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The labor market regimes of Denmark and Norway – One Nordic model?

ANALYSIS

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Abstract

The literature on the Danish and Norwegian labor market systems emphasizes the commonalities of the two systems. We challenge this perception by investigating how employers in multinational companies in Denmark and Norway communicate with employees on staffing changes. We argue that the development of ‘flexicurity’ in Denmark grants Danish employers considerably greater latitude in engaging in staffing changes than its Nordic counterpart, Norway. Institutional theory leads us to suppose that large firms located in the Danish setting will be less likely to engage in employer–employee communication on staffing plans than their Norwegian counterparts. In addition, we argue that in the Danish context indigenous firms will have a better insight into the normative and cognitive aspects to flexicurity than foreign-owned firms, meaning that they are more likely to engage in institutional entrepreneurialism than their foreign-owned counterparts. We supplement institutional theory with an actor perspective in order to take into account the role of labor unions. Our analysis is based on a survey of 203 firms in Norway and Denmark which are either indigenous multinational companies or the subsidiaries of foreign multinational companies. The differences we observe cause us to conclude that the notion of a common Nordic model is problematic.

Introduction

In regulatory terms, certain countries are regarded as institutionally so similar that they are grouped together. In the case of Denmark and Norway, it has been common to refer to them as fitting a Nordic model characterized by a particular-



ly consultative employer–employee relationship. This grouping together of Nordic countries has been underpinned by substantial empirical support. For example, in their operationalization of the ‘varieties of capitalism’ thesis (Hall and Soskice, 2001), Hall and Gingerich (2004), employing data from the early 1990s, found that Denmark and Norway had virtually identical levels of institutional coordination. Likewise, using comparative data collected in 1995, Gooderham et al. (1999) observed that firms in Denmark and Norway were similar in terms of having a distinctively ‘collaborative mode’ of employer–employee communication. In this article, we address this perception of similarity between Denmark and Norway arguing that the Industrial Relations systems of the two countries have developed in significantly different directions. Thus, we question the notion of there being a definitive Nordic model.

In Denmark, labor market issues are to a considerable degree regulated through collective agreements that are based on the continuous fine-tuning of the interests of labor and employers. In simple terms, each time employers have been awarded flexibility in the course of collective bargaining, labor has typically obtained enhanced security. The system has come to be labeled ‘flexicurity’ and has two main components (Madsen, 2003). The flexibility component of the model is characterized by relatively liberal redundancy rules that give employers the right to hire and dismiss employees at short notice – this is the flexibility that employers call for. As a result, Denmark has not only higher job mobility than in any other Nordic country (TemaNord, 2010), but also job tenure at the same level as in liberal market regimes such as the UK (Organisation for Economic Co-operation and Development (OECD), 2004). The security component refers to the provision of comparatively generous unemployment benefits and training provision.

The concept of flexicurity was introduced in the 1990s in order to communicate an empirical reality that had evolved over several decades (Van den Berg, 2008). Madsen et al. (2011) argue that this model constitutes a source of divergence between Denmark and the other Nordic countries. Similarly, a large-scale Nordic study states that its ‘main conclusion ... is that Denmark has a special combination of institutions related to its labor market’ (TemaNord, 2010: 13). The same study further argues that ‘this flexicurity nexus’ is a main factor driving Denmark’s high labor mobility rates. By contrast in Norway, flexicurity, in the sense of deregulation of employment protection combined with increased social protection, has at no stage been on the political agenda (Eironline, 2009). Indeed, unlike in Denmark where the system of industrial relations evolves through on-going negotiations, in Norway it remains regulated through a combination of legislation and cooperative agreements.

Employing institutional theory we address the impact of this regulatory difference between Denmark and Norway on direct and indirect employer–employee communication in regard to impending staffing plans. We distinguish direct and indirect communication because the Nordic model is not only charac-

terized by powerful labor unions that ultimately are legally entitled to be consulted on changes that affect their members, but also by relatively informal employer–employee relations at the firm level characterized by regular, direct briefings on company strategy. In line with institutional theory we assume that informal relations are governed by normative and cognitive aspects of the institutional environment and that deviating from these can undermine perceived legitimacy (Scott, 2001). Unlike regulations, normative and cognitive aspects are more diffuse and therefore more tacit. As outsiders, foreign multinational companies (MNCs) may have greater difficulty in interpreting these correctly and may be less creative/strategic in their dealings with employees. In other words, in trying to imitate they are more passive and tend more towards acquiescence than indigenous firms.

