

McDonald's Rocky Road to Denmark

Every few months, a well-known individual or newspaper brings to light the fact that McDonald's employees in Denmark are paid \$22 per hour, get six weeks of vacation, and are eligible for sick pay. This employee pay is in addition to the extensive package of social benefits provided by Denmark, which includes child allowances, health care, child care, paid leave, retirement, and college education.

In these debates, little is stated about how all of this came to be. This is unfortunate because the story is compelling and provides a clear picture of why Nordic labor markets are constructed the way they are.

In 1981, McDonald's launched its first store in Denmark. It was operating in over 20 countries at the time and had successfully avoided unionization in all but one, Sweden.

When McDonald's first arrived in Denmark, the labor market was governed by a series of sectoral collective agreements that established wages and working conditions for all employees in a given industry. McDonald's should have followed the hotel and restaurant union agreement under current standards. They were not, however, legally required to do so. A union agreement, unlike a contract, is not legally binding on sector employers. It is not possible to sue a company for noncompliance. It is entirely voluntary.

McDonald's opted not to follow the union contract and instead set its own wage levels and work standards. This was not just distinct from what Danish firms had done, but also from what similar international companies had done. Despite the fact that it is similar to McDonalds in every aspect, Burger King chose to obey the union agreement when it first came in Denmark a few years ago.

McDonald's decision naturally drew the attention of the Danish labor movement. According to press reports, the battle to get McDonald's to follow the hotel and restaurant workers agreement began in 1982, but progress was slow at first. McDonald's maintained a principled stance against unions and negotiations, and press overtures were ineffective in persuading them to change their minds.

In late 1988 and early 1989, unions decided enough was enough and planned solidarity strikes in surrounding industries to impede McDonald's operations. The sympathy strikes were organised by sixteen separate sector unions.

Dockworkers refused to unload McDonald's inventory from containers. Printers refused to supply printed materials such as menus and cups to the stores. Workers refused to construct McDonald's restaurants and even halted construction on a store that was already underway but had not yet been completed. The company's print advertisement presence was eliminated as a result of the typographers union's refusal to place McDonald's advertisements in publications. Food and beverages were not delivered to McDonald's by truck drivers. McDonald's food and

beverage workers refused to prepare food for McDonald's restaurants.

In addition to wreaking havoc on McDonalds supply chains, the unions engaged in picketing and leaflet campaigns in front of McDonalds locations, urging consumers to boycott the company.

McDonald's immediately collapsed in 1989, just as the sympathy strikes began, and agreed to follow the hotel and restaurant alliance.

As a result, McDonald's employees in Denmark are paid \$22 per hour.

The Nordic economies are frequently lauded for being far more equal than their American counterparts, but the reasons for this are rarely investigated. Despite much debate about unions and sector bargaining, Nordic unions have historically been powerful and well-organized.

If you didn't know better, you'd think the Nordic labor market is structured the way it is because all businesses and employees agreed that their system is better for everyone. While labor relations in the countries are generally peaceful on a daily basis, there is often a credible threat lurking behind the peace that the unions will crush an employer who steps out of line, not just by striking at one site or at one company, but by striking everything that the company touches.

The most recent instance occurred in Finland in 2019. By transferring 700 package handlers to a different sector agreement, the state-owned postal service decided to reduce their pay. As a result of the unions' response, airlines, ferries, buses, railroads, and ports all went on strike. Consequently, they reversed the pay cuts, and the country's prime minister resigned.

It is worth noting that such strikes are prohibited in the United States. While this being true, it implies that the different legal environment is what accounts for labor radicalism. Labor radicalism does not drive the laws, but rather the opposite.

Another recent case, from Finland in 2018, demonstrates this idea. In this situation, the conservative administration was prepared to pass legislation that would make it easier for businesses with 20 or fewer employees to dismiss workers. The stated purpose was to increase recruiting by making it easier to terminate people and make hiring less risky – you know, the usual stuff.

The Finnish labor movement objected to this idea and called a massive political strike, putting workers from a wide range of industries on the sidelines. As a result of the strike wave, the government amended the bill to apply it only to employers having ten or fewer employees. The strikes continued, and they changed the legislation once more. This time it stated that courts should consider an employer's size when deciding wrongful dismissal cases. The unions agreed because, according to them, Finnish courts did this already, rendering the bill essentially meaningless. As a result, they decided to stop striking.

Imagine what would happen if the Finnish government tried to outlaw sympathy strikes just like the US government has done here.

It's difficult to imagine achieving Nordic-level equality without first establishing a similarly powerful labor movement. You can certainly get a good start by replicating certain welfare programs. However, without unions, you will always be lacking a critical component. While legal and policy changes can help strengthen the labor movement, the power of organized labor is ultimately anchored in its ability to halt production and inflict havoc even when the state is not on its side.

McDonald's does not pay high wages to Danes due to a wage floor or because the state intervened to impose a collective bargaining agreement. They pay generously because Danish unions shut down the entire industry in the 1980s, and McDonald's doesn't want to know if they would do it again. This is the goal we must achieve.