Free riders and outsiders: Declining union membership and strategies for revitalizing unions in Denmark

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Introduction

One of the significant characteristics in the Danish labor market model has been the high organization percentage on both the employee and employer sides of the equation. That meant broad support to the trade unions, which gave them the strength to develop another feature particular to the Danish model: Collective bargaining agreements on wages and working conditions with the employer organizations. This ‘agreement model’ therefore rests on the support of the agreement-bearing organizations, but this support has been declining over the past 10–15 years, not least because many wage earners have either chosen to be ‘unorganized’ or opted out of the agreement-bearing organizations, instead choosing ideologically alternative organizations, particularly the so-called Christian labor movement. The characteristic feature of the alternative organizations is that they are not, or only in few cases, involved in the negotiations regarding collective bargaining agreements and can therefore offer a package consisting of an ‘unemployment insurance fund and trade union’ at a significantly lower price than the so-called ‘agreement-bearing’ organizations under the three main organizations: The Danish Confederation of Trade Unions (LO), the Confederation of Professionals in Denmark (FTF) and the Danish Confederation of Professional Associations (AC). The price differences have always existed in the period that the alternative organizations have existed, but they have attained special significance after the creation of an actual ‘trade union market’ after the entrance of the bourgeois, right-of-center government that held power in Denmark in the period 2001–2011. The aggressive price competition and marketing strategies of the alternative organizations have led to a veritable exodus of members, particularly from the LO associations, to the alternative organizations. Parallel to the exodus of members from the LO associations to the alternative organizations, Denmark has seen a steadily increasing number of workers opt to remain unorganized. If the agreement-bearing LO associations continue to lose members, it will ultimately mean the weakening of the Danish model, as there would no longer be trade unions capable of entering into collective bargaining agreements with the employers.

The article is divided into three parts. In the first part, we describe the development in the membership statistics among the employee organizations in the Danish labor market in the period from 1995 to 2011, where we document the massive flight of members from the LO associations to the alternative organizations and the reasons why the actors themselves indicate as being their reasons for switching unions (Ibsen, Høgedahl and Scheuer 2012). The second part provides a historical description of the causes contributing to the growth of a market for unemployment insurance funds and trade union membership, and the market form in this market is analyzed with the help of micro-economic theory. The third and final part provides an overview of the possible revitalization strategies for the Danish union movement, where we present the results from a research project carried out by Carma, the Centre for Labour Market Research at Aalborg University in Denmark, which has followed and evaluated the effects of the association for white collar workers, HK’s work to reverse the negative membership development with the help of special recruiting and retaining strategies. Carma spent four years following two local branches in their work with recruiting and retaining members. In this project period, the branches have tested several different recruiting and retaining strategies.
Flight of members from the LO associations to the ideologically alternative organizations

In the last 15 years, Denmark has experienced a marked shift in the organization of trades and professions. Two tendencies in particular have been very clear, whereby:

• The alternative organizations have grown significantly in this period.

• The number of unorganized employees has grown by 28 percent.

Table 1 illustrates how, in absolute figures, the total number of trade union members has declined relatively little from the peak in 1995 until today, where there were ‘only’ 86,000 fewer members in total in 2011 than was the case in 1995. In other words, the total number of trade union members has not fallen particularly dramatically over the last 15 years. But the development in the absolute membership figures must be seen in relation to the total number of all wage earners and unemployed, which grew by 108,000 in the period 1995–2011. This means that the degree of organization has fallen from 73.1 percent in 1995 to 66.9 percent in 2011. The fall in the total degree of organization despite the growing labor force is owing to the circumstance that the number of unorganized persons, that is, wage earners and unemployed persons, who are not members of a trade union or professional association, has increased. From 1995 until 2011, the number of unorganized wage earners grew by a whopping 194,000 persons, meaning that every third wage earner or unemployed person was not a member of a trade union or professional association in 2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Variation from 1995 to 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>1,208</td>
</tr>
<tr>
<td>2000</td>
<td>1,167</td>
</tr>
<tr>
<td>2005</td>
<td>1,142</td>
</tr>
<tr>
<td>2011</td>
<td>917</td>
</tr>
<tr>
<td><strong>Total membership</strong></td>
<td><strong>-291</strong></td>
</tr>
<tr>
<td><strong>Unorganized</strong></td>
<td><strong>-24</strong></td>
</tr>
<tr>
<td><strong>Total workforce</strong></td>
<td><strong>-24</strong></td>
</tr>
<tr>
<td><strong>Union density (%)</strong></td>
<td><strong>-24</strong></td>
</tr>
<tr>
<td><strong>Union density minus independent members (%)</strong></td>
<td><strong>-24</strong></td>
</tr>
</tbody>
</table>

