



Faculty of Social Sciences

FAOS



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

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The Danish Model

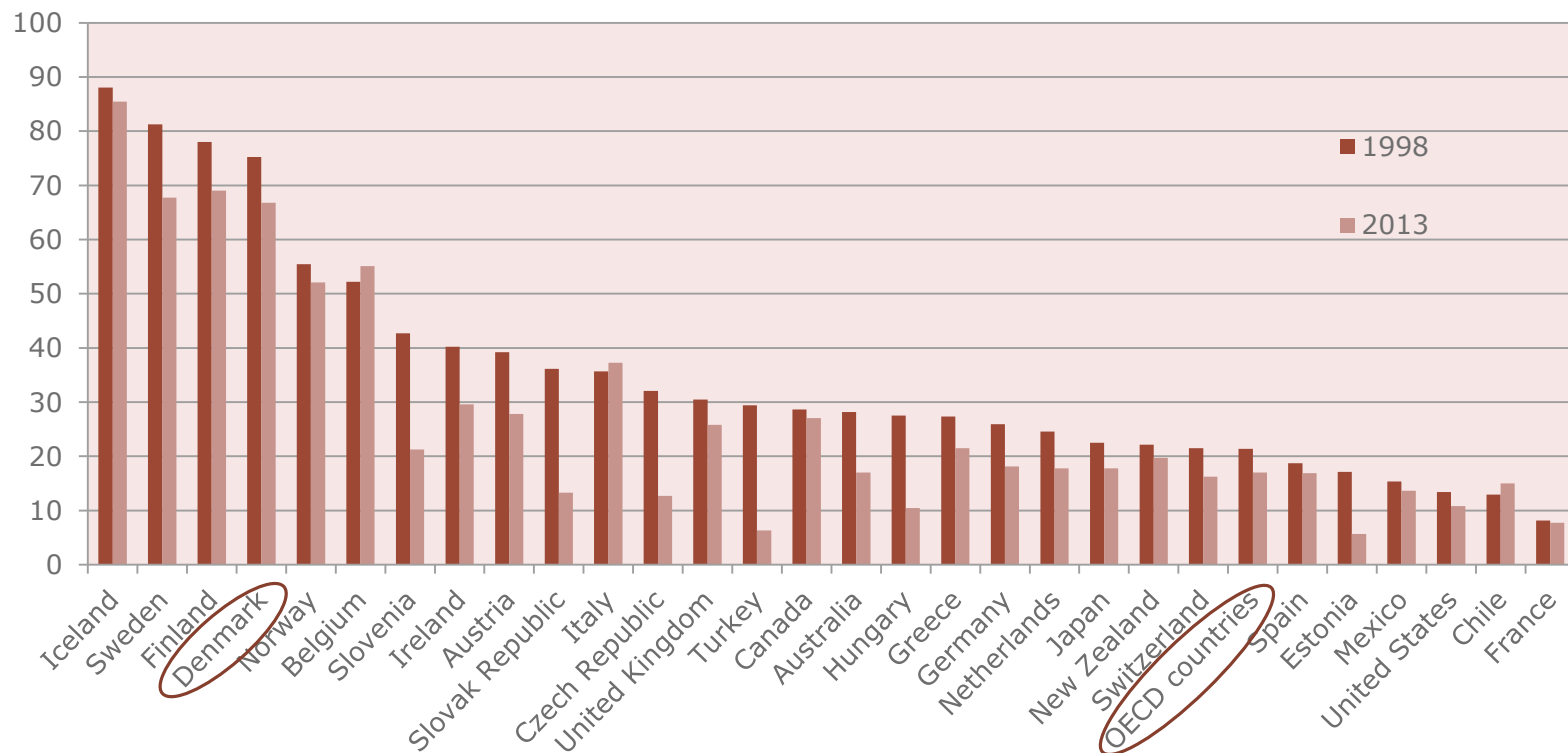
- 2.7 mio. employees (2016)
- Unemployment rate: 4.4 % (december 2016)
- Union density: 69 % (2015) (9 % yellow unions)
- Employers' organisations' density: 58 % (private), 100 % (public)
- Collective bargaining coverage: 84 % (2012) (100 % public, 74 % prv)

