

Social dialogue in welfare services – employment relations, labour market and social actors in the care services (SOWELL)

Policy brief

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1. Introduction

This report includes the Danish policy brief from the Sowell project. The project is funded by the European Commission's General Directorate for Employment (agreement number VS/2020/0242) and is coordinated by the University of Milan. The project was conducted during the period January 2020 - December 2022 and covers the following EU member states: Denmark, Germany, Hungary, Italy, the Netherlands, Slovenia and Spain.

2. The sector study – what did we learn from it?

This report has analysed the balancing of pressures found in two selected Danish care sectors in terms of public budget constraints, job quality, service coverage and the quality of services. The balances form a sort of quadrilemma. To this quadrilemma we have added labour shortages/ recruitment problems, as it turned out to be a major challenge at the present time in the Danish care sectors.

From 2009 onwards the public sector in Denmark experienced mild austerity. However, since 2019 a new (Social Democratic) government has reinvested, somewhat, in the public sector and has linked the budget to demographic changes. The long-term consequences of this policy remains to be seen. It is likely to reduce the pressures linked to the quadrilemma, but not to remove the pressures entirely. Moreover, economic developments in 2022 leading to renewed pressure on public finances and municipal budgets suggest a new and less favourable economic situation once again.

The effect of the Covid-19 pandemic has not been analysed to any notable extent in this report, but it is still possible to conclude that, of the four pressures, Covid-19 mostly impacted the job quality (working conditions) of employees within both elder care and ECEC. Employees were placed under severe pressure by the pandemic in terms of the many measures taken to protect citizens and prevent the spread of Covid-19, while having to keep working. Unavoidably, this had an impact on service quality.

2.1 Findings from long term care (LTC)

2.1.1 *Budget constraints and service coverage*

The overall budget for LTC, according to most sources, has not declined but rather increased slightly during the last 10–15 years. However, the increasing number of older people suggests that spending per user and service coverage have both declined considerably in recent years.

2.1.2 *Service quality*

Most existing large-scale quantitative studies show stability rather than change in LTC service quality. However, qualitative studies, including the present project, indicate that many stakeholders are experiencing a decline in service quality. A factor complicating the picture is that the official aim of LTC has changed because of the trend towards rehabilitation, including a development from a focus on carrying out tasks for the elderly who are in need towards providing ‘help-to-self-help’. Also, studies of the consequences of outsourcing on service quality are inconclusive.

Outsourcing is used extensively in elder care. On some indicators, private providers seem to perform better than public providers, while on others it is the other way around. It was not possible in this project to determine to what extent ‘creaming’ was taking place, i.e., to what extent private providers were more often chosen by the easiest-to-handle elderly people.

2.1.3 Job quality (including wages)

There are indications that job quality has worsened, although this was also questioned by some of the interviewees. This is mainly the result of work intensification, which again – at least in part – is caused by the declining budget per user. Sickness absence is high and increasing (especially among public sector providers) and the feeling among home helpers of being unable to deliver a quality service within the time allocated per user is common. The working conditions seems to be one among several explanations for the widespread use of part-time employment among home helpers.

Some studies show that job quality is better among public providers, compared to those in the private sector. However, interviewees reported less variation between the two types of providers' collective agreements and working conditions and pointed to the social clauses as one of the factors counteracting such differences. Still, national statistics show substantial higher wages (including all benefits) among public sector providers compared to the private sector. This difference might be explained by the existence of a section of small private providers not covered by the collective agreements.

The wages of those working in public elder care (as well as for the rest of the public sector) are not very flexible due to a rather centralized wage system and the so-called regulation mechanism, which ties the wage trajectory in the public sector to that in the private sector. This lack of flexibility might be the cause of more pressures on some of the other dimensions in the quadrilemma, because it represents a barrier to savings on labour cost (which can still be obtained through lay-offs).

Nurses (a smaller group in elder care) and by far the largest majority of home helpers have completed formal education. However, the proportion of unskilled home helpers is rising due to severe recruitment problems.

2.1.4 Recruitment problems

Problems in recruiting existing and future home helpers is the issue that is currently most at the forefront in elder care. The combination of an ageing workforce, problems in attracting people to the occupation and a part-time culture are a cause for concern across the actors involved. Several multipartite, government and social partner initiatives are currently being taken to address these challenges. Despite this, the problems seem only to get worse.

