

In support of a New Zealand ‘living wage’: reflections on Danish ‘working poor’ trends and issues.

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Introduction

In May 2012, a campaign started in support of a New Zealand living wage. Initiated by the Service and Food Workers Union Nga Ringa Tota (SFWU), Living Wage Aotearoa New Zealand has grown into a broadly based community and union campaign with over 100 organisations endorsing a call for a living wage by late 2012. The campaign is partly a response to the growing concerns about low-wages in New Zealand where many workers and families are struggling financially, and it partly builds on similar campaigns in other Anglo-American countries (for example, USA, UK, Ireland). There are particular New Zealand factors at play as the country seeks to counter the fallout from the global financial crisis, high youth unemployment, and an exodus of skilled workers to overseas labour markets. In particular, the limited growth in statutory minimum wages has had a negative impact on low paid employees as have the government’s reduction in employee entitlements and its emphasis on work, even very low paid work, being a way to deal with employment and welfare issues (Fletcher, Hanna & Andersen, 2012; Hanna, Fletcher & Andersen, 2013).

However, wider international concerns about unemployment, low-wages and employee rights indicate that important underlying structural and political issues are associated with the type of work and labour markets being created (Andress & Lohmann, 2008). It is well-known from several OECD countries that the recent growth in low paying jobs has been associated with job growth in low-wage service sector employment in areas, such as hospitality, cleaning, aged care and retail (Dølvik, 2001; Rampell, 2012). This growth has also coincided with a decline in union membership and collective bargaining, a rise in atypical employment patterns and a stronger employer/management focus on costs and labour market flexibility (Appelbaum, Bernhardt & Murnane, 2003; Rasmussen & Andersen, 2006). Overall, it has made wage and income inequality, and its positive and negative effects a major media and research focus. While the extent and actual impact across economies is still debated, there are clearly concerns that growing inequality can bring about economic and social inefficiencies (Fallow, 2013; Rashbrooke, 2013). It is particularly interesting that key supporters of more ‘market’ and ‘deregulation’, (such as the OECD, 2012; Politiken, 2012; the Economist, 2012), have recently voiced concern over the continuous rise in inequality.

With the growth in low-wage service sector employment and changes in employment relations and employment patterns, there seems to be no stopping the incidence of the ‘working poor’ rising. While low-wage employment can be contained through legislative and collective bargaining interventions, this has been met with fierce employer and political resistance in many OECD countries. Social welfare interventions to mitigate the income deficiencies have also been faced

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with the fallout from the post-2008 global financial crisis, which has put pressure on public budgets (Leschke & Jepsen, 2012; Schick, 2009). New Zealand's limited changes to statutory minima and recent welfare and public sector reforms fit well with that international picture.

While low-wage work has become a concern in many OECD countries, the recent growth in the 'working poor' is not inevitable and it is a key argument of this article that a living wage is possible and compatible with a highly efficient and competitive economy. In support of this argument, we draw on recent research which has been funded by the Russell Sage Foundation.¹ This research has used the standard European definition where low-wage workers or 'working poor' is defined as "anyone who earns less than two-thirds of the national median wage" (Solow, 2008: 5). This means that the number of 'working poor' will be influenced by the dispersion of the wage distribution, particularly the compression of the wage distribution for low-wage work. It will also be influenced by the level of the national median wage, which will indicate whether a country has comparatively a low-wage economy (as discussed below).

The Russell Sage Foundation research has found a wide range of incidences of 'working poor' in the relatively few OECD countries its research has investigated. This is a clear indication that different countries deal very differently with low-wage work.

Here are the basic facts. In 2005, the incidence of low-wage work was 25 percent in the United States, 22.1 percent in the United Kingdom, 20.8 percent in Germany (2004), 18.2 percent in the Netherlands (2004), 12.7 percent in France (2002) and 8.5 percent in Denmark (Solow, 2008: 6).

