

• Media/public: The public sympathetic to labour unions

• Recruitment: 31 % more members join FPU 2014-15
The Case of Ryanair in Denmark

Round 2 – winter 2016/17:

• Ryanair had 32 arrivals/depatures in CPH on a normal Tuesday in January 2017

• Ryanair has 2 mio. passengers a year in CPH, making it the 3rd biggest airline operator in CPH – a goal obtained 1 year ahead of schedule

• 1st February: SAS announces bases to be established in London and Malaga, copycatting the Ryanair model

• 16th February: European Parliament (EP) resolution on an Aviation Strategy for Europe
SAS copycatting Ryanair

SAS’s press officer Mariam Skovfoged:

"It is good that politicians take initiative to assure fair competition in aviation."

But she emphasize that the initiative comes way too late:

“We have seen a huge development in the airline industry during the last two-three years – a fierce competition and pressure on prices. SAS have had to face the consequences of this development and we are establishing bases abroad. The development will not be rolled back as a consequence of this resolution, but it is a step in the right direction"
And O’Learys take on the situation...
LMEs in CMEs – points to discuss

- CMEs like the Danish Model seems strong on their own premises – but are highly vulnerable to international competition and regime-shopping

- Round 1: The Danish Model won round 1 (on home ground) – but Ryanair is flying more than ever through CPH

- Round 2: When the model is not strong enough to fend off Ryanair we cry for help in the EU → Where does that leave the voluntarist model?
LMEs in CMEs – points to discuss

• Is Ryanair a special case (highly mobile labour, rather interchangeable personnel) – or will the same happen to other industries?

• Tentative conclusion: CMEs are strong on national terms – but weak when exposed to international competition and pressure

• The national hope: Move up the value chain: CPH as a hub – but with foreign labour operating planes
## Best countries to do business (2012)

### Top of the class

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<th>Overall rank*</th>
<th>Country</th>
<th>Global competitiveness</th>
<th>Ease of doing business</th>
<th>Global innovation</th>
<th>Corruption perceptions</th>
<th>Human development†</th>
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