Our analysis draws on a sample comprising large indigenous firms, all of which are MNCs, and subsidiaries of foreign-owned MNCs in both Norway and Denmark. Thus, within each of the two national settings we distinguish indigenous firms from the subsidiaries of multinational MNCs. We do this in order to investigate which of these actors are the more proactive in challenging the normative and cognitive aspects to the ‘rules of the (Danish) game’ (North, 1990). Thus, our overarching hypothesis is twofold. We expect that flexicurity, characterized by high job mobility and greater latitude for Danish employers, has resulted in firms located in Denmark diverging in their employee communication practices from their Norwegian counterparts. However, within Denmark we will argue that indigenous firms have a more developed ‘feel’ for the legitimate possibilities that flexicurity has introduced in regard to direct employer–employee communication.

In the next sections, we introduce the context of our study. We start with a broad presentation of the institutional regimes of Denmark and Norway, arguing that the two national systems of labor market regulations differ more than meets the eye. This is followed by a discussion of institutional theory which enables us to develop more specific hypotheses regarding direct and indirect employer–employee communication in Denmark and Norway. After delineating our data set we test these and in the final section we discuss the implications of our findings.

The institutional regimes of Denmark and Norway

In an analysis of advanced economies Hall and Soskice (2001) distinguish between two generic institutional contexts, liberal market economies (LMEs) and coordinated market economies (CMEs). Typical LME regimes are the Anglo-Saxon countries such as the USA and the UK, while the typical CME regimes are the northern European countries such as Germany, Norway and Denmark. In LMEs, the interactions among firms and other actors such as labor unions and banks are organized on the basis of free markets. In contrast, in CMEs these

interactions are to a significant extent detached from the market so that they take place between ‘stakeholders’ and on a more strategic and long-term basis. In CMEs, there is a collaborative interaction among the political system, employers and labor unions in regard to the regulation of the labor market. Thus a substantial part of the labor market in CMEs is regulated on the basis of collective agreements underpinned by employment law, or by employment law with the social partners as important and respected stakeholders.

On the workplace level CME regimes are characterized by a significantly greater degree of consultation of labor unions or employee representatives on strategic decision making – for example, in regard to outsourcing and redundancies – than is the case in LME regimes. In regard to human resource management (HRM) practices, the LME–CME divide is associated with a number of differences. Characteristically, LME firms are associated with significantly greater salary differential and a greater use of individualized salary negotiations. They also typically have greater latitude in regard to terminating employment contracts than CME firms.

Using extant data sets originating from the early part of the 1990s, Hall and Gingerich (2004) developed an empirical measure of the LME–CME divide. Their index indicates that the USA is the ‘purest’ LME regime and Germany its diametrical opposite. While the measures for both Norway and Denmark indicate that both countries clearly are CMEs, the index also suggests that they are somewhat different from Germany; in other words, Norway and Denmark have a somewhat ambiguous status as CME countries (Campbell et al., 2006). One particular difference is that the legislation governing the employer–labor union relationship of Norway and Denmark (and the other Nordic countries) is less formalized and less detailed than is the case for Germany. Thus, Madsen et al. observe that for Denmark although it is:

a typical coordinated market economy... Danish labour market regulation also encompasses clear liberal elements... with the greater part of its regulation taking place within the framework of collective bargaining and not via legislation (2011: 225).

This distinguishes Denmark from Germany where ‘(the) extensive social regulation... has always been regulated by law and not by collective bargaining’ (Keller and Kirsch, 2011: 197). In Denmark, rather than legally determined accords, agreements between employers and labor unions are reached through ongoing discussion and consultation. Thus, the labor market reforms of 1994 (including the obligation to participate in activation programs) and 1996 were a product of tripartite agreements among employer federations, labor unions and the state. Hence, the relationship is more flexible than is the case for Germany. Although Norway is more regulated in relation to staffing issues than Denmark, in relation to Germany, extensive cooperation between employers and labor unions is one of the characteristics of the ‘Nordic model’ (Løken and Stokke, 2009). Additionally, working life in both Denmark and Norway is characterized

by direct communication between employers and employees, compared to other European countries (Esser and Olsen, 2012; Gill and Krieger, 2000).

This distinction between the legalistic context of Germany and the more flexible Nordic context is reflected in Gooderham et al.'s (1999) analysis of differences in the deployment of HRM practices. On the one hand their study confirms the distinction between Germany and the Nordic countries and LME countries in regard to the use of 'calculative' HRM practices: thus the former make far less use of individual performance-related rewards than the latter. However, they also observed that as opposed to Germany, firms in the Nordic context made a marked use of local, firm-level consultative HRM practices characterized by considerable employer–employee communication. Thus, they concluded that Germany and the Nordic countries constitute two distinct HRM regimes.