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

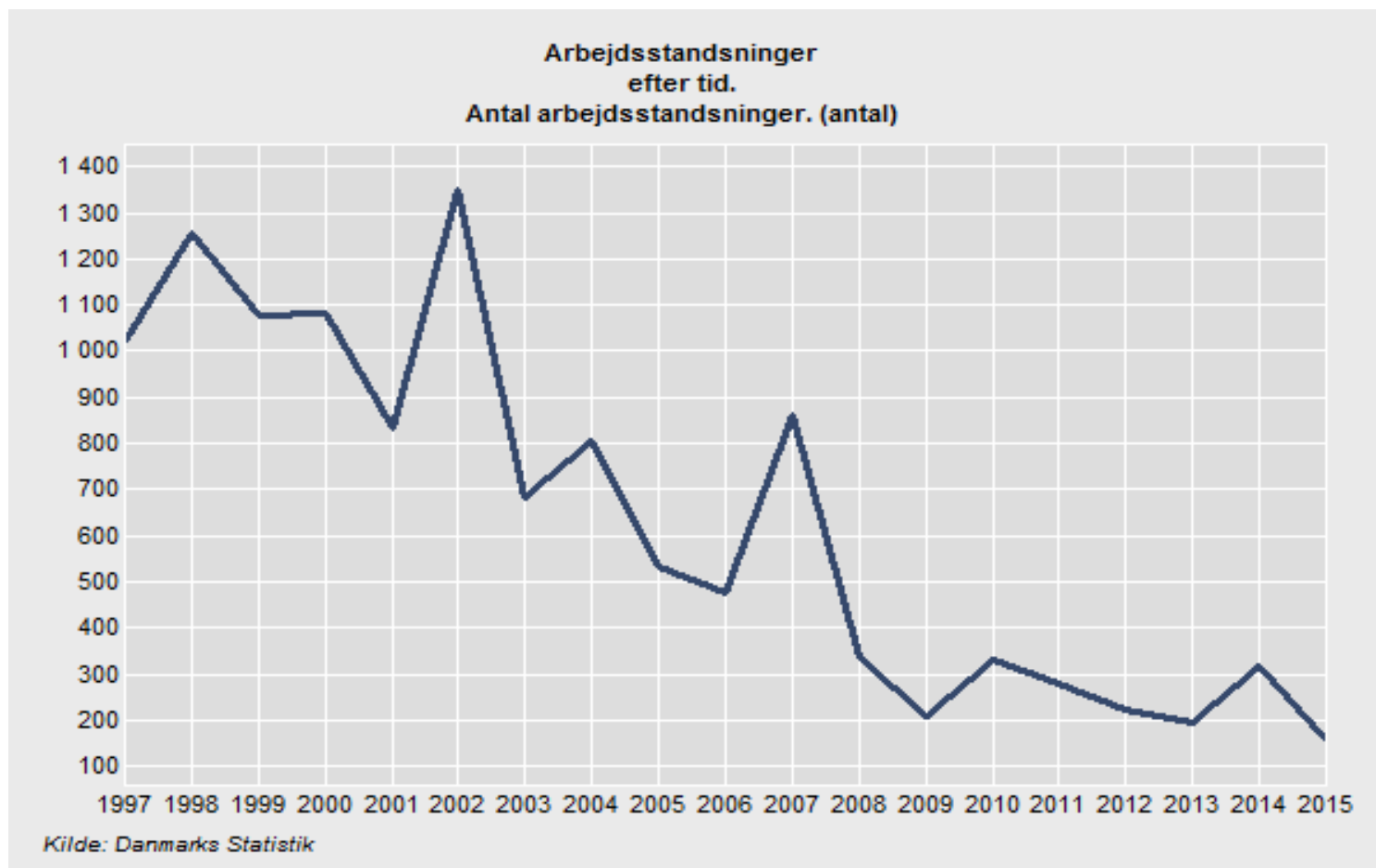
A consensual, voluntarist model

- 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)