Table 1 - Union membership and organization, 1995–2011 (in thousands, change in %)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LO</td>
<td>1.208</td>
<td>1.167</td>
<td>1.142</td>
<td>917</td>
<td><strong>-291</strong></td>
</tr>
<tr>
<td>FTF</td>
<td>332</td>
<td>350</td>
<td>361</td>
<td>356</td>
<td>24</td>
</tr>
<tr>
<td>AC</td>
<td>132</td>
<td>150</td>
<td>163</td>
<td>188</td>
<td>56</td>
</tr>
<tr>
<td>Lederne</td>
<td>75</td>
<td>80</td>
<td>76</td>
<td>88</td>
<td>13</td>
</tr>
<tr>
<td>Independent</td>
<td>53</td>
<td>68</td>
<td>94</td>
<td>173</td>
<td>120</td>
</tr>
<tr>
<td>Others</td>
<td>62</td>
<td>55</td>
<td>57</td>
<td>54</td>
<td>-8</td>
</tr>
<tr>
<td>Total</td>
<td>1.862</td>
<td>1.870</td>
<td>1.893</td>
<td>1.776</td>
<td><strong>-86</strong></td>
</tr>
<tr>
<td>Unorganized</td>
<td>685</td>
<td>744</td>
<td>747</td>
<td>879</td>
<td><strong>194</strong></td>
</tr>
<tr>
<td>Total</td>
<td>2.547</td>
<td>2.614</td>
<td>2.640</td>
<td>2.655</td>
<td><strong>108</strong></td>
</tr>
<tr>
<td>Union density (%)</td>
<td>73.1</td>
<td>71.5</td>
<td>71.7</td>
<td>66.9</td>
<td><strong>-6</strong></td>
</tr>
<tr>
<td>Union density minus independent members (%)</td>
<td>71.0</td>
<td>68.9</td>
<td>68.1</td>
<td>60.4</td>
<td><strong>-11</strong></td>
</tr>
</tbody>
</table>

Source: Statistisk Årbog og Statistisk Tjærsoversigt, different years. Copenhagen: Statistics Denmark and LO’s membership statistics.

* On January 1 2009, IDA, the Danish Society of Engineers, and the Landinspektørforening, the association of surveyors, chose to leave AC. Both organizations are nevertheless included in the AC group.
Another decisive tendency in the trade unions and professional associations – in addition to the increase in the number of unorganized persons – is the movement between the main organizations and particularly from the main organizations to the alternative organizations. In this period, associations that organize employees with a mid-length or long education experience stagnating or increasing membership figures. The FTF has observed a nice increase from 1995 to 2005 and thereafter maintained stable membership levels until 2011. The same is the case for The Danish Association for Managers and Executives (Lederne), which has acquired 13,000 more members from 1995 to 2011. The AC associations, which organize employed persons with a higher education, have experienced a membership increase of 56,000 persons in the period 1995 to 2011, corresponding to 42 percentage points.

To put it mildly, the membership development has been less positive for the organizations under LO. LO’s membership figures hit a historic peak in 1995, with 1,208,000 dues-paying members compared to 2.4 million in the entire work force. Since that time, the membership statistics have been falling freely and dipped under 1,000,000 dues-paying members in 2011 – corresponding to a loss in the period 1995–2011 of more than 250,000 persons, or almost every fourth member. The loss of members especially accelerates in the period 2005–2011, where LO alone lost 225,000 members. That means that LO has gone from covering almost half of all Danish employed persons in 1995 to slightly more than one-third in 2011.

Reasons for transferring from LO unions to the alternatives

Theory that seeks to explain why members choose to organize themselves in unions are divided into two theoretical perspectives about:

1. Employees’ expectations regarding their own financial interest in the form of improved wages and working conditions, protection from abuse perpetrated by management and aid in the case of unemployment – the ‘utilitarian’ argument’,

2. Employees’ interest in being part of a community, struggles with colleagues regarding the improvement of the collective bargaining agreements and displaying solidarity with other wage earners, the ‘altruistic, attitudinal or value-related argument’ (Ibsen, Høgedahl and Scheuer 2012; Schnabel and Wagner 2005; Visser 2002, 2006)).

The utilitarian perspective has traditionally been pursued by neo-classical labor market economists who only consider the supply function in relation to the price of the membership dues (e.g. Berkowitz 1954 and Pencavel 1971). In other words, the number of services provided by a trade union or professional association is largely to be regarded relatively in relation to the price of membership – the higher the
membership dues, the greater the number of services that ought to be included in the function in order for membership to be of value. The point here is that a strongly normative sense of belonging to the dominant norm in a professional community can have an impact on the price sensitivity among members. If the members feel a strong sense of belonging to the trade union or professional association – either in the form of a ‘class community’ or ‘professional community’ – then the price sensitivity is reduced. That which the ‘social custom’ theoreticians (e.g. Booth, 1985) regard as the wage earner experiencing a utility-maximizing effect on their ‘reputation’ – that is, the value of a union membership increases normatively. Conversely, if the members do not experience a normative sense of belonging to the union or professional association, the price sensitivity increases.

Table 3 shows what members who have made the movement from an LO association to an alternative organization indicate to be the reason for their move.

**Table 2 - The reasons why wage earners switch from LO organizations to alternative organizations, 2010 (in %)**

<table>
<thead>
<tr>
<th>Question – What were your reasons for switching to your present Union?</th>
<th>Multiple - in % of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utilitarian arguments</strong></td>
<td></td>
</tr>
<tr>
<td>Because of the price of the membership fee</td>
<td>78</td>
</tr>
<tr>
<td>Because my former Union did not attend my interests</td>
<td>25</td>
</tr>
<tr>
<td>Because of poor consultancy</td>
<td>17</td>
</tr>
<tr>
<td>Because I have been treated badly</td>
<td>11</td>
</tr>
<tr>
<td>Because my former Union worked against my interests</td>
<td>4</td>
</tr>
<tr>
<td>Because I was unsatisfied with the members' offer</td>
<td>3</td>
</tr>
<tr>
<td><strong>Value-related arguments</strong></td>
<td></td>
</tr>
<tr>
<td>Because my former Union supported certain political parties</td>
<td>21</td>
</tr>
<tr>
<td>Because I was unsatisfied with the Union management</td>
<td>19</td>
</tr>
<tr>
<td>Because of the way my former Union conducted conflicts and strikes</td>
<td>8</td>
</tr>
</tbody>
</table>


‘Because of the price’ is the overwhelming reason the employed persons themselves indicate as the reason for switching from an LO association to an alternative. Almost four out of five (78%) of the members who have switched indicate this to be the reason why they have opted for an alternative organization. This attests to how the switching members act in a goal-rational, utilitarian manner. If the price of membership is not commensurate with the value of the services, members will have a tendency to seek out the cheaper alternative organizations. This tendency is further strengthened by every fourth of those
switching unions indicating ‘Because my former Union did not attend to my interests’ as their reason for switching.