The notion is that Nordic countries are characterized by commonalities that together constitute a distinct Nordic model. However, more fine-grained analyses of Denmark and Norway have suggested that they have become somewhat dissimilar. For example, there are indications that HRM in Denmark is less formalized, structured and top–down than in Norway (Rogaczewska et al., 2004). Likewise, it is suggested that the relationship between employers and labor unions in Denmark is becoming more fractious than in Norway (Amable, 2003), and that the fall in union density has been stronger in Denmark than in Norway since the mid-1990s (Nergaard, 2010). In the next section we examine these differences in more detail.

Flexicurity and differences between Norway and Denmark

A core feature of the Danish flexicurity model is that it combines elements from welfare systems and labor market regulation (Anderson and Pontusson, 2007; Madsen, 2003). The aim of flexicurity is that it increases both labor market flexibility and the security of individual employees. The main elements of the model comprise a relatively weak protection against redundancy, generous unemployment benefits, and an active labor market policy that provides training if necessary (Madsen, 2003; TemaNord, 2010). Weak employment protection provides employers with flexibility to adjust their workforces in relation to changes in demand. This form of flexibility is generally regarded as a source of numerical or external flexibility (e.g. Pfeffer and Baron, 1988), and employers' use of work arrangements enhancing such flexibility differs between employment regimes (Olsen and Kalleberg, 2004). Greve (2012) argues that the employment relationship in Denmark has been subject to profound changes over the last 10–15 years. In particular, he points to active labor market policies that emphasize 'work first' rather than training, the erosion of out-of-work benefits and the reduction of the influence of the unions. It has been argued that these trends have become even more apparent during the recent economic down-turn

(Ibsen, 2011; Madsen, 2011). Madsen et al. (2011) acknowledge that the development in Denmark has provided employers with a degree of staffing flexibility ‘on par with that of the United Kingdom’, so in this regard Denmark is ‘different from that of the other Nordic countries’: that is, in regard to this particular issue Denmark has LME traits.

It is important, however, to bear in mind that the flexicurity model has its origins in tripartite negotiations and a series of tripartite agreements that accommodated both employer organizations’ call for decentralized negotiations and labor unions’ demands for the maintenance of robust collective agreements as a backup if local consultations should fail. This is fundamentally dissimilar to the decentralization that emerged in the United Kingdom, where employment flexibility was precipitated by the weakening of the bargaining power of labor unions and the collective bargaining system.

In Denmark, the contractual arrangements for individual and collective dismissal are predominantly regulated by the social partners through sectoral collective agreements. By contrast, employment relations and dismissal in Norway are generally regulated through legislation (Eironline, 2009). As stated in the Working Environment Act (2005), in Norway, the main principle concerning employment relations is that employees should have an open-ended contract (‘fast ansettelse’). The consequences of these two approaches are indicated in a comparison of 40 OECD countries in which Denmark was ranked as one of 12 countries with the weakest employment protection legislation (EPL), while Norway was ranked as having the ninth strictest EPL (OECD, 2008; see also TemaNord, 2010). As such, the flexicurity system in Denmark means that the two countries, while retaining many of the common features of CMEs, diverge in terms of how staffing is regulated. Employers in Norway face both stricter and more extensive legislation on staffing than employers in Denmark.

Employer–employee communication

In principle, employer–employee consultation or communication can take place through either indirect or direct voice mechanisms. ‘Employee voice is any type of mechanism, structure or practice, which provides an employee with an opportunity to express an opinion or participate in decision-making within their organization’ (Lavelle et al., 2010: 396). Whereas indirect communication takes place through unions, collective bargaining or, for example, via employee representatives in Cooperation Committees, direct communication involves no intermediary.

In both Denmark and Norway, larger MNCs are subject to the European Works Councils Directive. In principle, this gives representatives of workers from all European countries a line of communication to top management and guarantees that employees in different countries are all told the same thing at the same time about company policies and plans. European Works Councils also provide workers’ representatives in national works councils the opportunity

to consult with each other and to develop a common European response to employers' transnational plans, which management must then consider before those plans are implemented. In the sample, that is the empirical base for our study, we observe that 32% and 38% respectively of the Norwegian and the Danish firms have European Works Councils.

Over and above this directive, traditionally a key component of the Nordic model, is extensive employer–employee communication (Knudsen, 1995; Thorsrud and Emery, 1970). However, as we will now discuss, there are differences between Denmark and Norway with regard to when employers are required to consult employees on staffing changes.