2.2 Findings from early childhood education and care (ECEC)

2.2.1 Budget constraints and service coverage

The overall budget for ECEC has increased slightly during the last six years. However, prior to that ECEC services experienced mild local austerity pressures, with varied outcomes in different municipalities as a consequence of the above-mentioned structural reform and changes in the measures controlling municipal spending. Local budget cuts typically meant a higher ratio of children per staff member, fewer trained staff, an earlier transition of children from nursery to kindergarten and/or more closing days.

2.2.2 Service quality

The introduction of minimum staffing requirements by law is one way to safeguard against local budget cuts and secure more equal standards in service coverage and quality across municipalities. The political agreement on minimum standards also set aside funds to implement this decision in the coming years so, moving forward, spending within ECEC will increase. Service quality is high, but it is also a political target area for improvement. The introduction of minimum staffing requirements represents a structural strengthening of service quality. Moreover, initiatives taken by the previous liberal-conservative government introduced pedagogical curricula in day care and measures to aid municipalities in the oversight and securing of service quality in day care. Overall, the combination of introducing curricula and strengthening municipal oversight of the quality of services together with minimum staffing requirements will strengthen service quality. However, the trade union BUPL has pointed to the need to further strengthen pedagogical education moving forward, but so far this has not been a political priority.

2.2.3 Job quality (including wages)

Collective bargaining coverage is high and wage and working conditions have been maintained. However, the above-mentioned local austerity has challenged job quality by reducing the ratio of staff per child and the increasing use of staff who are less well-trained. This has led to increased pressures on remaining staff and possibly has consequences for service quality. In recent years, the issue of job quality has gained in political importance and initiatives to safeguard minimum staffing requirements have been introduced, as discussed above.

Moreover, the various groups of employees within ECEC are female dominated and believe they suffer from a structural and historical gender wage gap. BUPL believe pedagogues' wages to be too low compared to other groups within the public sector with similar education levels. In accordance with amongst other nurses they argue, that their members suffer from gender unequal wages formed historically, and that the collective bargaining system has been unable to lift their wage trajectory to correspond with their rise in educational level.

Denmark is experiencing a double demographic pressure, with the highest rise by age group among elderly citizens but also an expected substantial increase in the population of the youngest citizens. Accordingly, most initiatives for improving staff recruitment have been taken in elder care, with less regarding staff in ECEC. However, a number of developments are similar in the two sectors. Recently, the government has also invested in increasing the number of staff and improved education and upskilling. None of this has been fully implemented, and thus it is difficult to discern how these initiatives will effect job quality.

2.2.4 Recruitment problems

Current recruitment challenges vary greatly across municipalities. Initiatives have been taken to increase full-time employment to alleviate labour demand. These have so far met with little success, most likely due to a combination of a

strong part-time culture and the management of skills in planning everyday work. Moreover, a challenging working environment and an ageing group of day carers, for instance, might also be important factors. It is too early to measure whether local staffing demand will result in improved wage and working conditions at local level.

2.3 Comparing the two sectors

2.3.1 *The quadrilemma and labour shortages*

The pressure on LTC seems higher than in ECEC. In LTC labour shortages are more severe, budget/user has declined, poor working conditions due to work intensification seem more widespread, the pressure on service quality is higher and service coverage is lower. This indicates that the quadrilemma is not only about trade-offs, but that pressure on one dimension might spill over to other dimensions. For instance, it is very likely that the worsening of working conditions through work intensification leads to poorer service quality, although empirical evidence for this in the two selected care sectors in Denmark is still lacking. With regard to labour shortages, the direct effect of these on the quadrilemma dimensions has not been analysed. However, as in the case of tighter budgets, labour shortages are likely to lead to downward pressure on three of the dimensions in the quadrilemma – service coverage, service quality and working conditions. Therefore, it might be useful to reformulate the quadrilemma as a five-dimensional 2+3 model, where budget restraints and labour shortages frame and limit the other three dimensions.

Beyond the quadrilemma and labour shortages, an important difference between the two sectors is that outsourcing seems to be more controversial in ECEC. Since 2020 it has not been possible to run ECEC institutions for-profit. Another important difference is that minimum staff ratios have been introduced in ECEC and not in LTC. Both these differences have political origins.

2.3.2 *Political attention and institutional set-up*

Both sectors are characterized by a high level of attention from the national political system (including the government and parliament). However, the role of the national political system is by and large limited to negotiation of the overall budgets for municipalities and issuing framework legislation, which leaves many decision to the municipalities.

Moreover, the social partners have strong roles to play in both sectors. A possible difference in institutional set-up between the two sectors is that in LTC there is perhaps the strongest Danish NGO, DaneAge, whereas the dominant NGO in ECEC, FOLA, is less strong.