We can supplement the analysis of the causes with a multi-nominal regression analysis on the background of our survey data in order to obtain a more nuanced picture of the factors in play when the employed choose to leave a collective agreement-bearing organization in favor of an alternative organization.

Our dependent variable in the model is thus:

2 – Members of collective agreement-bearing unions and associations (reference category)
1 – Members of alternative unions and associations that have switched from an agreement-bearing union or association.

As shown in Table 4, the output in the model is an ‘odds ratio’ which is calculated on the basis of our reference category ‘Members of the collective agreement-bearing unions and associations who do not consider switching to an alternative union or association’, in ratio to ‘members of alternative unions and associations who have switched from a collective agreement-bearing union and association’. As the model indicates that the odds ratio for members of the alternative organizations who have voted for the ‘blue bloc’ is 3.7, this means that the chance is 3.7 times greater that alternative members who have formerly been members of agreement-bearing associations have voted ‘blue bloc’ in relation to current members of agreement-bearing unions who are not considering switching to an alternative union.

Table 3 - The odds ratios for ‘switching members’ in relation to loyal members

<table>
<thead>
<tr>
<th>Multinominal regressionsanalyse</th>
<th>Odds ratio Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Members of alternative organization (former member of a agreement-bearing Union)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Background variables:</strong></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>ns.</td>
</tr>
<tr>
<td>Under 41 years of age*</td>
<td>2,0</td>
</tr>
<tr>
<td>Employed in the private sector**</td>
<td>2,9</td>
</tr>
<tr>
<td><strong>Institutional circumstances</strong></td>
<td></td>
</tr>
<tr>
<td>Not covered by a union representative ***</td>
<td>3,9</td>
</tr>
<tr>
<td>Not covered by a Collective agreement*</td>
<td>1,9</td>
</tr>
<tr>
<td><strong>Ideology and values:</strong></td>
<td></td>
</tr>
<tr>
<td>Voted for Venstre, The Conservatives, Liberal Alliance or the Danish People’s Party at the last election of the national Parliament (November 2008 red.) ***</td>
<td>3,7</td>
</tr>
</tbody>
</table>

Source: LMO (2010), n = 3858 significance levels: *(0.01 < p ≤ 0.05),**(0.001 < p ≤ 0.01) ***(p ≤ 0.001).
The regression analysis clearly shows that the probability for switching from an agreement-bearing union or association to an alternative increases significantly if the member is not covered by a collective bargaining agreement and/or a union representative. The institutional relations at the workplace have thus considerable influence when the wage earners switch from agreement-bearing unions and associations to an alternative. The same is the case if the member works in the private sector, is under 41 years of age and votes for either Venstre, The Conservatives, Liberal Alliance or the Danish People’s Party. Moreover, analyses indicate that members who choose to switch to an alternative organization at the expense of an LO association express weak supportive attitudes in connection with technical and professional organization (cf. Ibsen, Høgedahl and Scheuer 2012).

This means (cf. the theoretical discussion above), that the switching segment of members is particularly price-sensitive for the very reason that switching members do not associate normative motives with union membership. The price of membership in the union or association therefore plays a decisive role when wage earners choose to turn their backs on the agreement-bearing union movement. The incentive is further reinforced if the member, as mentioned, is not covered by a collective bargaining agreement and/or union representative. This can be interpreted as these members not feeling that the services provided by the agreement-bearing unions and associations are commensurate with the price of membership. Membership of a cheap alternative then becomes more valuable, as there is a better balance between services and price. In other words: if the LO associations do not deliver the goods from the Danish model, the members will not accept paying full price and therefore switch to the alternative organizations, where the price matches the level of service better. Similarly, the price sensitivity depends on whether the members feel a value-related and normative sense of belonging to the LO associations.

**Political-institutional changes in the market for unions and unemployment incurrence funds**

No organizations exist in a vacuum, but rather in a mutually dependent relationship with the world around them (Jacobsen and Thorsvik 2002). The activities of trade unions and professional associations are characterized by being particularly multi-dimensional and stretch out to politics, the civil society and the private market (Frege and Kelly 2006). The trade unions and professional associations – including the membership movements between them – are therefore also naturally sensitive toward changes in one or more of these dimensions. On the basis of these methodological considerations, there are a number of more or less independent conditions and factors affecting the movements of the wage earners. This occurs between the union organizations and in and out of the ‘union market’. Economic, cyclical changes, the political climate and shifts in the attitudes in the population are all factors affecting the tendency of wage earners to organize themselves in unions and professional associations (Ibsen 2008, Visser 2002). Unions and professional associations can therefore be regarded as open systems that are marked by a great degree of dependence and considerable interaction with the world around them, which the organizations are a part of (Scott 1981).
The last decade has featured a number of political-institutional changes emerging from, among other things, new legislation in labor policy, which has a great impact on whether or not the employed organize themselves in a union or professional association. First and foremost, the scientific literature often refers to the erosion of the Ghent effect, which followed the changes made to the Unemployment Insurance Fund Act of 2002. Moreover, on January 11 2006, the European Court of Human Rights found exclusive labor law agreements to be in violation of article 11 in the European Convention on Human Rights, which deals with freedom of assembly and freedom of speech. More recently, in 2010, the negotiations between the VK-government and its support party, the Danish People’s Party, ended on May 24 with the so-called ‘restoration plan’, which included a ceiling on tax deductions for union membership dues of DKK 3000, meaning that union membership has become more expensive for most of the agreement-bearing associations.

