

The Labor Market Regimes of Denmark and Norway – A Parting of the Ways?

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Abstract

In general, the literature on the Danish and Norwegian labor market systems emphasizes the commonalities of the two systems. In this paper, we challenge this perception by investigating the development of flexicurity in Denmark since the mid-1990s. We argue that flexicurity constitutes a significant regulatory development in that it grants Danish employers a considerably greater degree of flexibility to engage in staffing changes than its Nordic counterpart Norway which has not introduced it. Institutional theory leads us to suppose that firms located in the Danish setting will be less likely to engage in employer-employee communication on staffing plans. 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 labour unions. We generate 5 hypotheses and test these using a survey of 203 companies. On the whole we observe for Denmark and Norway a parting of the ways particularly for indigenous Danish firms.

Introduction

In advanced economies such as the Danish and Norwegian the regulatory environment is not only a significant determinant of management modes in firms but it is also generally relatively stable. Changes that occur tend to be “path dependent” (cf. Hollingsworth, 2006) meaning that there is a substantial degree of continuity in organizational forms. This continuity is evident in cross-national studies of changes over time to work-life relations (Katz and Darbishire, 2000) and in HRM practices (Gooderham and Nordhaug, 2011). 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 belonging to a Nordic model characterized by a particularly 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, Nordhaug and Ringdal (1999) observed that firms in Denmark and Norway were similar in terms of having a distinctively “collaborative mode” of employer-employee communication.

However, in Denmark, a series of collective agreements during the mid-1990s has steadily brought into being a new and distinctive model of industrial relations that has not been copied by Norway or any of the other Nordic countries. This model, that has come to be labeled, “flexicurity”, has two main components. On the one hand the model is characterized by relatively liberal redundancy rules that give employers the right to hire and dismiss employees at short notice. On the other hand the unemployed are provided with

comparatively generous unemployment benefits and training provision. It is argued that this model comprises an important regulatory change for Denmark and as such constitutes a source of divergence between Denmark and the other Nordic countries (Madsen et al., 2011).

A large-scale Nordic study concluded:

“The main conclusion of this study is that Denmark has a special combination of institutions related to its labour market. And this flexicurity nexus leads to higher mobility rates on the labour market.” (TemaNord, 2010:13).

Employing institutional theory we address the impact of this regulatory change in Denmark on direct and indirect employer-employee communication by employers to employees in regard to impending staffing plans. We distinguish direct and indirect communication because the Nordic model is not just characterized by powerful labour 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. At a broad level our approach is to compare Denmark with its Nordic counterpart Norway which has not undergone regulatory change. In line with institutional theory we assume that regulatory change impacts on which management practices are perceived as having legitimacy. However, within each of the two national settings we distinguish indigenous firms from the subsidiaries of multinational companies (MNCs). We do this in order to investigate which of these actors are adjusting most proactively to the new “rules of the (Danish) game” (North, 1990). Thus while we expect that regulatory change has resulted in firms located in Denmark diverging in their employee communication practices from their Norwegian counterparts, within Denmark we will argue that it is its indigenous firms that have a more developed “feel” for the legitimate possibilities that flexicurity has introduced. They will therefore respond more dynamically to

regulatory, institutional change than foreign entrants because who will exercise greater caution.

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. Thereafter we present the development of flexicurity in Denmark arguing that its evolution constitutes a significant regulatory change. This is followed by a discussion of institutional theory which enables us to develop hypotheses regarding direct and indirect employer-employee communication in Denmark and Norway. After delineating our data set we test our hypotheses. 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 between firms and other actors such as labor unions and banks is 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 between 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. Typically for a CME like Denmark, the Danish labor market reforms of 1994 and 1996 that gave rise to

the Danish flexicurity model were a product of tripartite agreements amongst employer federations, labor unions and the state.

On the work-place 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 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 shows that they are somewhat different to 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, Due and Andersen (2011, 225) observe that for Denmark that 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.”