In this paper, we will focus on Danish trends since Denmark has obviously had a very low incidence of 'working poor' (Solow, 2008). It is an example, therefore, of our argument that restricting low-wage work is possible. This restriction is also compatible with a competitive economy since the Danish economy has been regarded as rather successful in recent years. Interestingly, a relatively low level of 'working poor' has even been recorded in several Danish service sectors; sectors normally renowned for their propensity to create low paying jobs (Bosch & Lehdorff, 2005; Eriksson & Li, 2008). The Danish way of restricting low-wage work also appears to fit well with the voluntary, bargained approach taken by the New Zealand campaign for a living wage. Finally, the mobility out of low-wage work is also high in Denmark (as discussed below) meaning that individuals are far less likely to become continuously stuck in low-wage work. Thus, the Danish 'case' can provide interesting counter-arguments when dire economic and employment outcomes are raised as obstacles for introducing a living wage in New Zealand.

However, we are also mindful to avoid presenting an unrealistic Danish 'fairytale'. The paper questions, therefore, the long-term viability of the 'Danish Model' of employment relations. Several critical arguments from recent research are canvassed, such as the 'Danish Model' being based on an open labour market with large in and outflows of migrants, and with a reliance on collective bargaining/agreements, with limited state regulation and, in particular, no statutory minimum wage (Knudsen & Lind, 2012; Lind & Rasmussen, 2013; Smith, 2011). Finally, we end with a brief discussion on the relevance of the 'Danish Model' and its ability to contain the incidence of 'working poor' in respect of New Zealand public policy, bargaining trends and employer and union attitudes.

The ‘working poor’ and the ‘Danish Model’ of employment relations

In recent years, the so-called ‘Danish Model’ and, in particular, its promotion of ‘flexicurity’ has attracted substantial overseas interest (Andersen & Svarer, 2007; Begg, 2012; Due, Madsen, Jensen & Petersen, 1994). While the emphasis on a flexible labour market and social welfare security has been a key driver of the ‘Danish Model’s notoriety, it has also been used in promoting a ‘Third Way’ or Social Democracy approach to economic, social and labour market policies, and has been seen as a positive example in the move towards the high-skill, high-wage economy, and an inclusive labour market (Campbell, Hall & Pedersen, 2006).

Denmark and New Zealand are seldom the subject of mainstream comparative research (but see Markey, Harris, Lind, Busck & Knudsen, 2010; McLaughlin, 2009; 2010). However, it is obvious that the two countries, despite some similarities in terms of historical developments (Lind & Rasmussen, 2006), have followed rather different public policy paths over the last two to three decades.

Radical changes have been the hallmark of the ‘New Zealand experiment’ where so-called ‘Rogernomics’ started a fundamental economic and social transformation, which ‘opened’ the New Zealand economy and implemented adjustments across most public policy areas (Kelsey, 1997). In particular, the public sector and labour market reforms have gained international notoriety (Boston, Pallet & Walsh, 1996; Dannin, 1997). The welfare support to and prevention of low-wage work became more evident under the Labour-led governments (1999-2008), where major increases in statutory minimum wages, enhanced employee rights, social welfare changes and housing subsidies shifted the goalposts for the ‘working poor’ (Haworth, 2004; Rasmussen & Walker, 2009). However, collective bargaining levels have been stagnant in the new millennium and this has clearly been problematic for many low-wage service sector jobs where collective bargaining is a rarity (Blumenfeld, 2010). Finally, there has been a move towards a more neo-liberal, punitive approach in the post-2008 period. Currently, it appears that employment, even low paid employment, is seen as a key public policy target and most public policy changes (for example, taxation, social welfare, employment minima) have done precious little to limit inequality (Rashbrooke, 2013).