The following describes how the political-institutional changes have changed the conditions for organizing in unions and professional associations. In this connection, we will examine how the market form in the market for unions has changed from being a de facto monopoly to a competitive situation and how the economic incentives for changing from particular LO associations to the alternative organizations has increased significantly.

**The Ghent system and implementation of the Ghent effect in Denmark**

The significance of the Ghent system is still the object of debate in international labor market research. There are a number of studies of how changes in or erosion of a Ghent system can affect the organization, as changes that weaken the attractiveness of the system for the members can result in reduced organization levels, as in Finland (Böckerman and Usitalo 2006). Similarly, an institutional arrangement that includes fewer clear incentives for membership means that the general level of organization is lower than in other Ghent countries, although higher than in the countries outside of the Ghent system, as is the case with Belgium (Rie et al. 2011). Finally, the newest comparative studies in Europe also show that the Ghent system continues to have entirely decisive influence on the organization of trades and professions (Ebbinghaus et al. 2011, cf. also Bryson et al. 2011).

In more concrete terms, the Ghent system in Denmark has meant that the traditional and agreement-bearing Danish trade union movement has largely had stable recruiting channels over time. In practice, the system means that unemployment insurance funds that are closely tied to the union movement control the payment of unemployment insurance to the unemployed who are members of the unemployment insurance fund in question. Possibly of even greater importance – seen through the eyes of the trade union movement – this provides the union movement with strong institutional control. Research often refers to a so-called Ghent effect (Due and Madsen 2007, Albrectsen 2004, Strøby Jensen 2007, Böckerman and Usitalo 2006). Comparatively, if examining IR systems across national borders, it is rather remarkable how the countries with an integrated Ghent system (Denmark, Sweden, Finland and
to some degree Belgium) have significantly higher organization levels with respect to trade unions and professional associations than countries without a Ghent system (Böckerman and Usitalo 2006). This is because the Ghent effect builds on the condition of double membership, meaning that everyone who wants to insure themselves against unemployment not only joins an unemployment insurance fund but must also join the associated union organization— and vice-versa. Unemployment insurance fund membership thus becomes an important recruiting channel for the union organization which the unemployment insurance fund is tied to – and vice-versa.

In Denmark, however, there has never been a formal or legal requirement about being a member of both an unemployment insurance fund and a trade union or professional association. To the contrary, for wage earners, it has always been a legal right to insure oneself from unemployment without being forced to be a member of a trade union. According to Due and Madsen (2007), the requirement regarding double membership has been an illusion that has existed since the implementation of the Ghent system. A significant reason for the illusion being able to continue is that in the Danish Ghent system, there was actually talk of a monopoly from the beginning, as the law introduced in 1907 simultaneously introduced unemployment insurance funds that were trade- and profession-specific, as opposed to the Belgian model, where there was full competition between the unemployment insurance funds from the very beginning (Due and Madsen 2007). At the same time, it was possible in the original Belgian version of the model to achieve the same degree of compensation without being a member of an unemployment insurance fund by registering with the municipal administration. According to Clasen and Viebrock (2008), this relates to the absence of insight into the institutional difference ¹ between unemployment insurance funds and trade unions among workers in countries with the Ghent system. The result is that unemployment insurance funds and trade unions and professional associations appear to represent a single, comprehensive package, which is why the employed often choose to join both – hence the Ghent effect.

In relation to the mobility in the market for trade unions, a significant development was the introduction of the so-called freedom package for the labor market toward the end of 2001 by the newly elected right-of-center VK government². Part of the original package was about preventing forced membership of trade unions. One of the means to this end was the establishment of an independent and interdisciplinary, state-run unemployment insurance fund. The government could not find majority support for this proposed legislation in the Folketing, however, and the result was therefore a somewhat less drastic but nevertheless serious change – in the eyes of the traditional trade union movement, of course. The old delineation of the unemployment insurance funds, organized along trade-related and professional lines, which had been a central element in the system since 1907, was eliminated in as much as all un-

¹ Clasen and Viebrock (2008) formulate this in terms of a “lack of transparent institutional separation”.

² A government led by Prime Minister Anders Fogh Rasmussen and consisting of the parties Venstre (aka. the Danish Liberal Party) and the Conservatives, supported by the right-wing Danish People’s Party.
employment insurance funds were now able to become *interdisciplinary*, thereby recruiting members outside of their own traditional trade- or profession-oriented territory (Strøby Jensen 2007, Due and Madsen 2007). This broke the de facto monopoly for the collective agreement-bearing union movement by opening the ‘market for trade unions and professional associations’ for the interdisciplinary unemployment insurance funds and their associated alternative unions/associations. The consequence has been the dismantling of the Ghent effect as an important recruiting channel for the traditional union movement; partly by making the interdisciplinary unemployment insurance funds legal, but also because the entire debate surrounding the ‘freedom package’ for the labor market has possibly contributed to more wage earners becoming aware of the institutional difference between an unemployment insurance fund and a trade union together with the fact that it is possible to insure oneself in an unemployment *insurance* fund without simultaneously having to organize oneself in a trade union or professional association.