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 practice this means that in Norway and Denmark, rather than legally determined accords, agreements between employers and labor unions are reached through on-going discussion and consultation. Hence the relationship is more flexible than is the case for Germany. It is this distinction that has given rise to the notion of a distinctive Nordic model (Løken, 2009).

This distinction between the legalistic context of Germany and the more flexible Nordic context is reflected in Gooderham, Nordhaug and Ringdal'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.

As Wailes, Bamber og Lansbury (2011:24) argue:

"While national employment relations patterns may not be converging towards a single neo-liberal model, there is overwhelming evidence that change is a common feature of employment relations in many countries."

One criticism of "varieties of capitalism" (VoC) is that explanations of change are problematic to develop within its framework. One reason VoC is overly deterministic is that it is lacking in an actor and therefore a conflict perspective. As Oliver (1991) argues firms can engage in active resistance to institutional constraints. Thus national settings are less homogenous than a VoC approach implies. Equally the activities of other actors such as trade unions can also have a significant impact on the development of management practices.

The Nordic countries are characterized by many commonalities. In the specific case of Norway and Denmark it has been pointed out that both have knowledge-based, service-economies (Rogaczewska et al., 2004). However, more fine-grained analyses have suggested that Denmark and Norway have become somewhat dissimilar. The Danish flexicurity agreements of the mid- and late 1990s mean that there are significant differences in the degree of employee protection against redundancy. Furthermore, there are indications that HRM in Denmark is less formalized, structured and top-down than in Norway (Rogaczewska et al., 2004). Finally, it is suggested that the relationship between employers and labor unions in Denmark are becoming more fractious than in Norway (Amable, 2003).

Traditionally a key component of the Nordic model is that of employer-employee communication which is a facet of employee voice (Knudsen, 1995; Thorsrud and Emery, 1970). "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). The foundations of communication or voice derive from legislation, agreements, and the way establishments organize work (Knudsen, 1995). Communication can be divided into indirect and direct communication. Whereas indirect communication takes place through unions or collective bargaining, direct communication involves no intermediary. In Norway, indirect communication is regulated in labour 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 (Work Environment Act (§15-2)). In Denmark rather than strictly legal obligations, regulatory obligations have derived from Cooperation Agreements. With the introduction of flexicurity this regulatory pressure to engage with labour unions is arguably diluted.

In Norway there is a lack of specific legislation in regard to employers supplying information directly to employees it has been commonplace. In other words in Norway well-

established norms dictate this practice. In Denmark direct communication has been governed by the Cooperation Agreements. However, this regulatory obligation is also diluted by the introduction of flexicurity which gives employers the right to introduce staffing changes at short notice. Instead, increasingly what will determine direct communication with employees on staffing plans are obligations of a more normative kind. With the introduction of flexicurity, an employer's reading of what those normative obligations actually are may vary significantly. In the next section we discuss flexicurity 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 work-forces 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, 1998). Madsen, Due and Andersen (2011, 224) acknowledge that this development has provided Danish employers with a degree of staffing flexibility "on par with that of the United Kingdom" so that in this regard Denmark is "different from that of the other Nordic countries" – i.e. on this particular issue Denmark has LME traits. The empirical question that arises from this observation is whether this change has had consequences for the employer-labor union relationship. In exploring these issues it is important to bear in mind that the flexicurity model has its origins in tripartite negotiations

and a series of tripartite agreements that accommodated both employers' call for decentralized negotiations and employees and the labor unions demands for the maintenance of robust collective agreements as back-up if local negotiations fails. 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.

Staffing is one of the core responsibilities of HRM. The concern for greater precariousness for workers in the labour market reflects in part employers need for numerical flexibility through the use of non-standard work arrangements, such as subcontracting, outsourcing, and temporary work (e.g. Kalleberg, 2011). Our assumption is that two types of regulations are critical for the way in which managers consult unions on staffing issues. First, there are those regulations that impact on employers' *use* of different staffing solutions, whereas a second type determines the degree to which employers have to *engage in consultations* with employees prior to work-force reduction and work reorganization. This consultation may take place through indirect (e.g. unions) or direct voice mechanisms.