Although Denmark has implemented considerable changes to its economic and social structures, the changes have been less radical and phased in slowly. This has meant, as pointed out below, that there are now systematic Danish-New Zealand differences across a range of public policy areas and with considerable variation in key economic, social and labour market indicators. The limited rise of ‘working poor’ as a proportion of the workforce in Denmark is probably also the reason why Denmark, despite the considerable international debate of inequality, has yet to experience strong research and media focus on low-wage work. While the discussion above has mentioned that Denmark has had a low incidence of low-wage work and has also had high mobility out of low-wage work, it has not really said much about *how this situation has come about and whether it can be sustained*. These questions are dealt with in the article’s next two sections.

Besides the low incidence of low-wage work, there are *two other key characteristics* which influence the experience of low-wage workers in Denmark. First, there is considerable mobility out of low-wage work: “...of every one hundred Danes who were low-wage workers in 1995, only about ten remained in that status five years later. If there is a chronically low-wage population, it appears to be quite small.” (Solow, 2008: 14). Many of the low-wage workers are students who

accept low-wage work as long as this fits with their studies. Many of these students will move to more highly paid jobs when their studies have ended (Westergaard-Nielsen, 2008). Another major group is immigrants and temporary foreign workers who are now becoming a public policy concern as will be discussed below. Second, there is also considerable support in terms of active labour market and social welfare measures. These are features which set the Danish approach apart from most other OECD countries, as highlighted below. While it has provided some impressive employment results in recent years, it has made the Danish approach very expensive: “Danish welfare policies are comprehensive, and state expenditures on labor market programs are high; as a result, Denmark spends more on these programs than any other country” (Westergaard, 2008: 32).

To really understand national differences, it is necessary to investigate how low-wage work is treated in particular countries, industries and firms. The Russell Sage Foundation research has opened for further investigation thereof.

One interesting hypothesis that emerged from this work was the notion that employers have significant discretion about the way they organize their use of low-skilled workers and the value they put on the continuity and productivity of their work force. The extreme versions came to be labelled “low-road” and “high-road” modes of organization. /.../ Of course, the nature of technology and the competitive intensity in the industry are important determinants of labor-market outcomes. That is not in doubt. In some situations, however, there may be scope for several levels of wages and job quality for unskilled workers. /.../ It then becomes important to the researcher to understand the broad factors that govern the typical choices made by employers (Solow, 2008: 3).

The quote highlights how there appears to be systematic differences even when industry location, occupational patterns and organisational size are adjusted for. As such, the Russell Sage Foundation research is consistent with other comparative employment relations theories and/or models, which have tended to place Anglo-American countries in a different category from Denmark. One can point to neo-corporatist analyses of the 1980s (Schmitter, 1981; Crouch, 1985), the so-called Calmfors-Driffill hypothesis of the late 1980s (Calmfors & Driffill, 1998), the Strategic Choice Model of the 1980s and 1990s (Katz & Darbishire, 2000; Regini, Kitay & Baethge, 1999) and the Variety of Capitalism of the 1990s and 2000s (Bamber, Lansbury & Wailes, 2011; Campbell et al., 2006). All of these theories and models put a lot of emphasis on institutional factors and they often place labour market and employment relations processes and outcomes at the centre of their discussions. It is clearly a crucial institutional feature that Danish unions have maintained industry collective bargaining as a norm-setting mechanism for low paid jobs, and it is this norm-setting collective bargaining which is currently under some pressure (Knudsen & Lind, 2012; Lind & Rasmussen, 2013).

How has Denmark limited a rise of ‘working poor’ as a proportion of the workforce?

Since the 1950s, Denmark has developed an economy, a social welfare system and an inclusive labour market which have been admired by overseas commentators (Auer, 2000; Campbell et al., 2006). In the process, it has transformed itself from a relatively low-wage country to a high-wage, high-skill, internationally integrated economy. There are many reasons for this development and one has to be careful in taking a short-term or simplistic view as it has not been a smooth path.

Denmark has had its fair share of international pressures, economic downturns, public policy ‘soul-searching’, and some adverse economic and social changes. Thus, any brief explanation for this success will be superficial and, in the following, we will highlight only a few key features and, in particular, those that can be used to compare and contrast New Zealand issues and trends.