The changes made to the Ghent system in Denmark (i.e. the unemployment insurance fund system) have therefore undoubtedly had a significant impact on the organization of trades and professions.

**The break with exclusive agreements**

An example of another political-institutional change that has had a great impact on the mobility in the market for unions and professional associations occurred when, on January 11 2006, the European Court of Human Rights found that the exclusive labor market law agreements were in violation with article 11 in the European Convention on Human Rights, which is about freedom of assembly and freedom of speech. As a result, the Folketing passed an adjustment of the rules in the legislation about freedom of association in the spring of 2006 (*Lov om foreningsfrihed på arbejdsmarkedet* – Law about freedom of association in the labor market), such that the exclusive agreements were subsequently deemed illegal.

An exclusive agreement is defined in the sense of labor market theory as an agreement between an employer organization and an employee organization, according to which the employer is obligated to only employ persons who are either – or immediately after employment become – members of a certain trade union or professional association (Nedergaard 2005). Historically, on the basis of fundamental contractual freedom, Danish employers have otherwise in principle had the right to decide for themselves whom they enter into contracts with; including those they want to employ (Scheuer 2006). However, limitations have increasingly been placed on this freedom over time, not least with respect to the exclusive agreements related to collective bargaining agreements. The Confederation of Danish Employers (DA) has historically (with few exceptions) always been opposed to exclusive agreements favoring the members of a single employee organization. Exclusive agreements have therefore only been entered into in the private labor market *outside of* DA (ibid.). According to LO, roughly 220,000 employed persons were covered by exclusive agreements in January 2006, corresponding to 10 percent of
the total Danish labor force at the time (Bom 2006). Most agreements were entered into with small companies and employers such as plant nurseries, masonry companies, hairdressers and carpenters as well as a number of larger companies.

Re-establishment plan – ceiling on the tax deduction for union dues

The negotiations between the bourgeois, liberal, right-of-center VK government and its support party, the Danish People’s Party, ended on May 24 2010 with the so-called ‘re-establishment plan’, which includes significant political-institutional changes affecting both the trade unions and professional associations and the unemployment insurance funds they are affiliated with. First and foremost, as of July 1 2010, the period of eligibility for unemployment insurance benefits was cut from four to two years. At the same time, the period for earning the right to unemployment insurance benefits was extended from 26 to 52 weeks, and the period for calculating unemployment insurance benefits was extended from 13 weeks to 12 months. Moreover, the period for the length of time in which unskilled or uneducated persons can receive so-called adult education support from the state was cut from 80 to 40 weeks. Seen in relation to the member organizations in the trade unions and professional associations, however, the significant element in the re-establishment plan was the establishment of a ceiling over the tax deduction for dues paid to trade unions and professional associations of DKK 3,000, which primarily affected the agreement-bearing organizations that must cover the expenses to collective bargaining agreements and therefore have higher membership dues than the alternative organizations. It is rather remarkable that the ceiling was set precisely so that the members of the agreement-bearing organizations no longer could receive a full tax deduction, whereas the alternative organizations can continue to do so (i.e. the ceiling on the deduction lies between the typical prices for the two kinds of organizations). This creates a clear financial incentive to switch from an agreement-bearing and expensive union or professional association to a cheaper alternative.

The market for services from unions and professional associations and unemployment insurance funds – from monopoly to competition

The political-institutional changes have played a considerable role in making it possible for the alternative unions and professional associations to expand into the ‘union market’, where they have grown in number and size. One can therefore argue – on the basis of economic theory about market reforms – that the political-institutional changes have moved the market form from one of few suppliers that all have been dominant via a monopoly over their trade- and profession-delineated area of organization to a market characterized by competition. But which market form are we talking about and how will such a market function?

3 Most recently in 2010 with the establishment of 2B –Bedst og Billigst (Best and Cheapest), which is part of Det Faglige Hus, with its headquarters in Esbjerg and 'JOBtryghed' (JOB security) in 2011, which is a part of the ASE unemployment insurance fund.
The market form depends on whether the supplied products are homogenous or heterogeneous. Unemployment insurance fund services are relatively homogenous, as most of the services provided are determined by legislation: the amount and duration of unemployment insurance funds, monitoring of availability, and job interview and guidance services. However, there can be differences between the services provided by unemployment insurance funds in relation to bringing the unemployed back into the labor market. In many ways, we are therefore dealing with a homogenous product provided by different unemployment insurance funds, which would indicate that the prices for the services should be rather similar – on the condition that the market for unemployment insurance benefits is transparent – such that the wage earners have a clear sense of the connection between the services provided by the respective unemployment insurance funds and their prices.