In regard to the first of these assumptions there is a marked difference between the Danish and the Norwegian regulatory frameworks. In a comparison of 40 OECD countries Denmark was ranked as one of twelve countries with the weakest employment protection legislation (EPL), while Norway was ranked as having the ninth strictest EPL (OECD, 2008; see also TemaNord, 2010). The EPL-index comprises a measure of the regulations governing the use of temporary employees and both individual and collective redundancies. Norway has stricter regulations than Denmark in regard to temporary employment and individual redundancy. Denmark has somewhat stricter regulations governing collective redundancies.

Other regulations with relevance for staffing would include regulations in regard to outsourcing and the use of agency staff. In Norway both of these as well as the use of

temporary staff is regulated by The Working Environment Act. In addition the processes involved in staffing changes are specified in the collective pay agreements. Although the concept of “outsourcing” is not specifically used in Norwegian employment law there are regulations governing the transfer of employees to suppliers. The main regulation specifies that employees will retain their rights and that their duties will be unchanged. The legislation does not extend to those rare cases whereby employees are relocated to an employer outside of Norway. These regulations constitute implementation of EU-directives into Norwegian law.. 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 not only entrenched in The Working Environment Act and collective pay agreements but they also have acquired the status of unquestioned cultural conventions. The Working Environment Act specifies that not only must local labor union representatives be consulted but that this consultation must take place at the earliest possible point in time (indirect voice). Although in the final instance it is employers who make the decision and who have the responsibility for any redundancies (Jusstorget, 2011), 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.

The main principle concerning employment relations is that employees should have an open-ended contract (“fast ansettelse”) in Norway. The use of temporary labour is an exception to the main principle and should only be used when “work tasks are of a temporary nature”. Over the last two decades, there have been several changes regarding the access to use temporary workers (in 1995 and 2000) and workers from Temporary Help Agencies (THA) (in 1993 and 2000) (“innleie av arbeidstakere”). These changes have implied both restrictions and liberalizations regarding the access to use temporary labour. However, the

main principle of open-ended employment still holds. The most important change with regard to voice mechanisms on staffing took place in 2010. In The Working Environment Act has since 2010 ruled that employers must discuss their use of temporary employees with local labor union representatives at least annually. This is change is an example of a strengthening of legislation on indirect voice. There have been no substantial changes in regulations on firing employees in Norway.

In Denmark the Cooperation Agreement of 2006 (the first such agreement was entered in 1947) between the Trades Union Federation (LO) and the Employers Federation (DA) contains the most important stipulations on employer-labor union information and consultation. The agreement is broadly formulated and generally emphasizes the importance of engaging in a high degree of information provision and consultation. Employers are duty-bound by the agreement to update the local Cooperation Committees on the financial position and prospects of the company and the firm's staffing plans – and if there is no works Cooperation Committees they have 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. As is the case with Norway the concept of outsourcing is not directly addressed. In both countries the issue is addressed by an EU-directive (2001/23/EF 12.March 2001). The EU “Law on employees’ rights in the transfer of employees to a new employer” § 2 states:

“Following a transfer, the transferee of the undertaking becomes an employee of the undertaking transferred by the transferor. In these circumstances, the rights and duties of the employment contracts of the employees from the transferred undertaking

will be recognized with regards to 1) collective agreements 2) wage and working conditions stipulated or approved by public authority and 3) individual agreements on wage and working conditions.”

In other words, the new employer is legally obliged to continue all agreements, both collective and individual, that applied prior to the transfer of employment. In both Denmark and Norway larger MNCs are subject to the European Works Councils Directive. 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 unions and 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 percent of the Norwegian and the Danish firms have European Works Councils.