The transformation towards high-wage, high-skill economy was part of the social democracy economic and social approach, which promoted a strong economy and high productivity through an emphasis on education and upskilling, workplace democracy (employee ‘voice’ and influence) and equality and equity. The post-1950s economic upswing was characterised by investments in education, public sector activities (including kindergartens to facilitate women joining the labour market) and localised active labour market programmes. Similar public policy approaches could be found in other European countries and in New Zealand, but there was a unique Danish approach which gave rise to the notion of the ‘Danish Model’ of employment relations. It was a strongly solidaric approach which was built around the traditional *self-determination* of employers and unions, and emphasised the role of ‘solidaric wage bargaining’ and income compression (Due et al., 1994; Due & Madsen, 2008). Thus, while the state was active in developing welfare measures (including income redistribution through taxes and transfer payments), education and training programmes, and massive infrastructure projects, there was limited intervention in the labour market (Andersen & Svarer, 2007; Due et al., 1994). Labour market regulation was mainly built on collective agreements and, to a very limited degree, on state intervention (which was normally prompted by joint employer-union suggestions). Compared to employment relations in New Zealand, the lack of legislative underpinnings is remarkable.

Besides this ‘voluntarist nature’ of employment relations, it is important to consider the importance of comprehensive state intervention in supporting economic and social mechanisms.

The Danish “flexicurity” model has achieved outstanding labour-market performance. The model is best characterised by a triangle. It combines flexible hiring and firing with a generous social safety net and an extensive system of activation policies. The Danish model has resulted in low (long-term) unemployment rates and the high job flows have led to high perceived job security (Andersen, Bosch, Deelen & Euwals, 2011: 1).

The comprehensive role of the social safety net means that most low paid employees will seldom suffer a drastic income reduction in the short-term, and many important employment entitlements are only partly dependent on having continuous employment. This creates a highly mobile workforce and many Danish workers will change jobs and experience short periods of unemployment. In that sense, labour market mobility is similar to the US patterns, where an economic down or upturn prompts an immediate employment reaction (Westergaard-Nielsen, 2008). The average unemployment duration in Denmark tends to be less than four months and while this has drifted upwards following the global financial crisis, average unemployment duration is still low: “Still, workers that lost jobs in the midst of the recession found employment rather soon: 60% after 13 weeks and 80% after 26 weeks.” (Andersen et al., 2011: 3). While the ceiling on unemployment benefit payments provides a financial incentive to rejoin employment for higher paid workers, the activation measures are very important for low paid workers, and there is a considerable degree of compulsion (financial punishment) to be actively involved in these measures.

As neo-liberal thinking has permeated public policy approaches in many OECD countries in the new millennium, the Danish/Scandinavian approach has stayed remarkably different and successful:

Despite high taxes, high unionization rates, and egalitarian income distribution they demonstrated from the mid-1990s to 2008 that it was possible to improve competitiveness, secure macroeconomic balances, lower unemployment, and engage a high proportion of women, youngsters, and senior people in economic activity, while state institutions played a large role in the economy (Kristensen & Lilja, 2011: vii).

In fact, the Danish data shows several trends contrary to neo-liberal thinking becoming more embedded in the post-1980 period: union density peaked in the mid 1990s, the public sector was still expanding post-2000, and high income tax rates and significant public transfers are still in place. Thus, even with the various current ‘pressures’ on the Danish approach highlighted below, this is still a *paradoxical* model for many outsiders as it is so different, and yet successful with the ‘wrong’ public policy approach.