When it comes to the price of the services provided by trade unions and professional associations, however, there is a difference in terms of the services provided by the agreement-bearing and non-agreement-bearing unions and associations. The unions and associations that are involved in negotiating the collective bargaining agreements provide services related to collective bargaining agreements in addition to the individual services, whereas the non-agreement-bearing organizations only provide individual services such as legal counsel in the case of disagreements with employers and various kinds of insurance services. Conventional economic theory would thus conclude that the agreement-bearing unions and associations can charge a higher price for their total union services than the non-agreement-bearing unions. However, the problem for the agreement-bearing unions and associations is that the collective bargaining agreements are treated in economic theory as ‘collective goods’, which can by definition be received without being paid for. The collective bargaining agreements in the Danish labor market are ‘area bargaining agreements’, which cover all the employees in the workplaces in which the employers have signed a bargaining agreement with a trade union or association. On this background, there is not talk of collective agreements for members, where being a member of the agreement-bearing union or association is required to receive the services. Economic theory thus refers to ‘free riding’ (Olsson 1965), where the individual employee can enjoy the value of the goods without having to pay for them. ‘Free riding’ can thus be used to refer to the migration from the agreement-bearing organizations to the ‘ideological alternative’ organizations or the unorganized labor market. It is therefore difficult to set a price for the market for unions and professional associations, as different services are provided and the opportunity to free ride exists. What should the relative prices be between being a member of the agreement-bearing suppliers and the non-agreement-bearing suppliers? An important question in relation to setting prices is how the individual wage earner experiences the services provided by the two types of organizations? Can the wage earners clearly see that there is talk of two different types of unions providing different services? Are Danish wage earners aware of the difference between the agreement-bearing unions and the ideological alternative organizations? If the difference is not visible and most of the employed think that there is not a difference in terms of the services provided by the alternative and LO associations – collective as well as individual services – then there should not be a difference in the price the wage earners pay to the two competing organizations. In micro-economic
theory, the consumer defines whether or not there is a difference between two products – not the suppliers. A condition for the unions and professional associations that are behind the collective bargaining agreements being able to charge more for their services is, therefore, that the employed are actually aware and experience in practice that these unions and professional associations provide more services of a higher quality than the alternative organizations.

There is a lack of research documenting the level of awareness among Danish wage earners regarding the differences between the services – collective as well as individual – provided by the organizations behind the collective agreements and the alternative organizations. But it might be reasonable to presume that most Danish wage earners have some measure of awareness about how it is the collective agreement-bearing unions that negotiate and develop the collective bargaining agreements – and therefore deserve to charge more for their services in relation to the prices of the alternative organizations.

*In summary*, then, one can conclude that the market for the services provided by trade unions and professional associations is not a market with ‘perfect competition’, as such a market would demand that the products/services provided were homogenous from the perspective of the wage earner. The market form is therefore ‘imperfect competition’, which renders it possible for the individual provider to pursue an independent price policy. But how do the relative prices look and what is the incline of the total demand curve in the market? That depends on the strength of the competition between the suppliers and the difference the ‘customers’ find there to be on the products supplied. If the differences are felt to be very great, the curve will be very steep; conversely, small differences will indicate a very flat curve.

The central question for the LO associations is, thus, how price sensitive their members really are and how they react to the price differences between their own union membership dues and the dues charged by the alternative organizations. Do the differences in the value of membership correspond to the price difference? Or does the difference in price have to be reduced and the value of membership increased for the LO associations’ members before the migration to the alternative organizations can be stopped? In any case, the LO associations are forced to re-define their strategy if they are to stabilize their body of members and organization percentages.

**Strategies for recruiting and retaining union members**

The trade unions and professional associations are confronted by a number of different choices when choosing which methods and efforts they will prioritize in their attempts at recruiting and retaining members. The revitalization work has different dimensions and the individual associations can make central decisions between complementary and competing strategies (Frege & Kelly 2006).
The revitalization of the trade union movement

How can the trade union movement and individual unions and professional associations fight their way out of their current crisis? They can list various different dimensions in a revitalization strategy, emphasizing that the re-establishment of the trade union movement can operate on a number of different levels simultaneously: the international, national, sectoral, regional and local (corporate level).

Membership dimension

The revitalization of the trade unions along the member dimension can be divided into three sub-categories:

- An increase in the absolute number of members
- An increase in the organization percentage for selected membership categories, and
- Changes in the membership profile.

The three measurable variables are all relevant and the trade union can choose to work with one or more of the categories at the same time. But which development paths seem likely?

The economic dimension

In relation to the economic dimension, the trade union movement can become stronger in relation to the collective bargaining agreement negotiations; that is, the ability to obtain wage increases and improved working conditions and social goods such as unemployment insurance and pensions. The revitalization along the economic dimension can also consist of increasing the coverage of the collective bargaining agreements, which can both improve the members’ wages and working conditions but also have a positive impact on the membership figures and organization percentages of unions and professional associations. At the same time, the content in the agreements and bargaining agreements is in flux and being expanded. Which direction is the development taking and which consequences will it have in relation to the political regulation of the labor market?

The political dimension

Revitalization along the political dimension will require that the trade unions become more efficient in terms of their impact on the political process. This concerns their impact on the significant actors in the levels of government, both nationally and internationally, as in the EU. The area of influence is the various elections, certain parts of the legislation and the implementation of the legislation. Do the trade unions and professional associations appear responsible? And how is the union movement supposed to recapture the political initiative?

Institutional dimension
The institutional dimension is about the organization structure, management and internal dynamic of the unions and professional associations. It covers the ability of the trade unions to adapt to the new surroundings and challenges, develop new strategies and provide something new to the unions and associations that is not covered by the other three dimensions. The relationship between organizational structure, values and basis for recruiting can shift. The changes in the unions’ organizational structure are often a result of changes in one or more of the other dimensions, but this is also an issue unto itself.