In Norway, indirect communication is regulated in labor law and collective agreements. If a firm plans to make changes in staffing, for instance a downsizing, it is legally obliged to inform and discuss this with union representatives at an early stage (Working Environment Act (§15-2)). Employers are also subject to regulations that specify the provision of information and consultation in changing staffing levels and in changes to the organization of work. These regulations are entrenched in the Working Environment Act and collective pay agreements which specify not only that local labor union representatives must be consulted, but also that this consultation must take place at the earliest possible point in time. Although in the final instance it is employers who make the decision and who have the responsibility for any redundancies, local labor union representatives must be given the opportunity to express their opinion in regard to the basis for redundancies and, if they consider it acceptable, to then determine the criteria that will govern it. Since 2010, the Working Environment Act has ruled that employers must discuss their use of temporary employees with local labor union representatives at least annually. This change is an example of a strengthening of the legislation on indirect voice.

In Denmark, rather than strictly legal obligations, regulatory obligations derive from different types of cooperation agreement. The most typical of these are the Cooperation Agreements between the employers federation DA, and the labor unions federation LO. The employers' right to introduce staffing changes at short notice is a central part of the flexicurity model, and this regulatory pressure to engage with labor unions on staffing plans is arguably diluted. In Denmark, the most important stipulations on employer–labor union information and consultation are to be found in cooperation agreements like the Cooperation Agreement (2006) (the first such agreement was entered in 1947) between DA and LO. The agreement is broadly formulated and generally emphasizes the importance of engaging in a high degree of information provision and consultation. Employers are obliged by the agreement to update the local Cooperation Committees on the financial position and prospects of the company and the firm's staffing plans. In firms where there are no works Cooperation Committees employees are to be informed individually and in groups. Employers also have to provide information on any 'significant changes and developments with

regard to any introduction of new technology in production and administration' as well on 'the employment situation' (Cooperation Agreement, 2006: 7–8). More specifically, the agreement stipulates what the firm ought to do in the case of having to engage in redundancies particularly, as a consequence of introducing new technology. In other words, while for Norway it is still the case that indirect communication is governed by well-defined regulations, in combination with collective agreements, in Denmark it is governed on the basis of broad agreements.

Norway and Denmark are ostensibly similar in their modes of regulating employer–employee direct communication on staffing plans: that is, through accords that have been developed between the employers federation and the labor unions federation. In Norway this accord is referred to as 'Hovedavtalen' (Main agreement), while in Denmark the accord is part of the Cooperation Agreement. However, in the case of Denmark, these regulatory obligations are constantly challenged by the system of flexicurity and the latitude it grants employers to initiate prompt staffing changes. Flexicurity entails a recurrent exchange of flexibility and security in the context of collective bargaining. In this context employers' organizations seek to maximize flexibility in regard to staffing, including the level and timing of information on changes in staffing. What determines the extent of direct communication between employers and employees on staffing plans in the context of a single firm are obligations of a distinctly more normative or cognitive kind. The employer's perception of what those obligations actually are may vary significantly.

Thus, if we disregard the European Works Councils we may observe that while the regulatory frameworks governing the Danish and Norwegian labor markets are similar in their intentions, there are significant differences. In Norway, employers have less latitude for hiring and firing than their counterparts in Denmark. Furthermore, the legislation regarding indirect communication is more extensive in Norway. Overall, in Norway hiring and firing and communication mechanisms for communicating changes in work organization (e.g. downsizing and the use of temporary labor) are all regulated in labor law (The Working Environment Act). In other words, the regulations governing employment issues in Norway are more stringent than in Denmark. As such, the institutional setting of Denmark in regard to the employment contract is potentially more malleable than that of Norway. In the next section we apply institutional theory in order to derive hypotheses on the implications of the introduction of flexicurity in Denmark for employer–employee communication.

Institutional theory

Neo-institutional theory is established as a key approach in conducting cross-national analyses of labor market regimes. In particular, in its emphasis on the significance of differences in formal regulatory arrangements for modes of

management of firms it has generated insights into cross-national dissimilarities in regard to the selection of HRM practices (Gooderham et al., 1999, 2006). Although there are differences in the way in which new institutional theory has been conceptualized (DiMaggio and Powell, 1991; Scott, 2001; Tolbert and Zucker, 1996), one commonality is that organizations are viewed as experiencing pressure to develop organizational forms and management practices that are considered legitimate by their external environments (Meyer and Rowan, 1983). If they fail to achieve legitimacy they expose themselves to the danger of being exposed to sanctions. Within specific organizational fields this pressure to achieve legitimacy leads to organizational isomorphism (Scott, 2001). Institutional theory distinguishes three distinctive but overlapping dimensions of external pressure: the cognitive, the normative and the regulatory.