As described, the incidence of low-wage work is partly influenced by the ‘Danish Model’ and its ‘flexicurity’ approach, but is also partly influenced by common understandings built over a long time amongst the key decision-makers. In particular, there appears to be a common state-employer-union understanding that continuous adaptation (to adjust in light of prevailing economic and social issues), and a focus on productivity is necessary and this understanding influences national collective bargaining as well as bargaining at organisational level (Lind & Rasmussen, 2006). Productivity measures are often implemented at workplace levels where shop stewards and work councils can have considerable influence, and employees’ positive contributions are, therefore, important in generating flexible and effective workplaces (Kristensen & Lilja, 2011; Rasmussen, O’Neil & Chalmers, 2006). The connection between high wage work and productivity can also be found in the unions’ rather positive approach to outsourcing/offshoring of low-wage work. While job protection is part of the unions’ strategic approach, it sees the containment of low-wage work as an important part of its solidaric wage bargaining. It also appears that Danish employers are very vigilant in ‘policing’ and advocating against low-wage work with adherence to collectively agreed norms being taken quite seriously by employers and their associations.

However, the Danish approach is not without its problems. There have always been areas, especially in construction, retail and hospitality, where collective agreements do not cover work and employees (Scheuer, 1996). These areas are clearly problematic for unions as they can undermine minimum wage norms. As will be discussed below, there are some serious doubts about including the areas outside of collective agreement coverage. Another problematic issue is how to fit people with low skills, low engagement or with physical and/or mental constraints into workplaces which are driven by high labour costs and international competition. There have been some serious public policy debates about the many people who cannot get a permanent position in the Danish labour market and the many people who have been ‘retired’ temporarily or often permanently from the labour market through various sickness and pension schemes (Velfærdskommissionen, 2004; Møller, Lind & Hansen, 2008). Finally, this is a very expensive system which tends to put pressure on employers, employees and particularly state expenditures. The high level of Danish taxation, driven by high income taxes, local taxes and a 25 percent VAT rate, often astounds foreign observers. While social welfare, health and education account for a large part of expenditure, the active labour market measures and the wider context of extensive free education and training opportunities are very expensive to run (Westergaard-Nielsen, 2008).

Still, as Kristensen and Lilja (2011) have illustrated, the rather large and expensive welfare state can positively support organisational adjustments and allow for continuous upskilling and learning. Under increasing international competition, organisations and individuals have to *experiment* with new business models, new working arrangements, and new career and living patterns. This demands high levels of flexibility and connectivity, especially of the many small-to-medium sized Danish firms. In this volatile labour market, individual workers have to rely on more than just traditional supports, such as crèche and kindergarten facilities, paid parental leave, and protected jobs. In order to incorporate new family patterns and continuous upskilling requirements, new welfare and active labour market measures have involved the development of individualised employment planning, transfer/job change supports, temporary leave schemes, individualised social services and so on (Kristensen & Lilja, 2011).

Can the Danish Model continue in a globalised/international labour market?

Despite its remarkable success in the last couple of decades, there are doubts whether the ‘Danish Model’ is viable in a globalised labour market. As it is based largely on collectively agreed arrangements, it demands a consensus approach and comprehensive coverage of collective agreements and arrangements. This cannot be taken for granted. Interestingly, the other two aspects of ‘flexicurity’ – state support of incomes and active labour market interventions – have only had minor adjustments in the new millennium and, if anything, have been seen as even more important in order to deal with a more fluid labour market and with the demographic pressures of an ageing workforce. There have been some adjustments to deal with the costs associated with state interventions, and a tightening of unemployment and benefit regulations (Andersen, Olsen, Ploug & Juul, 2012; Møller et al., 2008). This has meant that the unemployed and beneficiaries have faced tougher times, but has yet to prompt a public debate about the ‘working poor’ or a living wage, despite the unions trying to engage young people and unorganised employees in a wider discussion about how to prevent low-wage work. This public debate may still surface as there has been considerable media and political debate about the growing inequality in Denmark (Politiken, 2012). However, inequality is still far from American proportions as the Danish Gini coefficient² has increased from 20.6 to 24.3 over the last 15 years as the economic upswing has benefited highly paid employees most (Economist, 2012; Lind & Rasmussen, 2013; OECD, 2012)