Statistics Denmark: <http://www.dst.dk/da/Statistik/NytHtml?cid=21905>



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)

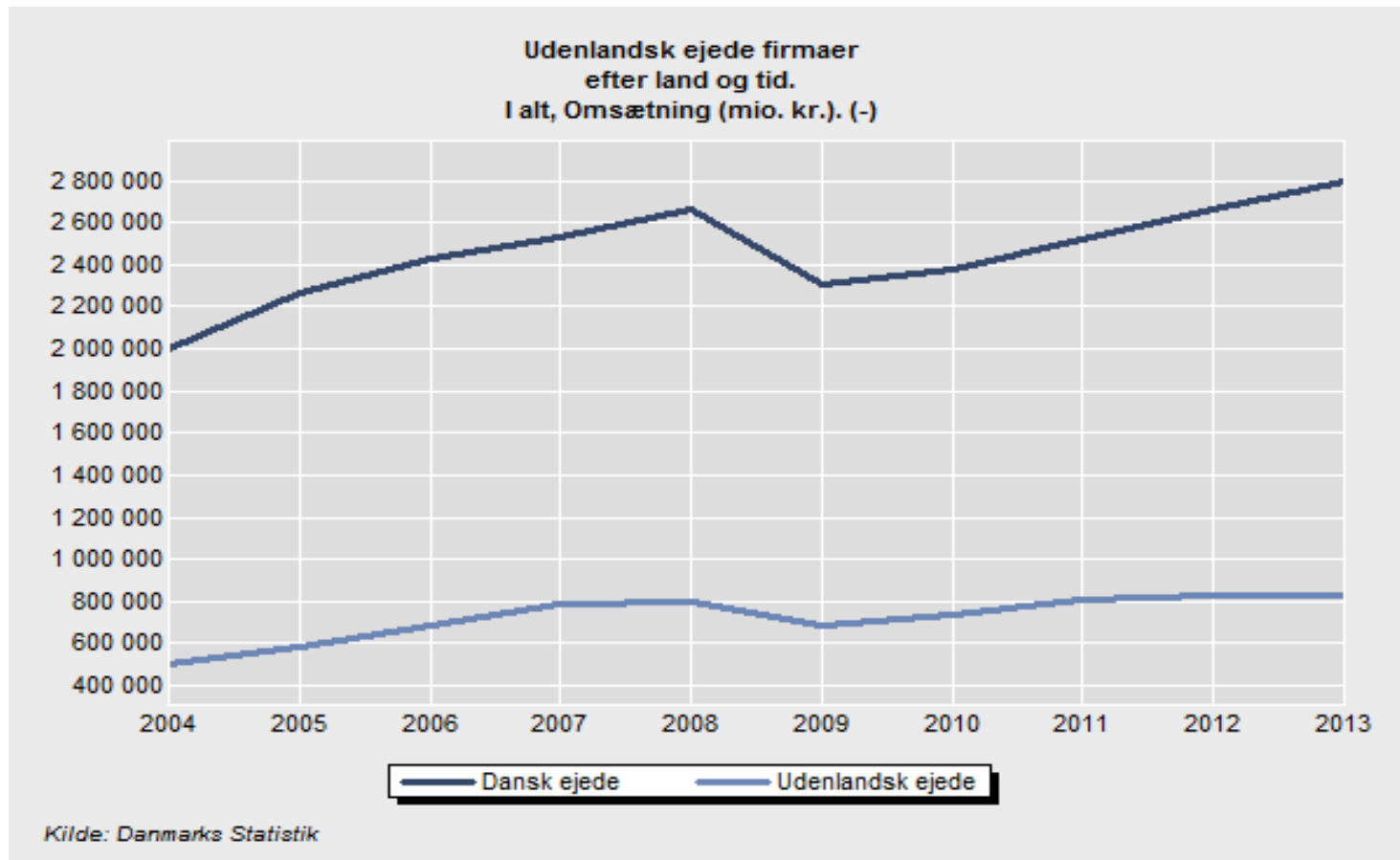
2013:

- 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)