Institutional theory suggests that, in order to survive, organizations need to gain legitimacy in regard to all three dimensions and that as a result they will tend to conform to both the rules and the belief systems prevailing in their environments (DiMaggio and Powell, 1983). Thus, institutional theory argues that firms are not only responding to legislation, but also operating within an institutional framework of norms, values and taken-for-granted assumptions about what constitutes appropriate or acceptable economic behavior (Fenton-O’Creevy and Wood, 2007; Oliver, 1997). Given the tacit nature of these ‘rule of the game’ (North, 1990), it is reasonable to suppose that indigenous firms will have a more fine-tuned understanding of them than incoming, foreign-owned firms. In seeking legitimacy in highly regulated institutional environments, foreign entrants will not only seek to conform, but also their lack of understanding of the tacit aspects of these environments may cause them to over-conform. Thus, foreign entrants in seeking legitimacy may be more conservative in regard to introducing novel management practices. As such they are less inclined to engage in ‘institutional entrepreneurship’ (Battilana et al., 2009) which will more likely be a feature of indigenous firms.

This distinction between indigenous and foreign-owned firms is a reminder that theories, such as institutional theory, that emphasize structure need to be supplemented with an agency perspective. Agency theorists view structuralist accounts of organizational behavior as overly deterministic. Oliver (1991) argues that organizations may have significant latitude to deviate from exogenous pressures, and Battilana et al. (2009) argue that actors may have varying degrees of agency. It seems reasonable to suppose that degrees of available agency will not only be limited to actor understandings of the tacit implications of regulatory change, but will also reflect the degree to which other significant agents, such as labor unions, are proximate. In the case of employer–employee communication we should distinguish indirect communication – where labor unions exert a nationally distinctive common influence, from direct communication – from which they are absent and where employers are therefore less constrained. It is in the latter context that we expect indigenous Danish

firms to engage in institutional entrepreneurialism to a greater degree than their foreign-owned equivalents.

On the basis of the above discussion we can identify the following hypotheses.

Indirect communication

The employment regime in Norway is characterized by stricter regulations on hiring and firing, and the mechanisms for indirect communication of changes in work organization are regulated in labor law to a greater extent than in Denmark. Given these differences we expect firms in Norway to engage in a greater degree of indirect communication than firms in Denmark. Thus we hypothesize:

H1: Firms based in Norway engage in a greater degree of employer–employee indirect communication than firms based in Denmark.

In the context of Norway, due to the law-based regulations on employment relations and requirements on indirect communication we expect no significant differences between indigenous and foreign-owned firms in regard to indirect communication information on staffing issues. Within Denmark, we also expect no such differences because the cooperation agreements are specific in committing employers to engage in information provision on staffing. Furthermore, in both contexts labor unions are uniformly present and therefore exert a common influence across indigenous and foreign-owned firms. Thus we hypothesize:

H2: Within Norway and Denmark respectively there is no difference in the degree to which indigenous and foreign-owned firms engage in employer–employee indirect communication.

Direct communication

Whereas requirements on indirect communication are mainly based on legislation in combination with collective agreements in Norway, and in collective sector-specific agreements in Denmark, direct communication is more likely to be subject to normative and cognitive pressures. Direct communication will often take place in an informal way in the workplace. Given the Danish context, with its flexibility and associated high job mobility, employers may feel it less imperative and less obviously in their interests to inform on changes in work organization and staffing than their Norwegian counterparts, who have significantly more durable workforces. Thus, based on the relative high job mobility deriving from flexicurity, we expect Danish firms to inform less on staffing plans compared to Norwegian firms. Thus, we hypothesize that:

H3: Firms based in Norway engage in a greater degree of employer–employee direct communication than firms based in Denmark

.In Norway, the overall employment regime has been largely characterized by stability over an extended period of at least two decades. We may assume that this contributes to a widespread understanding of the normative and cognitive aspects of the institutional regime among both indigenous and foreign-

owned firms in regard to engaging in direct communication with employees on staffing. Thus:

H4: Within Norway there is no difference in the degree to which indigenous and foreign-owned firms engage in employer–employee direct communication.

In Denmark, the flexicurity model has been subject to a series of incremental changes and adaptations over the years. The evolving liberal market elements of the model in combination with high personnel turnover contributes to uncertainty as to what constitutes normative and cognitive legitimacy. Institutional theory suggests that indigenous firms will be more likely to use this lack of clarity to challenge the established understandings of the ‘rules of the game’ compared to the foreign-based firms. In other words, the indigenous firms will more likely engage in institutional entrepreneurialism than foreign entrants to Denmark. Thus, we propose:

H5: Within Denmark indigenous firms engage in less employer–employee direct communication than foreign-owned firms.