The influence of the trade unions is strongest in the collective bargaining arena and, in terms of the quadrilemma, this is mainly related to wages and working conditions. The coverage of collective agreements is near 100% in the publicly funded part of the care services (according to interviewees), whereas it is 'high' in LTC and coverage is 73% in the (outsourced) private parts of ECEC (according to BUPL). Importantly, these figures do not include those who are self-employed.

Trade union influence is weaker in the national political arena, where most of the decisions on the quadrilemma dimensions of budget restraint, service coverage and service quality are taken. Here, the influence is limited to lobbying, ad hoc consultations and ad hoc tripartite negotiations. The political arena is where the overall budget and framework legislation for the two sectors are decided. The legislation has consequences for service coverage and service quality, but large parts of these priorities are left for the semi-autonomous municipalities to decide upon.

Overall, despite some differences, the institutional set-up of the two sectors is very similar.

7.3.3 Cross-sector and sector specific initiatives to curb labour shortages

During the recession post-2008, when budgets – including for the two selected care sectors – were further restrained, few social dialogue initiatives were taken to address the challenges brought about by the tightened budgets. However, several social dialogue initiatives have been taken in recent years to address the challenges of increasing labour shortages. Social dialogue initiatives in the two sectors (i.e., initiatives in which both trade unions and employers participate) include bipartite (social partners only) and tripartite (with government) as well as multipartite (with government and NGOs) initiatives. The trade unions' role in the initiatives includes a 'watchdog' function to ensure that wages and working conditions are not put under pressure in the attempt to solve the labour and skill shortages problems. The role of trade unions is not limited to this function, however.

The initiatives include several bipartite schemes across the whole of the municipal sector to address 'part-time culture'. The aim has been to increase the proportion of full-time employment and thereby reduce labour shortages.

Regarding LTC specific initiatives, the number is higher in the LTC than in ECEC. In LTC, some of the initiatives are anchored in the collective bargaining arena (the output being collective agreement protocols) and some in the political arena (the output being legal initiatives). Others are not connected to these arenas, but aim to share information and create common understandings (the output being reports and projects). Some are focused on labour shortages (recruitment), some on skill shortages (upskilling) and others on both of these. Moreover, the aim of some of the initiatives transcends labour and skill shortages and includes service quality as well. While few of the LTC initiatives are wage-related, it is worth mentioning one important exception. Partly due to Local Government Denmark's interest in making care work more attractive to tackle labour shortages, an extra pay rise for care workers became part of the agreement in the municipal sector during the 2018 collective bargaining round.

Regarding ECEC specific initiatives, there has until recently been more focus on service quality – via the newly introduced minimum staffing requirements – than on labour shortages. However, the new staffing requirements strengthen the importance of resolving the challenge of labour shortages. The initiatives taken more often have a focus on skill shortages (upskilling) than on labour shortages (recruitment).

As the institutional set-up is very similar in the two sectors, it is likely that the explanation for the higher frequency of initiatives in LTC may be found somewhere else, possibly in the pressure (so far) of higher problems in LTC than in ECEC when it comes to labour shortages. Explanations for other differences between the two sectors – such as the higher attention paid to service quality and a reluctance towards outsourcing in ECEC compared to LTC – are to be found in the political system, i.e., a higher political sensitivity concerning the care needs of children than of elderly people.

3. The case studies – what did we learn from them?

3.1 The content of cases

The four cases presented above all include innovative actions or forms of experimentation targeted at recruitment and retention of care staff. Moreover, the cases, to a varying degree, also address issues concerning workload (work intensification) and service quality at local level. These three issues have proven to be of particular importance in the ECEC and LTC sectors in Denmark at central sector level.

- The Herning case exemplifies a wide variety of initiatives taken to enhance recruitment and retention of staff to the LTC sector at local level. The case includes initiatives targeted at enlarging the labour force by, for instance, recruitment of foreign labour and upskilling of local labour. Moreover, the case includes a number of initiatives targeted at retaining existing staff and reducing educational dropout rates, i.e., an educational strategy.
- The Ikast-Brande case involves work reorganization including the introduction of self-governing teams inspired by Dutch experiences. The project aims to strengthen the focus on user needs, enhance user satisfaction and work satisfaction and strengthen service quality.
- The case of the City of Copenhagen exemplifies how local actors use the Danish ER system to find solutions to staffing requirements, i.e., improving coverage. More specifically, the case focuses on a collective agreement including wage pools for the recruitment and retention of educational staff in the Municipality of Copenhagen and how this interacts with budgetary challenges, working conditions and/or improvement of service quality.
- The Elsinore case focuses on the experiments conducted in ECEC in Elsinore municipality following a welfare agreement with central government that enabled the municipality to deviate from both state and municipal rules during a three-year trial period to find new, smart ways of carrying out welfare tasks within the municipal budgetary framework. The case is also an example of how staff requirements and service quality can interact.