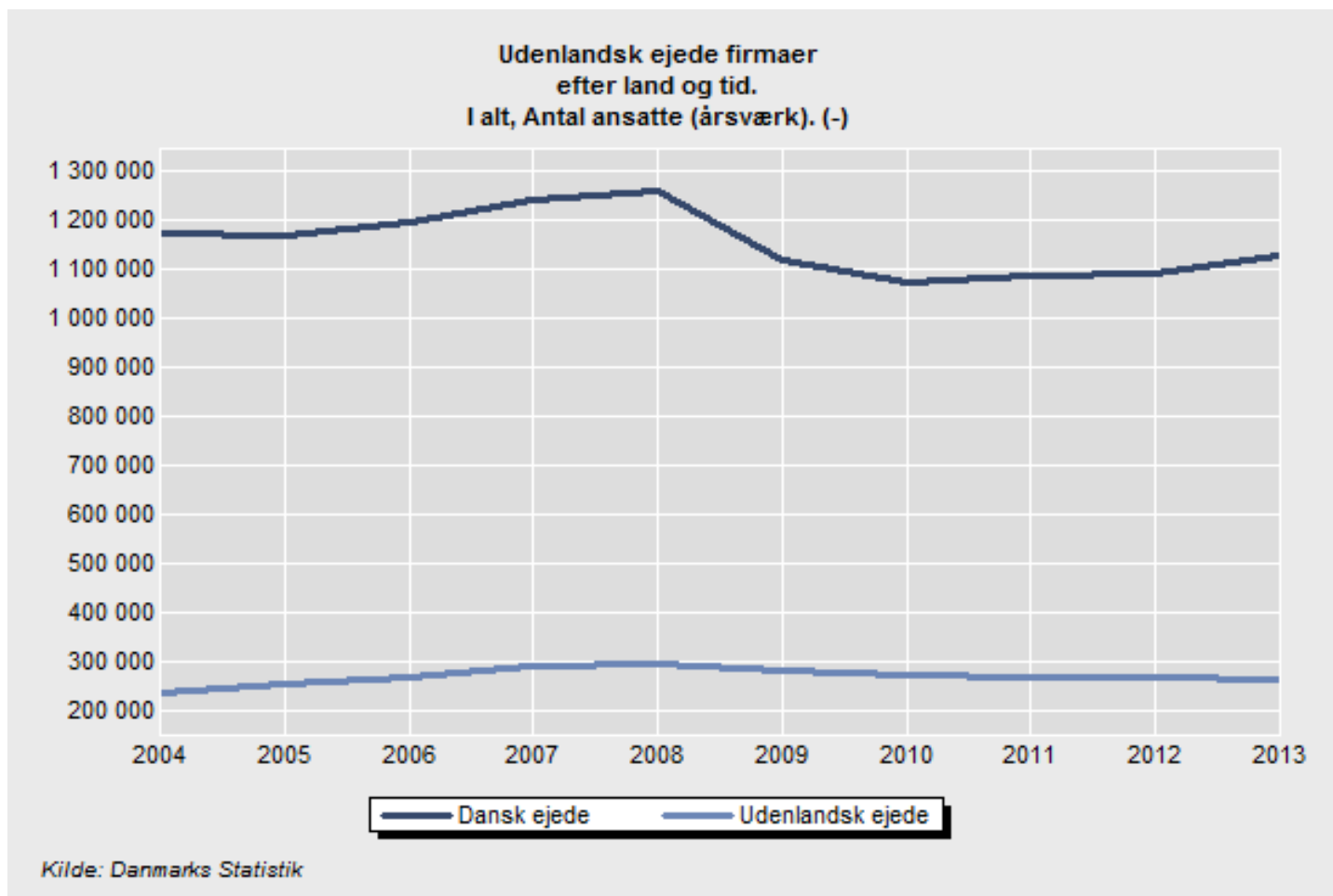
Foreign companies in Denmark

(Statistics Denmark – turn-over)