Data and variables

Data

Our sample comprises firms located in either Denmark or Norway which are either the parents of MNCs or the subsidiaries of MNCs. In sampling, we chose to focus on the population of indigenous firms which have at least 500 employees worldwide, of whom at least 100 are based abroad, and the population of foreign-owned firms which have at least 100 employees and whose parent companies employ at least 500 employees worldwide. The survey was conducted in 2009–2010. Response rates for firms in Norway were 42% among indigenous firms ($N = 36$) and 21% among foreign-owned firms ($N = 47$). For Denmark, the corresponding percentages were 27 ($N = 31$) and 29 ($N = 89$). Analysis of missing firms indicated that the Norwegian sub-samples were representative in regard to the overall industry distribution of the sub-populations (Steen, 2010). A similar analysis could not be conducted for the Danish sub-samples. Given that our total sample comprises only 203 firms – and that there were missing responses on each of the items in our analysis – this imposes a limit on the number of variables we can introduce in our analysis. Our analysis focuses on the largest occupational group (LOG) in each firm.

Dependent variables

We measure employer–employee *indirect communication on staffing plans* based on the question ‘Which of the following types of information is regularly provided to the LOG within the company in Denmark/Norway’. The two alternatives relating to staffing are (1) organization of work and (2) subcontractors and outsourcing. The answers range from 5 = management cooperate with unions, 3 = management consult union representatives to 1 = management decides solely. The two dimensions (1) and (2) are combined

into an index (1–5). Cronbach’s alpha is 0.675. The higher the values on this index, the more the cooperative strategies.

We measure employer–employee direct communication on staffing plans using a single item: whether information on staffing plans is provided regularly to the LOG within the company in Denmark/Norway (yes = 1, no = 0).

Arguably, the two measures of indirect and direct communications are relatively simple. However, they do cover forms of staffing, such as sub-contracting and outsourcing, which are persistent and crucial features of how firms organize work (Davis-Blake and Broschak, 2009). These measures are also closely linked to flexicurity. The essence of the flexicurity model is to ensure flexibility for firms and security for workers. How firms make decisions regarding staffing, and whether they include employees in these decisions, constitute important aspects of how flexicurity plays out at the firm level

Independent variables

Our main explanatory variables are country and ownership (see Table A-1). We distinguish between four groups of companies:

- Indigenous companies in Denmark (reference)
- Indigenous companies in Norway
- Foreign-owned companies in Denmark
- Foreign-owned companies in Norway

In addition, we include the following control variables:²

- Size: 100–500 employees (reference), 500–999 employees, and more than 1000 employees
- Industry: manufacturing and service (reference)
- HR body/committee: Is there a body within the worldwide company, such as a committee of senior managers, that develops HR policies that apply across countries = 1, else = 0?
- Union recognition: Thinking of the LOG in the company in Denmark/Norway, are trade unions recognized for the purposes of collective employee representation at: all/most sites = 1, or no/some sites = 0 (reference)? Based on this measure, union recognition on all/most sites is 71.6%.

Findings

Based on the institutional differences between Denmark and Norway we have hypothesized that while we expect to observe a between-country difference in employer–employee indirect communication on staffing plans, we do not expect to observe any within-country differences. The upper section of Table 1 presents descriptive statistics on indirect communication on staffing plans for indigenous and foreign-owned companies in Norway and Denmark, respective-

ly. Indirect communication comprises measures of management strategies towards unions with regard to two staffing issues: the organization of work and subcontracting/outsourcing. The higher the score, the greater is the degree of employer–employee communication. The table indicates that companies in Norway, both indigenous (home) and foreign-owned, engage in a higher degree of indirect communication than companies in Denmark. This applies to both measures of indirect communication. The table indicates that we combine these two measures in an index that ranges from 1 to 5. This index is the basis of analysis in Table 2.

The lower section of Table 1 shows to what extent management provides employees with direct information on staffing plans. The table indicates that 57% of indigenous companies, and 61% of foreign-owned companies in Norway provide such information regularly. In Denmark, the proportions are 37% and 55%, respectively. In other words, indigenous companies in Denmark stand out as engaging in the least degree of direct communication on staffing plans. In Tables 2 and 3, we test whether these differences hold when we control for other factors.

Table 2 presents a linear regression analysis of indirect communication on staffing plans. The model controls for country combined with ownership, size and industry, HR policy and union recognition. Table 2 tests H1 and H2.

Table 1. Descriptive statistics of indirect and direct communication of staffing.