Thus, the main doubts about the viability of the ‘Danish Model’ are linked to collectively agreed arrangements. Danish research has pointed to three trends which could threaten the sustainability of the Danish Model (Due & Madsen, 2008; Knudsen & Lind, 2012; Lind & Rasmussen, 2013):

- Decentralisation of collective bargaining
- Union density decline and less comprehensive collective bargaining
- European Union regulations and migrant labour

Over the last couple of decades, there has been a decentralisation of collective bargaining. This process, often called “managed decentralisation” or “centralised decentralisation”, has made the key national peak employer and union organisations (DA and LO) less important. Instead, employer associations and unions at the industry level – the next level down from the national peak organisations DA and LO – have gained in importance, and are now the key parties concluding collective agreements (see Lind & Rasmussen, 2013). At the same time, collective agreements have become less prescriptive and many important employment conditions, including wages and working

hours, are often negotiated at workplace level. This has clearly opened for more employer-determined flexibility, but with strong union and employee influence on workplace decision-making, it is a far cry from employer-determined flexibility in New Zealand. It has also yet to result in a strong growth of ‘working poor’ as, despite the growing importance of workplace wage negotiations, wage differentials have not increased considerably.

The ‘Danish Model’ assumes that collectively agreed arrangements will cover the labour market in a nearly comprehensive fashion. This assumption has been questioned since research by Scheuer (1996), and it is estimated that around 60 percent of the private sector workforce are currently covered by collective agreements (LO, 2011a). With over a third of the private sector workforce being without collective bargaining coverage, some of these workers could face low-wage situations since there is no Danish statutory minimum wage. The key role of collective bargaining and union membership in containing low-wage work may be one reason why there has not been a strong decline in union density in Denmark as in other countries. As can be seen from Table 1 below, Danish union membership is roughly as high as it was in the 1980s.

Table 1: Members of trade unions in Denmark (in thousands)

	1985	1995	2000	2005	2009	2010	2011
Workforce*	2.434	2.547	2.614	2.640	2.677	2.676	2.655
LO	1.119	1.208	1.167	1.142	987	955	917
FTF	309	332	350	361	358	358	356
AC	74	132	150	163	**133	137	139
Outside the Peak Organisations	198	190	203	227	**340	354	366
Union members	1.700	1.809	1.802	1.799	1.665	1.631	1.603
Union density	70	73	72	72	68	67	67
Members of Peak Organisations as percentage of all union members (%)							
LO	66	65	62	60	54	53	52
FTF	18	18	19	19	20	20	20
AC	4	7	8	9	7	8	8
Outside the Peak Organisations	12	10	11	12	19	19	20

Source: LO, 2011b

*Self-employed are not included

**These changes were prompted when two member organisations (‘Ingeniørforeningen’ and ‘Landinspektørforeningen’) decided to leave AC.

LO is the traditional, mainly blue-collar, peak organisation, FTF mainly organises white-collar workers while AC have academically educated employees as members.

Table 1 indicates that there has been a relatively small drop in union density, and there is still a very high level of union density compared to most other countries. However, there have been several important distributional changes. LO has lost some of its previous dominance as it has lost members. To a large degree, this has been driven by changes in the workforce composition as

service sector and white-collar jobs have grown. As the peak union organisations often work together in securing the key employment conditions and arrangements, this has had less impact on collective bargaining outcomes as could have been the case. The peak union organisations are all advocating a strong position on the 'working poor' and they are often supported by peak employer associations as organised employers are trying to avoid being undercut by 'cheap labour' employers. However, the rise in union members outside the peak union organisations is rather more dangerous as this is partly built on the popularity of so-called 'discount unions' (Ibsen, Høgedahl & Scheuer, 2011; 2013). Normally, these unions have rather weak bargaining positions or no collective agreements at all, which opens up for low-wage work. While there has been a strong growth in 'discount unions' over the last six to seven years, the full effect of this growth on low-wage work is yet to manifest (Navrbjerg & Larsen, 2011).