Foreign companies in Denmark

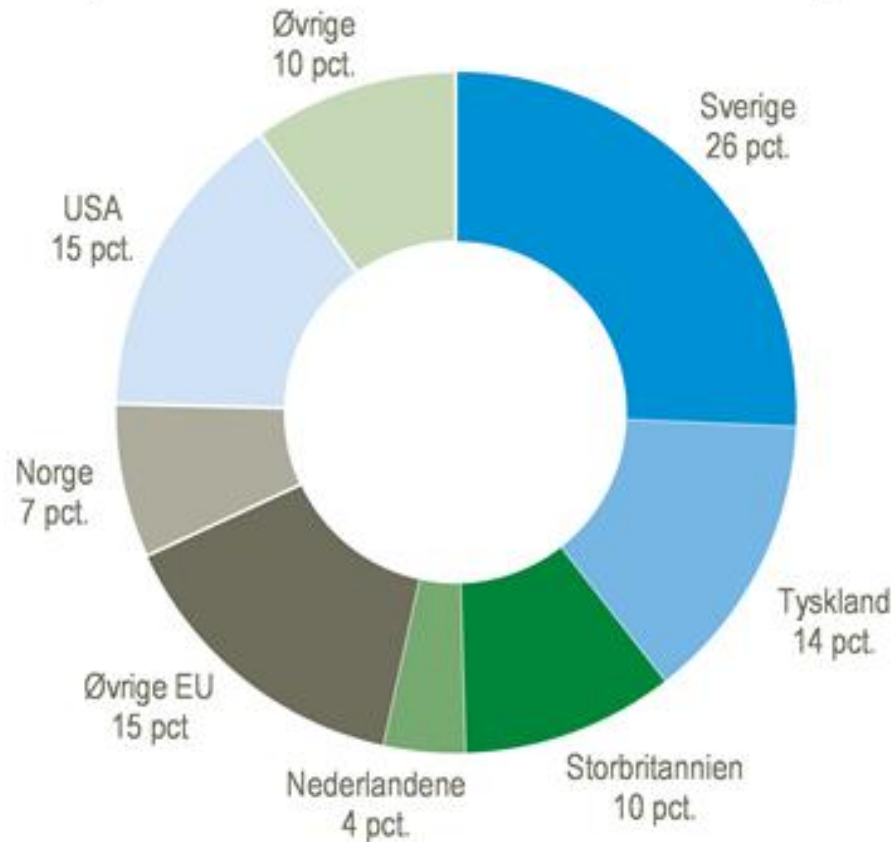
(Statistics Denmark – number of employees)



Foreign ownership – who?

(Statistics Denmark 2016)

Ansatte i udenlandsk ejede firmaer fordelt efter nationalitet af ejerskab. 2013



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. employess

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, Lithuania.



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 joine FPU 2014-15



The Case of Ryanair in Denmark

Round 2 – winter 2016/17:

- Ryanair had 32 arrivals/departures in CPH on a normal Tuesday in January 2017
- Ryanair has 2 mio. passengers a year in CPH, making it the 3. biggest airline operator in CPH – a goal obtained 1 year ahead of schedule
- 1. february: SAS announces bases to be established in London and Malaga, copycatting the Ryanair model
- 16. february: European Parliament (EP) resolution on an Aviation Strategy for Europe



SAS copycatting Ryanair

SAS's press officer Mariam Skovfoged:

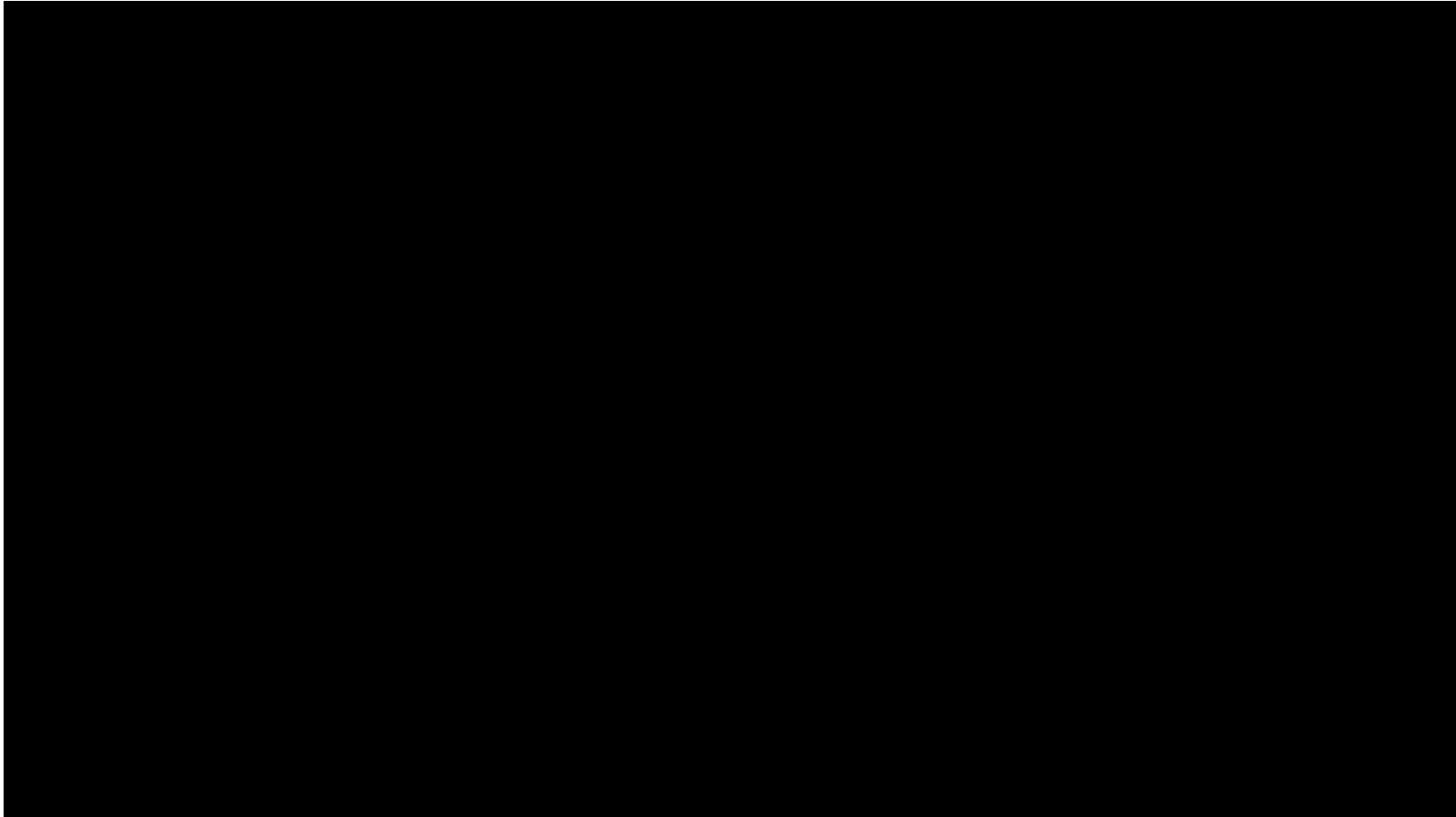
"It is good that politicians take initiative to assure fair competition in aviation."

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...



Sted og dato
Dias 21



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

2012 index rankings

Overall rank*	Country	Global competitiveness	Ease of doing business	Global innovation	Corruption perceptions	Human development†	Prosperity
1	Sweden	4	13	2	4	10	3
2	Denmark	12	5	7	1	16	2
3	Finland	3	11	4	1	22	7
4	Norway	15	6	14	7	1	1
5	Switzerland	1	28	1	6	11	9
6	New Zealand	23	3	13	1	5	5
7	Singapore	2	1	3	5	26	19
8	United States	7	4	10	19	4	12
9	Netherlands	5	31	6	9	3	8
10	Canada	14	17	12	9	6	6
11	Hong Kong	9	2	8	14	13	18
12	Australia	20	10	23	7	2	4
13	Britain	8	7	5	17	28	13
14	Germany	6	20	15	13	9	14
15	Ireland	27	15	9	25	7	10

Sources: World Economic Forum; World Bank; INSEAD and World Intellectual Property Organisation; Transparency

*Based on equal weighting



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**Thank you
for flying with me!**