	Norway		Denmark					
	Home		Foreign		Home		Foreign	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
<i>Indirect communication</i>								
Level of communication on:								
Organization of work	3.0	1.1	2.9	1.0	2.5	1.3	2.3	1.2
Subcontracting and outsourcing	2.3	1.2	2.7	1.2	1.6	0.9	1.8	1.1
Index (1-5)	2.6	1.0	2.8	1.0	2.0	0.9	2.0	1.0
<i>Direct communication</i>								
Information on staffing plans (yes = 1, no = 0)	0.57	0.50	0.61	0.49	0.37	0.49	0.55	0.50
<i>N</i>	26		39		24		63	

Note: Indirect communication: Which of the following best describes the policy towards working with unions: managements decides on its own (=1), management consults union representatives (=3) or management decides jointly with union representatives (=5) on ... work organization and subcontracting/outsourcing? The index is based on means of the two items. Direct

communication: Whether information on staffing plans is provided regularly to the LOG (largest occupational group)

Table 2. Indirect employer–employee communication on staffing (ordinary least squares (OLS)). Reference category in parentheses.

	Indirect communication (index)	
	<i>b</i>	SE
DK foreign (ref: DK home)	0.223	0.258
NO home	0.681*	0.284
NO foreign	0.900**	0.268
Manufacturing (ref: service)	-0.060	0.167
500-999 employees (ref: <500)	0.214	0.224
>1000 employees	0.256	0.198
Body/committee for HR policy (no committee)	0.028	0.176
Union recognition (no/some sites)	0.166	0.246
Constant	1.606**	0.353
Adj R^2	0.098	
<i>N</i>	133	

** $p < 0.01$; * $p < 0.05$

Note: Dependent variable: Index of indirect communication on staffing on two items: organization of work and subcontracting/outsourcing. See note Table 1.

Table 3. Direct employer–employee communication on staffing plans. Logistic regression. Reference category in parenthesis.

	Direct communication	
	<i>b</i>	SE
DK foreign (ref: DK home)	0.947 ⁺	0.501
NO home	1.032 ⁺	0.568
NO foreign	1.143*	0.532
Manufacturing (ref: service)	0.562 ⁺	0.329
500-999 employees (ref: <500)	-0.575	0.425
>1000 employees	-0.500	0.409
Body/committee for HR policy (no committee)	-0.035	0.359
Union recognition (no/some sites)	-0.218	0.383
Constant	-0.541	0.597
Adj R^2	0.07	
<i>N</i>	171	

** $p < 0.01$; * $p < 0.05$; ⁺ $p < 0.1$

Note: See note in Table 1 for measure of direct communication.

Table 2 indicates that there are significant between-country differences in indirect communication on staffing plans. The positive coefficients of indige-

nous companies in Norway ($b = 0.681$) and of foreign-based companies in Norway ($b = 0.900$) imply that management in these establishments tend to engage in indirect communication with regard to staffing *to a greater extent* than establishments in Denmark. This supports H1 and may be explained by the more extensive and stringent legislative regulations on employment in Norway. Furthermore, in line with H2, the table indicates that within each country there are no significant differences in indirect communication. Foreign and indigenous firms engage in indirect communication to the same extent in Norway and Denmark, respectively. We may further note that none of the control variables has any significant impact on indirect communication.

Table 3 presents the results from a logistic regression analysis on direct communication, and tests H3, H4 and H5. The analyses include controls for country and ownership, size, industry, HR policy and union recognition. We expected firms in Norway to engage in a greater degree of direct communication. However, H3 is only partly supported in that it is only Danish indigenous firms that are significantly less inclined to engage in direct communication on staffing plans than are Norwegian firms. There is no significant difference between foreign firms in Denmark and firms in Norway. On the other hand, Table 3 does provide unambiguous support for H4 in that there is no difference in the degree to which indigenous and foreign-owned firms in Norway engage in employer–employee direct communication. In other words, foreign and indigenous firms in Norway inform employees on staffing plans to the same extent. Furthermore, Table 3 also provides support for H5 in that within Denmark indigenous firms engage in significantly less employer–employee direct communication than foreign-owned firms. This may be explained by these firms having a sense of the normative and cognitive leeway for achieving legitimacy that flexicurity and the incremental changes to it entails. In other words, the normative and cognitive implications of the flexicurity regulatory regime appear to be perceived differently by the foreign and indigenous firms in Denmark.

