



„Aus der tiefen Krise in den Höhenflug –  
Wie reformiert man in Skandinavien?“

Eine Veranstaltung der  
NORWEGISCH-DEUTSCHEN WILLY-BRANDT-STIFTUNG  
und der  
DEUTSCH-NORDISCHEN PARLAMENTARIERGRUPPE  
IM DEUTSCHEN BUNDESTAG  
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## The Norwegian Way of Collective Bargaining

Arbeitspapier

An important characteristic of the Norwegian collective bargaining system is the high degree of coordination. Another important point is the relatively active part which the Government plays in influencing labour market outcomes. Incomes policy has played an important role in economic policymaking. To facilitate the implementation of such policies, a number of institutions have been created, serving to strengthen the coordination of wage determination.

### 1 The organisations

Trade-union membership has been relatively stable over the last two decades, with some edging up in the 1980s. At around 60 per cent of the total dependent labour force, the overall unionisation rate, though lower than in other Nordic countries, by far exceeds that of most other countries. The degree of unionisation varies markedly between different sectors of the economy. The public sector has the highest proportion of employees organised in unions, followed by the financial sector, manufacturing and transport. Other private services sectors, such as wholesale and retail trade, have comparatively low union membership.

The largest confederation is the Norwegian Confederation of Trade Unions, Landsorganisasjonen i Norge (LO), with 28 affiliated unions. In the early 1970s, this was the only major trade union federation, but in the course of the 1970s other coalitions emerged: the Confederation of Vocational Unions, Yrkesorganisasjonens Sentralforbund (YS) and the Federation of Norwegian Professional Association, Akademikernes Fellesorganisasjon (AF).

The new federations were primarily formed by unions which had not been affiliated to the LO. Consequently, their creation did not result in a sharp decline of LO membership. The competition for members is most intense in the public sector, where the LO covers the great majority of unskilled workers. The traditional domain of the LO has, however, been manufacturing which has experienced an absolute drop in employment.

On the employers' side, there are three major institutions. The Norwegian Employers' Confederations (NHO), organises employers in manufacturing, oil and mining activity, construction and some services. Establishments affiliated employ about a fifth of the total workforce. Employment trends have increased the importance of the public sector as an employer. There are two bargaining units: the central government and the Confederation of Municipalities, but bargaining is co-ordinated between the two. Together they cover more employees than the NHO.

Although the number of people covered by agreements between LO and NHO has fallen since the 1960s, LO/NHO settlements still play a key role as pace-setters in the bargaining rounds. Once an LO/NHO settlement has been struck, bargaining starts in the public sector, with outcomes strongly influenced by LO/NHO agreements. The timing of bargaining in other sectors is less regular. Settlements reached between LO and NHO are also extended to non-union workers in all establishments affiliated to the NHO. Moreover, LO/NHO agreements are frequently taken over by non-member firms



where the workers may or may not be unionised. The traditional pace-setting role of LO/NHO agreements has for a long time made exposed sector the wage leader in the economy.

## 2. Central and local wage agreements - wage drift

Despite the centralised wage-bargaining system, part of wage increases may be determined outside bargaining between unions and employers' organisation. For many employees, wage contracts can be concluded on three or four different levels:

- nation-wide bargaining
- industry-wide bargaining
- enterprise bargaining
- bargaining between individual employees and employers

Wage drift - the difference between actual wage increases and increases negotiated at the central level - varies from industry to industry. Since the 1980s, wage drift in manufacturing has on average accounted for half of total annual wage increases. Wage drift is smaller in the public sector, highest in local government where it may be up to 10-20 pct. of average wage increase.

The central organisations have agreed not to use strikes and lockouts in local bargaining.

## 3. Guarantee for low paid

Since 1980 in the business sector there has been a system of guaranteed wage increases for low paid sectors. The mechanisms of the system differs from branch to branch. The basic idea is a yearly adjustment of the average wage in the branch or enterprise, aiming at something like 85 pct. of average pay.

This system compensate sectors with little or no wage drift, and may to some extent supplement the negotiations on federation level. Traditionally this system has meant a lot to keep up the wage level in private services as well as low paid industries as textile and clothing

## 4. Wage contracts: duration and scope

Since the mid-1960s, the contract period of central wage settlements has without exception been two years. Agreements have always had some provision for inflation adjustment after the first year. Earlier there were indexation clauses, which gave partial compensation if the consumer price index

passed a predetermined level. Since the 1960s, it has been more common for intermediate bargaining rounds to take place on fixed dates. This has also allowed the bargaining parties to bring in other issues for review.

Since the 1960s, most central agreement has been concluded in the LO/NHO-area with special provisions for low-wage workers.

On average every fourth or fifth year the negotiations in the business sector are carried out by national branch organisations. The committee of representatives of the LO decides whether the negotiations in the business sector are to be carried out centrally by the LO/NHO or by the national branch organisations. Industry-wide bargaining is however not completely uncoordinated as LO are usually acting towards some coordination.

## 5. Government involvement in wage settlements

Norwegian governments have traditionally been involved in bargaining outcomes at the central level. This have been the case in particular when the social partners have asked for changes in legislation, social security or other important issues related to the labour market. At times they have also intervened in the bargaining process through various legal means. On three occasions in the 1970s and 1980s, the Government introduced legislation to limit the extent of wage increases, once the negotiations between LO and NHO had been concluded.

The laws governing industrial disputes call for compulsory mediation for a prolonged period before any nation-wide strike or lock-out can take place. This has undoubtedly contributed to the low strike frequency compared with other countries. The state mediator, who is usually engaged in every bargaining round, may facilitate the reaching of agreements between the social partners. Parliament has several times passed special laws to prevent or stop strikes, referring the disputes to a special commission which can impose a solution.

Since the early 1960s the Contact Committee has played a central role in incomes policy. It is headed by the Prime Minister and consist of senior Cabinet members, representatives of farmers and fishermen, and the leaders of the main employers and employees' federations. The purpose of the Committee is to exchange information, prior to bilateral negotiation, about income objectives and the economic outlook.



Since the mid-1960s the economic situation and prospects for the bargaining period have been evaluated in detail by the Technical Reporting Committee on the Income Settlement (TRC). This Committee consists of economists from both the LO and NHO as well as economists from ministries and an official research institute. Its task is to give statistical background information, arrive at a common view about economic developments, and to discuss the implications of different bargaining outcomes on the economy. For this purpose the Committee uses the same macroeconomic models as the Government does in preparing its economic policy. Both the Contact Committee and the TRC have served the purpose of increasing information available to both sides of industry, and of narrowing down disagreements stemming from different perceptions about the future.

#### **6. The Solidarity alternative - elements in "the Norwegian model" in the 90s**

After the rather close cooperation between governments and the social partners from 1988, there was a common view that it

needed to be extended and stronger politically based.

In the autumn of 1991 the government appointed an employment-committee that put forward its recommendations in the summer of 1992. The committee was broadly based, including government representatives, representatives of the main political parties, the Norwegian Confederation of Trade Unions (LO), and the Confederation of Norwegian Business and Industry (NHO). Both the government and the social partners adopted the main recommendations of this committee, which were:

- a more long term horizon
- coordinated wage negotiations
- active macroeconomic policy
- active labour market policy