European Union membership means that the Danish labour market has become part of the 'free mobility of capital and labour' within EU countries. EU nationals can legally work in any Danish company, and will be subject to the same rules and conditions as Danish nationals. However, when under the employ of a foreign owned company operating in Denmark, the employment relations is regulated by the Posted Worker Directive, which is implemented via Danish legislation. According to this legislation, a foreign-owned company must follow Danish legislation and agreements that regulate the working conditions of particular jobs. In both cases, there are clear prescriptions where legislation stipulates the appropriate regulations (such as safety at work, holidays, legislation on white-collar workers, equal treatment of men and women and equal pay). This is less clear cut if the collective agreements do not stipulate wage levels, working time arrangements, and so on. These situations could easily allow strong growth in the 'working poor' as there is no statutory minimum wage as a default option.

Finally, there have been several cases reported in the media where Danish and foreign-owned companies have ignored Danish legislative or collectively agreed regulations when employing non-Danish workers (for example, in the construction sector). In most of the reported cases as well as in the limited research done so far, migrant workers have been lower paid than Danish workers, they work longer hours, their working environment is sub-standard, and the work intensity is higher (Hansen & Hansen, 2009; Arnholtz & Hansen, 2011; Pedersen & Thomsen, 2011). This could become a considerable issue since there has been strong growth of foreign workers in the Danish labour market, rising from 40,000 to 60,000 workers during 2008-11 despite rather low levels of economic activity (Arnholtz & Hansen, 2011).

Discussion

In respect to the living wage campaign, the Danish example provides an encouraging picture. It shows that it is possible to limit the 'working poor' in an open, flexible economy and, equally important, many employees leave the 'working poor' status after a relatively short period. As with the living wage campaign, the Danish approach rejects low-wage work as a solution to unemployment or activation of social welfare recipients and this provides a strong guideline for public policy-making. The Danish approach also aligns with the living wage campaign where the emphasis is on collectively agreed solutions where the consideration of other workplace measures for example, changes to work organisation, can make wage increases for low paid employees less costly for employers. However, the New Zealand living wage campaign needs to tackle two

important issues in order to align with the ‘Danish Model’: the strategies of the current National-led government and the low level of collective bargaining.

The economic, social and labour market approaches of the current National-led government contrast with the negative image of low-wages found in the ‘Danish Model’ and the living wage campaign. One can point to the limited rises in the statutory minimum wage since 2008, the recent welfare reforms and their pressure on beneficiaries to take on any type of job, or the insufficient support of vocational training and labour market transitions of young people (Fletcher et al., 2012; Hanna et al., 2013). There is a considerable gap between such approaches and the fundamental ideas and interventions of the ‘Danish Model’ and ‘flexicurity’. Although the living wage campaign has succeeded in building grass-root support across community organisations, religious groups and unions, the 2014 General Election will be a litmus test whether this has been sufficient in shifting the balance of the public policy debate. Without broad political and social support, it would be difficult to imitate the Danish approach.

Another problematic issue is the reliance of the ‘Danish Model’ upon collective bargaining as this is no longer relevant in many New Zealand workplaces. While public support from other grass-root organisations is important in persuading employers to agree to the living wage approach, the Danish approach is clearly based on comprehensive collective bargaining. There are debates of how to create more comprehensive collective bargaining in New Zealand, but making it happen is the key test. Recent union discussions of making collective bargaining more comprehensive have focussed on extending key bargaining results across industry groups (Harré, 2010; Kelly, 2010). This appears to be slightly different from the historical awards and blanket coverage provisions with its focus on key collective agreements being trendsetters. However, it is also different from the Danish approach since it still seems to rely heavily on legislative backing and less on collective action. Furthermore, it appears to assume that any widespread collaboration with employers is of limited use. While Danish employers and employer organisations play a crucial role in enforcing collectively agreed norms, this is unlikely to be the case in New Zealand. New Zealand employer organisations seldom assume any enforcement role and their support of more ‘flexibility’, also in terms of wage-setting, broadly fits their constituency: most employers tend to support more employer determined flexibility and less collective bargaining (Foster, Rasmussen, Murrie & Laird, 2011; Foster, Rasmussen & Coetzee, 2012). Thus, unions need to establish more widespread collective bargaining and to overcome employer hostility to align with the Danish approach.