Thus, the Herning and City of Copenhagen cases represent local initiatives in local LTC and ECEC, respectively, but both have a strong focus on recruitment and retention. Comparing the two cases, the diversity and number of initiatives taken in LTC in the Herning case stand out, while the ECEC case represented in the City of Copenhagen is a case of strong ER actor involvement. The two cases also differ significantly concerning the number and types of actors involved.

The Ikast-Brande case representing local LTC and the Elsinore case representing local ECEC are two very different cases, but both target service quality and also involve aspects of recruitment. Furthermore, both cases represent an example of the tradition of union involvement in innovative processes in Danish welfare systems while simultaneously demonstrating that, when it comes to enhancing service quality, user involvement and other actors often take precedence.

Within each case, the role of the social partners and of ER institutions is especially in focus. Moreover, the cases address how policy choices are influenced by possible budget constraints or investments.

3.2 The budgetary context for the cases

Across the cases, the budgetary context is a key factor that has changed over time. Because of the financial crisis that hit Denmark in 2008, the public sector experienced (comparatively mild) austerity, especially in the form of increasing budgetary constraints on the municipalities from 2009 onwards. This created strong incentives for the individual municipality to avoid budgetary deficits. From 2011 onwards, especially, there was local austerity pressure on care services, although with great variation between municipalities. From 2007 to 2013, municipalities had significantly larger budget deviations than in the period 2014 to 2019, marked by budgetary surpluses rather than deficits. Larger budget deviation occurred again in 2020 and 2021, but the figures are uncertain due to Covid-19 (Jensen & Pedersen 2022).

The four cases analyzed represent four municipalities with rather well-balanced budgets, but with also differences in opportunities and priorities. Comparing the two ECEC cases, the budget for the City of Copenhagen includes increased spending in ECEC and funds for recruitment, while the budget in Elsinore entails widely dispersed budget cuts resulting in an increase in the price of ECEC services but with no reduction in service coverage. Comparing the two LTC cases, the 2022 budgets in both Ikast-Brande and Herning municipalities include an increase in the budgets for elder care compared to the previous year.

Across the four case municipalities, the overall financial context thus appears to have moved from a time when municipalities were challenged by budgetary restraints to a time where they are challenged by recruitment difficulties and the lack of a workforce for care, but are also able to increase spending moderately.

3.3 Actors, arenas and influence

In three of the four cases – the Herning, Ikast-Brande and Elsinore cases - the municipality is the main actor; it has initiated the cases and has the upper hand in steering them. The strongest role of the municipality in these three cases is the role as public authority rather than as public employer. The three cases are mainly placed in the political-administrative decision-making arena.

The fourth case – the City of Copenhagen – is different in these regards. The municipality public employer role is in this case stronger than its role as a public authority, and it is the only case mainly placed in the collective bargaining decision-making arena. This also implies that the municipality is not the main actor in this case, but shares the ‘top position’ with the relevant trade unions, i.e., the local branch of BUPL and the National Association of Social Pedagogues, which is part of FOA. The unions’ stronger role in this case reflects that they are bargaining partners with the municipality, whereas the municipality merely consulted the unions in the other three cases.

Importantly, consultation is not always equal to weak influence, and in some cases it can be a path to strong influence and partnership. However, in the Herning, Ikast-Brande and Elsinore cases this is not the situation. In the ‘multi-layered’ Herning case, at least one of the initiatives is discussed repeatedly in the bipartite Cooperation Council, and the relevant trade unions – mostly FOA and The Danish Nurses Organization, DNO – are involved in specific intervention areas and experiments on an ad hoc basis. Their roles include both exchange of ideas and watchdog functions related to labour law issues. In the Ikast-Brande case – which partly focuses on debureaucratization but nevertheless itself has three governing bodies – the trade unions are involved in the project’s steering committee and have shown a strong interest in the project; tensions with the other actors are reported to be low. In the Elsinore case, the trade unions were consulted in the early phase of the initiative alongside a few other organizations and they are represented in the follow-up group. The bipartite Cooperation Council is also involved. Common to all three cases is that although the trade unions have a role to play and deliver important inputs in some respects, they are not among the most important actors.