**Strategies for revitalizing the trade union movement**

The literature points out three distinct paths for the trade union movement to escape the current crisis (Ibsen, Høgedahl and Scheuer, 2011):

- Fusion and savings strategy
- Service strategy
- Innovation- and development strategy

The three strategies overlap one another, but nevertheless with different strategic variables.

The *fusion and savings strategy* is based on the current structure and operates with the same trade-related services and same services for members but fuses itself with larger associations and cuts costs in tact with the reduced membership figures. This strategy does not stop the reduced membership figures, adapting to them instead.

*The pure service strategy* places more emphasis on pure services for members and regards the trade union as an insurance organization serving customers instead of members. The individual aspect in the strategy wins terrain at the expense of the collective.

*The innovation and development strategy* changes the organizational structure, union services and means of providing services. All of the dimensions are worked with simultaneously, and the objective is ‘to become better and cheaper’. The negative membership development must be reversed via a total renewal encompassing wage earners, workplaces and union work ‘from below’.

**Which path has the Danish union movement chosen when it comes to strategies for recruiting and retaining members – an example from HK**

HK/Denmark – The Union of Commercial and Clerical Employees – organizes white-collar workers in both the private and public sectors and is Denmark’s largest trade union. The association is divided into four sectors: the state sector, municipal sector, the sector for private service and the trade sector. HK is the association in Denmark that has been hit hardest by the competition from the alternative organizations. At both the association level as well as in the local chapters, HK has therefore reacted to
the dramatic loss of members by changing their structure and strategies for recruiting and retaining members. HK has carried out a re-assessment of strategies for production of services and recruiting and retaining members that is presented in the following as the background for analyzing and assessing the organization strategies that have been carried out.

HK’s reaction to the constantly declining membership figures the last 10–15 years has been the creation of *Nyt HK* (New HK) and the development of a strategy for HK’s future union activities aimed at turning the development around and ensuring the recruiting and retaining of the current and future members. HK’s strategy aims at concentrating the union activity around *fewer union services* in order to make HK membership more valuable for the members.

HK has chosen to concentrate on four union services:

- Collective bargaining agreements
- Union and legal services and counseling
- Work environment, and
- Education and competency development

The aim is to develop union action plans that are to be used to market the union services for the members with respect to being able to recruit and retain the potential HK members. *The working method* in the member contact is primarily supposed to be:

- Workplace visits
- Individual counseling
- Union theme days, and
- Self-service

The management has also identified the union organization area that is to be the organization potential of the future and thereby the point of departure for the work with recruiting and retaining members. The union organization lies in the sectors, and the sectors define which member groups can be HK members. The current organization principle is that HK ‘organizes those who want to be HK members’ in the sectors. There is no longer any sharp distinction between education, trade and area of work, and as the collective bargaining agreements are area agreements, everyone who refers to HK’s areas of work can be HK members. The classic HK member is ‘the skilled white-collar worker’ in the retail, office and warehouse areas, but new groups with shorter educations and mid-length educations are now edging into HK’s work areas and thus represent a potential group of members for the HK sectors. At the same time, many unskilled workers are currently working in the retail area in particular, and this
group of workers will also grow in the future in the large department stores and supermarkets (Ibsen, 2007).

New HK has thus – both on the union and organizational areas – clearly defined which strategy is to be implemented in the future in order to create a renewed HK with a stable member development. At the same time, HK has chosen to invest in the union representative front in the belief that the HK union representatives comprise the backbone in HK’s union and organizational efforts. The HK vision is to have union representatives at all HK workplaces, and the objective is for the union representatives to generate value for the members by taking care of their collective and individual conditions for wages and employment.

New HK has chosen to invest extra effort in relation to providing for the union representatives, and in that connection common minimum standards for the services provided to union representatives are to be determined. HK has therefore proposed a strategic presentation in which they have developed a plan and guide for recruiting members at the workplace, including an explanation of HK’s flexible membership dues: HK union dues, unemployment insurance funds and insurance. The union representatives are supposed to cast light on the value of membership via their work to recruit and retain members.

HK’s strategic proposal for a future strategy for recruiting and retaining members thus builds on a relatively traditional investment of resources on the union representative front, where workplace visits are aimed at making HK as a trade union more conspicuous for its old and potential members alike. The traditional trade unions have an advantage in relation to the ideologically alternative organizations in as much as they have union representatives in the actual workplaces, which can serve to cast light on the trade union, thereby making it possible to establish a sustainable, loyal membership. Moreover, HK has suggested that on both the central and local levels, the association will hold union theme days and provide individual counseling that can consist of, among other things, exploiting the new technology to enable increased use of self-service.

Results from a research project

Carma’s evaluation of the organization work carried out by the HK divisions shows how the strategies and methods used in a theoretical framework for interpretation can, in some circumstances, be said to support the purely economic, individual and utility-maximizing theory about the value of membership in relation to the cost of membership and in other cases rely more on values and norms related to collective solidarity as a requirement for a sustainable and loyal HK membership. The projects about ‘more collective agreements and union representatives’, ‘union representative project’, and HK-private’s ‘organization project’, where workplace visits and use of the local union representatives address cases, create new communities, carry out local union activities and in so doing create a workplace culture that builds on values of solidarity and therefore improve the possibilities for motivating the em-
ployees to join the trade union. The organization model attempts to create sustainable communities around their trade that over time will manifest themselves in loyal members that maintain their membership and in the best case are capable of recruiting new members. The projects referred to in the above largely build on classic trade union theory, which in addition to the utility of membership for the individual also emphasizes the value of solidarity and being part of a community. 