Finally, there are several areas where more government intervention could improve the quality of labour market outcomes. Under the previous Labour-led government, workplace partnership was seen as a way forward towards a *high wage*, highly productive economy (Haworth, 2010). This collaborative approach facilitating higher productivity and wage levels has been in place in Denmark for some time where workplace partnership is built around extensive workplace participation structures (Markey et al., 2010; Rasmussen et al., 2006; Rasmussen & Lind, 2003). While workplace partnership is no longer part of public policy in New Zealand, this could be resurrected. Besides comprehensive workplace participation structures, Danish workplace partnerships also benefit from continuous upskilling which is, as mentioned above, highly expensive for both taxpayers and employers. In New Zealand, there are issues surrounding funding, structures and workplace buy-in which have made skills shortages, import of skilled labour and upswing ‘bottlenecks’ a perennial problem for many employers (Rasmussen & Walker, 2009). Furthermore, there are considerable concerns about New Zealand management approaches and skills (Birchfield, 2011; Haworth, 2012; Matheson, 2009). While the current National-led

government has recently highlighted major shortfalls in the education and training areas (Cochrane & Piercy, 2014), it will probably take a very substantial effort to bring New Zealand closer to the Danish level of upskilling.

Conclusion

The concerns about 'working poor' have grown in the new millennium as the wider impact of globalised capitalism and labour markets has created considerable wage differentials, and large sections of the workforce are struggling financially in many OECD countries. The fallout from the global financial crisis has added further impetus. These concerns are also associated with other economic and social issues, such as the wider impact of inequality, the ability to move out of low-wage work, restricted education and upskilling opportunities and, overall, the creation of a less inclusive society.

It is possible to contain low-wage work and create a virtuous circle where a lower proportion of 'working poor' leads to positive economic and social dynamics. It is also important to ensure that mobility out of low-wage work is high. The low incidence and duration of low-wage work are the key indicators which make the 'Danish Model' and its 'flexicurity' and active labour market programmes stand out internationally. Although this has been and still is a rather successful approach one cannot take for granted that positive outcomes will continue. The Danish Model has already had to be adapted on a continuous basis in face of economic, social and employment problems and radical international market changes. Currently, there are clear warning signs that the 'Danish Model' is struggling in face of changes to union membership, less collective bargaining coverage, and the integration of the Danish economy and labour market in the EU 'free market' zone.

While the New Zealand living wage campaign can take heart from the Danish experiences, we have pointed to several institutional underpinnings of the Danish success in containing the 'working poor' which are not in place in New Zealand. There will need to be considerable public policy change and enhanced collective bargaining if New Zealand wants to pursue a Danish-inspired approach. Overall, this makes us cautious about future trends, both in terms of whether the 'Danish Model' will, once again, be able to withstand external and internal pressures through adaptation and whether the living wage campaign will result in adequately containing the extent of 'working poor' in New Zealand. It also indicates that further comparative research is needed on how 'decent work', including higher wages, can be created in employment growth areas such as retail, hospitality, logistics and transport, health and personal care.

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Notes

¹ An overview of the low-wage research funded by the Russell Sage Foundation as well as the general purpose of the Foundation can be found on www.russellsage.org with details published under the section: *RSF Case Studies of Job Quality in Advanced Economies*. Research approaches and findings have been published in several reports and books (for example, Appelbaum et al., 2003; Gautié & Schmitt 2010; Westergaard-Nielsen, 2008).

² The Gini coefficient is used to measure income distribution or inequality by national and international statistics, where a growth in income inequality is signalled by a growth in the Gini coefficient. While there has been a growth recently in the Danish Gini coefficient, it is still low by OECD standards (see OECD, 2012)