However, 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 is one significant difference. In Norway, the employers have less freedom in hiring- and firing than Denmark. Furthermore, the legislation regarding indirect communication or voice mechanisms is extensive in Norway, and the recent change in indirect voice mechanisms for temporary labour implies a stronger emphasis on legislative law. Overall, in Norway hiring-and firing, access to use temporary labour, requirements for outsourcing, and voice mechanisms for changes in work organization (for instance downsizing and these use of temporary labour) are all regulated in labour law (The Working Environment Act). In other words, the regulations on employers in Norway regarding employment issues are both stricter than in Denmark, and there appears to be a tendency for

stronger legislative regulations over cooperative agreements on staffing- and employment practices. As such the institutional setting of Denmark in regard to the employment contract has become somewhat more malleable than that of Norway.

Institutional Theory

New 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 selection of human resource management (HRM) practices (Gooderham, Nordhaug and Ringdal, 1999; Gooderham, Nordhaug and Ringdal, 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, 1977). 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, 1995). 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 both to the rules and the belief systems prevailing in their environments (DiMaggio & Powell, 1983). Thus institutional theory argues that firms are not just responding to legislation. They are 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 better 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 their lack of understanding of the tacit aspects of these environments may cause them to over-conform. Furthermore, in the case of regulatory change foreign entrants may be more cautious in their interpretation of its tacit implications than their indigenous counterparts meaning that they are more conservative in regard to introducing new management practices. In other words when regulatory change is introduced institutional theory suggests that “institutional entrepreneurship” (Battilina, Leca and Boxenbaum, 2009) is more likely to be a feature of indigenous firms than foreign entrants.

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 (2009:67) argue that actors may have varying degrees of agency. It seems reasonable to suppose that degrees of available agency will not just 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 labour 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. In regard to indirect employer-employee communication we hypothesize:

Indirect communication

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

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

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

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

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

Data

Our sample comprises firms located either in 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 world-wide, of whom at least 100 are based abroad, and the population of foreign-owned firms which have at least 100 employees and whose parent company employ at least 500 employees world-wide, conducted in 2009-2010. Response rates for firms in Norway were 42 percent among indigenous firms (N=36) and 21 percent 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 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 largest occupational group (LOG) within the company in Denmark/Norway”. The two alternatives relating to staffing are: (1) organization of work and (2) sub-contractors and outsourcing. The answers range from 5=management cooperate with unions, 3=management consult union representatives, and 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 values on this index, the more cooperate strategies.

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

Independent variables

Our main explanatory variables are country and ownership. 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 variablesⁱ:

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 %.

Table A-1 provides descriptive statistics for all variables.

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 respectively. 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 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 1-5. This index is the basis of analysis in Table 2.

The lower section of Table 1 shows to what extent management provide employees with direct information on staffing plans. The table indicates that 57 percent of indigenous companies, and 61 percent of foreign-owned companies in Norway provide such information regularly. In Denmark, the proportions are 37 and 55 percent, respectively. In other words, indigenous companies in Denmark stand out as engaging in the least degree of direct communication on staffing plans.

TABLE 1 ABOUT HERE

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 ABOUT HERE

Table 2 indicates that there are significant between-country differences in indirect communication on staffing plans. The positive coefficients of indigenous companies in Norway ($b=0,681$) and of foreign based companies in Norway ($b=0,900$) imply that management in these establishments in Norway tend to engage in indirect communication consult unions with regard to staffing *to a greater extent* than establishments in Denmark. Thus H1 is supported. Furthermore, in line with H2, the table indicates that within each country there are no significant differences in indirect communication. We may further note that none of the control variables have any significant impact on indirect communication.

| TABLE 3 ABOUT HERE

Table 3 presents the results from a logistic regression analysis on direct communication. It includes controls for country and ownership, size, industry, HR policy, and union recognition. Table 3 provides 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. It also provides support for H5 in that within Denmark indigenous firms engage in significantly less employer-employee direct communication than foreign-owned

firms. 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 Norwegian firms.