Discussion and conclusion

This article has explored direct and indirect employer–employee communication on staffing in two Nordic CME nations, Denmark and Norway. We argue that the evolving flexicurity model in Denmark entails an institutional setting that is sufficiently distinct from that of the regulated Norwegian model for there to be differences in both forms of employer–employee communication. In particular, it is argued that flexicurity provides Danish employers with a significantly greater degree of latitude to engage in staffing changes than its Nordic counterpart Norway. Overall the flexibility component of flexicurity is a product of less rigid regulations in the Danish setting and more ongoing negotiations. It is associated with high job mobility and reduced labor power. We further argue that the latitude Danish employers have to engage in numerical flexibility which has implications for the degree to which they communicate with

employees in regard to staffing plans. Institutional theory leads us to suppose that firms located in the Danish setting will be less likely to engage in this communication. Our findings support this in regard to indirect communication and indicate partial support in regard to direct communication.

Institutional theory is not limited to regulatory pressures, however. It also contains both normative and cognitive pressures. We have argued that incremental changes to flexicurity in Denmark results in less normative and cognitive clarity in regard to direct communication. We have argued that indigenous firms in Denmark have a superior insight into how the evolving changes to the 'rules of the game' can be translated into new management practices. Thus we have proposed that indigenous firms in Denmark are more likely to engage in institutional entrepreneurialism than their foreign-owned counterparts. Indeed, we observe that Danish indigenous firms are significantly less inclined to engage in direct communication than foreign-owned firms. Our reasoning underpinning hypothesis H3 underestimated the degree of conservatism among foreign-owned firms in Denmark. These firms engage in direct communication at the same level as firms located in Norway.

On the whole, our thesis that flexicurity has consequences for employer–employee communication is supported. In terms of indirect communication, in line with institutional theory, we observe that Norwegian firms are more likely to engage in indirect communication. In line with our actor perspective that emphasizes the common influence of labor unions across ownership categories, we observe no differences between indigenous and foreign-owned firms.

In terms of direct communication, we have argued that the incremental changes to flexicurity afford Danish firms normative and cognitive latitude to engage in new management practices. We have further argued that indigenous firms will be more adept at sensing the normative and cognitive latitude that is provided by the system of flexicurity. Thus, we observe that Danish indigenous firms are significantly less inclined to engage in direct communication than foreign-owned firms.

In general our findings challenge the notion of a single Nordic model. Norwegian and Danish indigenous firms are significantly different in regard to both indirect and direct communication. More broadly, our findings suggest that the concept of the CME overlooks dissimilarities even between nations that have highly similar scores in terms of the Hall and Gingerich LME–CME index (2004). Our findings have some limitations. Although we regard employer–employee communication on the issue of staffing plans as a critical indicator of the Nordic model, arguably future research should examine other aspects of collaborativeness, such as feedback from employees on their work environment. Our analysis should also be extended to the other Nordic countries and to other ostensibly similar CME countries. In doing so, our actor perspective suggests a careful consideration not only of regulation, but also of how the normative and cognitive aspects of regulation are interpreted and acted upon by salient parties.

Finally, in terms of indigenous firms, we have only included large enterprises that are particularly exposed to institutional pressures. Future research should be extended to include smaller firms.

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Notes

1. In Norway, the Main agreement consists of two parts. Part A ensures main principle rights, such as the right for employees to membership of a union. Part B consists of different cooperative forms between employers and employees ('konsernutvalg', 'bedriftsutvalg', etc.) (NOU, 2010). In addition to the main agreements a number of collective agreements are specified to occupational groups or workplaces (tariff agreements), which are typically renegotiated every four years.
2. We have also checked for effects of the extent to which management are in favor, not in favor (very few) or neutral towards unions. In addition we have checked for the presence of European Work Councils. Neither of these variables had any significant effects.

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Table A-1. Descriptive statistics of all independent variables.

	Mean	SD	1	2	3	4	5	6	7	8
1. DK Home	0.15	0.36								
2. DK Foreign	0.44	0.50	-0.375**							
3. NO Home	0.18	0.38	-0.197**	-0.410**						
4. NO Foreign	0.23	0.42	-0.233**	-0.485**	-0.255**					
5. Manufacturing	0.52	0.50	0.072	-0.099	0.038	0.019				
6. 500-999 employees	0.21	0.41	0.084	-0.101	0.014	0.033	0.076			
7. > 1000 employees	0.28	0.45	0.161*	-0.287**	0.198**	0.021	-0.020	-0.326**		
8. Body/committee for HR policy	0.67	0.47	-0.062	0.062	-0.153*	0.119	0.015	0.097	-0.002	
9. Union recognition	0.72	0.45	0.056	-0.106	0.002	0.075	0.134	-0.040	0.212**	-0.216**
N	203									

**p < 0.01, *p < 0.05.