The idea of the community is also a consistent feature in many of the other projects about recruiting and retaining members, as they all build on ‘workplace visits’, where the union representative is the pivotal point. But some of the projects rely primarily on emphasizing the value of membership for existing and new members alike and can therefore be said to build on pure cost-benefit theory from traditional labor market economics.

Characteristically, neither HK nor the local branches want to ‘compete on price’ when it comes to the competitive relationship to the ideological alternative organizations and ‘the unorganized market’. They are counting on being able to compete on quality – that is the union services, collective as well as individual – which are relevant and demanded by both the existing and potential HK members. The ‘free rider’ problem is thus not fought only using individual, member-related services but more by relying on community values and showing in practice the difference their union representatives can make at the various HK workplaces. Many of the projects, via union representatives and workplace visits, also try to create a common ‘HK identity’ building on the ‘trade’, the union and the education and training they share in common – and this trade/profession strategy builds on ‘recognition’ and ‘status’ as a motive for becoming a member of a trade union.

However, it is characteristic of how the local HK divisions choose strategies that there is not talk of a common, general strategy for how the work is to be carried out in all four sectors in order to recruit and retain members. The four sectors decide entirely for themselves which strategy they will rely on, and the cooperation across the sectors is sporadic. Carma’s evaluation project has in its own way meant that the sectors in the project period have come to talk more about a possible interdisciplinary cooperation within the division, but this has yet to become a reality.

The HK divisions rely extensively on many different strategies that can be said to draw inspiration from all of the presented theories about union membership, but one common feature is that the division’s union representatives and workplace visits are the pivotal point for all types of actions. In that sense, the HK divisions are back to a ‘trade union classic’, according to which they rediscover and rely on old values about how the workplace community is to be the point of departure and pivotal point for being a member of a trade union.

**Conclusion**

The Danish labor market is characterized by being one of the world’s most thoroughly organized – on the wage earner and employer sides alike. This has made it possible and provided the social partners
with the opportunity to develop another particular characteristic for the Danish model: the collective bargaining agreements. The employers and wage earners themselves – both on the central and decentral levels – are therefore responsible for regulating the labor market and determining the wages and working conditions via voluntary, collective bargaining agreements. But the Danish model has come under pressure from several sides. One of the most serious threats stems from the declining organization percentages on the employee side, which we have documented and analyzed. The trade unions participating in the collective bargaining agreements with the employers lost members, partly to the alternative organizations while yet others opt to be ‘unorganized’. If the Danish model is to continue, it is necessary for these agreement-bearing trade unions to turn around the current negative development in their membership figures. The Danish LO trade union is the association that is losing the most members to the alternatives and is therefore under pressure to finding new methods for revitalizing the efforts aimed at recruiting and retaining members. On the trade union side, the Danish labor market is currently marked to a great degree by competition from the alternative organizations that can offer an unemployment insurance fund and union membership at a discount rate without having to contribute to the development of wages and working conditions. As a counter-move, HK has chosen to rely on more work-related activities and their union representatives. HK has therefore chosen to rely on quality instead of competing on price. Casting more light on the value of the collective bargaining agreements is supposed to get potential members to join and justifies the extra price in relation to the alternative trade unions. The evaluation shows that the activities that work best deal with the use of union representatives in recruiting and retaining efforts. The union representatives are HK’s long arm at the workplace with the daily contact to the members and therefore takes the pulse of what is going on at the decentral level at the individual workplace. The union representative is largely a catalyst and ambassador for the worth of being a member of an HK union. The union representative is also the messenger, sending information from the members to the management, which is entirely decisive for being able to attend to interest effectively. It is also of decisive significance that the entire union representative network is not found among the competing, alternative unions. One of the methods that has proven to be less successful is the organizer model. The evaluation shows that these efforts often require a lot of resources and are not always accompanied by a corresponding increase in members. The model, which has been developed in very different economies than the Danish economy, must – if it is to be used – be ‘translated’ so that it fits into the Danish industrial context, which is not always rife with conflict but often more ‘consensus-based’. All told, our evaluations of HK’s activities indicate that if the agreement-bearing part of the union movement in Denmark is going to survive in competition with the alternative unions and with the unorganized market, they have to rediscover themselves in terms of the old virtues about ‘trade-related activity’, but at the same time renew themselves and create a space for the individual alongside the collective. This is about maintaining a narrow focus on what creates value for the members and cuts out all other activities. The organizations must be leaned down and the resources that are freed up by doing so must be invested in workplace-related activities and reduced membership dues.
APPENDIX
List of Abbreviations

3F Fagligt Fælles Forskum (United Federation of Danish Workers)

AC Akademikernes Centralorganisation (The Danish Confederation of Professional Associations)

DA Dansk Arbejdsgiverforening (The Confederation of Danish Employers)

ECHR European Court of Human Rights

EU The European Union

FTF Fællesrådet for Tjenestemænd og Funktionærer (The Confederation of Unions for Salaried Employees and Civil Servants)

HK Handels- og Kontorfunktionærernes Forbund (The Union of Commercial and Clerical Employees)

ILO International Labor Organization

LH Ledernes Hovedorganisation (The Danish Association of Managers and Executives)

LO Landsorganisationen i Danmark (The Danish Confederation of Trade Unions)

UIF Unemployment Insurance Fund
References