Discussion

This paper has explored direct and indirect employer-employee communication in the specific institutional contexts of Denmark and Norway. It is argued that the regulatory developments that constitute flexicurity give Danish employers a significantly greater degree of flexibility to engage in staffing changes than its Nordic counterpart Norway. It is further argued that this latitude to engage in numerical flexibility has implications for the degree to which Danish employers 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. However, institutional theory is not limited to regulatory pressures. It also includes both normative and cognitive pressures. In short, understandings of regulatory changes have to be developed. We have argued that indigenous firms have a superior insight into how 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. One limitation to institutional theory is that it lacks an actor perspective. As well as distinguishing between indigenous and foreign-owned firms, we have pointed to the role of labour unions as powerful actors in regard to indirect communication. Their influence is constant across ownership categories.

On the whole our thesis that flexicurity constitutes a regulatory development that 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 labour unions across ownership categories we observe no differences between indigenous and foreign-owned firms. In terms of direct communication we have argued that the regulatory changes represented by flexicurity have provided Danish firms with common regulatory 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 occasioned by this regulatory change. Thus we observe that Danish indigenous firms are significantly less inclined to engage in direct communication than foreign-owned firms. However, 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.

In general our findings support the notion that flexicurity is causing some degree of a parting of the ways between Denmark and Norway. This is not least the case for Norwegian and Danish indigenous firms which are significantly different both in regard to indirect and direct communication. 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. Finally, in terms of indigenous firms we have only included large enterprises that are particularly exposed to institutional pressures. Future research should include smaller firms.

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Table 1. Indirect and direct communication on staffing. Descriptive statistics

	Norway				Denmark			
	Home		Foreign		Home		Foreign	
	Mean	sd	Mean	sd	Mean	sd	Mean	sd
<i>Indirect information</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 information</i>								
Information on staffing plans (0-1)	0.57	0.50	0.61	0.49	0.37	0.49	0.55	0.50
N	26		39		24		63	

Note: Indirect participation: Which of the following best describes the policy towards working with unions: managements decides on its own (=1), management consults union representatives (=3), and management decides jointly with union representatives (=5) on: (1) work organization, (2) sub-contracting and outsourcing. Direct participation: Whether information on staffing plans is provided regularly to the LOG (largest occupational group) in Norway/Denmark

Table 2. Indirect employer-employee communication on staffing. OLS. Reference category in parenthesis

	b	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 R2	0.098	
N	133	
** p < 0.01, * p < 0.05, + p < 0.1		
Note:		
Dependent variable: Index of organization of work and subcontracting/outsourcing (see Table 1)		

Table 3. Direct employer-employee communication on staffing plans. Logistic regression. Reference category in parenthesis			
	b		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
R2	0.07		
N	171		
** p < 0.01, * p < 0.05, + p < 0.1			

			1	2	3	4	5	6	7	8
	Mean	sd								
1. DK Home	0.15	0.36								
2. DK Foreign (ref: DK Home)	0.44	0.50	-.375**							
3. NO Home	0.18	0.38	-.197**	-.410**						
4. NO Foreign	0.23	0.42	-.233**	-.485**	-.255**					
5. Manufacturing (ref: service)	0.52	0.50	.072	-.099	.038	.019				
6. 500 - 999 employees (ref: < 500)	0.21	0.41	.084	-.101	.014	.033	.076			
7. > 1000 employees	0.28	0.45	.161*	-.287**	.198**	.021	-.020	-.326**		
8. Body/committee for HR policy (no body/committee)	0.67	0.47	-.062	.062	-.153*	.119	.015	.097	-.002	
9. Union recognition (no/some sites)	0.72	0.45	.056	-.106	.002	.075	.134	-.040	.212**	-.216**
N	203									

End notes:

ⁱ We also have checked for effects of the extent to which management are in favour, not in favour (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.