With regard to other actors, educational institutions are key, not least in the SOSU education focused initiative in the Herning ‘multi-case’. Other actors seem to have only demarcated or minor roles. These include users and their organizations that are involved in several of the cases, covering parent boards, councils for those with disabilities, councils for elderly people and individual elderly. In the Elsinore case, for instance, the municipality introduced citizen involvement in the early stages of the project – and prior to the involvement of the trade unions. Finally, a municipal jobcentre, an agricultural job-broker consultancy and a language school have minor roles in the Herning case.

3.4 Governance

This section focuses on two dimensions of governance: The cases’ connection to the national level (regarding initiation, financing and degree of decentralization) and the implications of the cases for management at the local level.

All the cases are, of course, linked to the national level in that the services they deliver, the administrative set-up of the municipalities and local level industrial relations are embedded in national structures (see the Danish WP1-2 report). However, the cases can be divided into two when it comes to further linkages to the national level on the three above-mentioned dimensions. The Ikast-Brande case was initiated locally, but financed by national ministerial funds, which could imply that in addition to the ideas and priorities of local actors, these actors’ reading of the national actors’ call for applications also played a role. The case does not involve any decentralization or other changes in regulation related to the case’s link to the national level.

Regarding its links to the national level, the Elsinore case is different from the Ikast-Brande case. The frikomunnne-forsøg was formulated at the national level and government chose the Elsinore municipality as one of several applicants to participate in the pilot. The case was thus initiated at the national level. Moreover, it has a strong decentralization dimension. Being part of the

‘frikommuneforsøg’ sets – as described above – the municipality is free of some regulatory frameworks, although other rules are safeguarded.

The other two cases – the Herning and City of Copenhagen cases – do not have such direct links with the national level. They were initiated by local actors as a response to mainly local challenges and funded by the municipalities’ budgets.

With regard to changes in the management relations at the local level, the Ikast-Brande case includes these as one of its aims. In the development phase of the case, far more decisions than usual in elder care were left to the employees. Also, in the implementation phase, decision-making will be relatively decentralized, as the core role of the self-governing teams illustrates. In this way, the professional judgement of employees in the various occupations will be more important and the role of middle management reduced.

Similar changes are part of the Elsinore case, where fewer rules bind local actors and the initiative for innovative actions are left to them and individual day care institutions. This appears to release management at higher levels from traditional steering tasks and leave more time to focus on leadership based on the professions.

Also in the Herning case, experiments within loose steering structures are part of the initiative, although these might play a less dominant role than in the Ikast-Brande and Elsinore cases. Whether the experiments in the Herning case will also have implications for local management is not clear. The City of Copenhagen case does not include changes in local management.

3.5 Learning across cases

All the innovative actions and experiments found in the four cases are very recent and in the process of being implemented. Thus, none of the cases can be evaluated as yet. Nevertheless, preliminary learning concerning the context, the different processes, and actor involvement in the four cases can be extracted.

The budgetary context varies for the four cases but, across cases, the selected municipalities have made (moderate) investments in both LTC and ECEC locally in connection with the initiation of the many projects. In both the LTC and ECEC cases, investments appear to facilitate the policy choices made, especially for solving recruitment challenges and retention.

In the LTC cases, initiatives are manifold and involves a multitude of actors, whereas initiatives are fewer in the ECEC cases and involve fewer actors. Across the two LTC cases, unions and employees have received the initiatives well, but some workplaces also expressed concern with being burdened with too many activities.

Local actors positively link the initiatives taken for enhancing recruitment and retention to enhancing service quality, but all actors concur that there is no straightforward causality and that further innovative thinking and initiatives are necessary for service quality to be improved, especially if budgetary investments remain moderate.

Moreover, from two of the cases within the ECEC and LTC sector, respectively, we find examples of initiatives to enhance service quality being moved to the forefront of service delivery, i.e., the individual day care centre

and elder care unit. This decentralization appears to have direct consequences for the governance structures, especially for the experiences of management. Local management finds in several of the cases that inverting the initiative and governance structure leaves more space for local management to focus on leadership and professional judgements.

Furthermore, the processes in the four cases entail close dialogue between management, staff and local shop stewards. Social partners perceive this involvement as important and positive in all four cases. The formal Cooperation Committee plays an important role in involving employee representatives early on in the process.

However, there are also important differences in terms of the actors involved across the cases. The City of Copenhagen case takes place in the collective bargaining arena, and uniquely displays the strong role of unions and the role of government employer taken by the municipal management in this arena. The other three cases, which take place in the political-administrative arena, display a much larger variety of actors involved in the recruitment and retention initiatives and those targeted at enhancing service quality. Hence, the municipalities are, in general, the main actors shaping the initiatives. While the municipalities involve employees and unions, they often play a secondary role which is not always