Three Norwegian Varieties of a Nordic Model – A Historical Perspective on Working Life Relations

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ABSTRACT
Through the use of a historical perspective, the aim of this article is to discuss and clarify the concurrent and conflicting interests and norms that have characterized the establishment and development of important institutions in Norwegian working life. The article concentrates on collective bargaining systems, the arrangements for codetermination, and the working environment regulations in both the public and private sector, which are regarded as the main institutions in the Norwegian and Nordic models of working life relations. The article is structured by an analytical distinction between three different historical periods that have constituted three distinct versions of the Norwegian model. By presenting a historical synthesis of Norwegian experiences, the article is a contribution to the ongoing debate on the varieties in the Nordic model, as to further comparisons and broader transnational studies.

KEYWORDS
Collective bargaining / codetermination / employment relations / industrial democracy / industrial relations / labor history / working environment / working life history / working life relations

At the Davos meeting of the World Economic Forum in January 2011, the Nordic model was at the top of the agenda, and the Norwegian prime minister presented the following statement: “Better than many other countries, we have managed to combine a just distribution and an efficient economy.” According to the web site of the Norwegian government, an “important aspect of our model” is a high level of employment that creates an increased growth potential, a high welfare level, a very high degree of equality, and a great willingness to adjust and reform, and a “dialogue between workers, employers and the state contributes to a healthy social climate and to security and flexibility, and labor conflicts are less frequent than in many other countries.”

This picture of prosperity and a society in harmony stands in sharp contrast to the deepening economic crisis and escalating social inequality elsewhere in Europe, and there is agreement among commentators in general that the working life in Norway, comparatively speaking, is characterized by consensus and trust. Furthermore, in a world where union density is falling and institutions are being dismantled, Norwegian working life appears to be strongly organized. Instead of joining the current individualistic trend that is often proclaimed by working life researchers (cf. Bauman 2000; Sennett 1998), Norwegians seem to stick to collective solutions. With its centralized
However, the spring of 2012 has been marked in Norway by a wave of labor disputes in public and private sectors alike, and working environment problems are a recurrent controversial political issue. Such disputes may demonstrate a model in function, capable of channeling conflicts of interests into established institutions, though they may also reflect divergent understandings of the normative basis for the working life institutions, and an ongoing struggle to define their content, including historically, today and in the future.

In this article, I will use a historical perspective in order to discuss and clarify the concurrent and conflicting interest and norms that have characterized the establishment and development of important institutions in Norwegian working life. I will concentrate on the collective bargaining system, the arrangements for codetermination, and the working environment regulations that historically have been the main institutions in what may be termed a Norwegian or Nordic model of working life relations.\(^2\)

Related to the international literature on varieties of capitalism, it makes sense to analyze the Nordic model as a variety of a “coordinated marked economy,” which is characterized by stakeholder values, a governmental coordination of the economy, and collective actors in a system of working life relations that has been decentralized over the last few decades (cf. Thelen 2001). In the Nordic literature, such typologies have been specified, e.g., by Bernt Schiller, who defines the Nordic model by the following features: “A unified trade union movement with a considerably high degree of organization, long traditions of collective agreements and governmental regulations of labor market conflicts, a common labor law and state-capital-labor cooperation on economic policy and information and consultation on various levels” (Schiller 1993, p. 11). However, in Nordic studies, the difference between the countries has been a common approach, and such an understanding of a Nordic model with its national variations has become a fruitful analytical point of departure for more detailed analysis of historical variations and paths of developments, emphasizing somehow different social aspects.

There is a comprehensive literature in English on the development of the variety of Nordic models of welfare states (cf. Christiansen et al. 2006; Kildal and Kuhnle 2005), and there are also published comparative studies on political economy (Mjøset 2011), as well as on the social democracies in both Norway and Sweden (Sejersted 2011). Regarding the working life relations, several studies have been published on the Nordic models of collective bargaining (cf. Dølvik 2007; Vartiainen 2011). However, there are few systematic, historical studies analyzing the relations and dynamics between the collective bargaining systems, the working environment regulations, and the codetermination arrangements in both the public and private sectors either at the national level or at the Nordic level.\(^3\) The ambition with this article is to present such a synthesis, based on the Norwegian experience.

Klaus Petersen has recently presented what I agree might be an ideal analytical framework for studies of the Nordic model: We should understand the model on the national, Nordic, and the international level, but in order to draw on the insights of the transnational turn within the discipline of history we “have to study all three levels and the relationship between them at the same time” (Petersen 2011, p. 59). However, according to Petersen, we must not overprivilege either the importance of the Nordic level or the transnational approach: Transfers of ideas and models are important aspects...
of a historical development, but ultimately politics and national institutions still matter (Petersen 2011, p. 60).

With its focus on national institutions, this article represents only a first step in such an ideal framework, but doing so it may contribute to the ongoing debate on the varieties within the Nordic model, and hopefully be followed up by further comparisons and broader transnational studies.

The social contexts in which the working life institutions have been embedded have undergone profound transformations over time; nonetheless, the story of the Norwegian working life often takes form as a classic narrative that begins with the formative years before World War II when the basic institutions were formed, culminates in the golden post-war years, and ends either as a tragedy in the neoliberal epoch or as a nearly romantic story of Norwegian differentness in a global world of increased labor exploitation, uncertainty, and inequality. In order to clarify the distinctive characters of the model, my argument is that it may be more fruitful, at least analytically speaking, to distinguish more clearly between these three epochs before drawing any conclusions on the relationship between continuity and change in historical development. Consequently, the article will be structured by an analytical distinction between three historical Norwegian models. In the frame of an article, it is not possible to outline a full historical comparison between the three models. Instead, I will sum up what I regard as the characteristic dynamic features between the institutional fields as they appear in three fixed years: the first two, 1935 and 1977, symbolize peak years of models of distinct difference. The third year, 2012, illustrates the current situation. In these summaries, I will also discuss some similarities and differences between my interpretation and other studies of the Nordic model, mainly by making some comparative comments to the Swedish variety.

The first Norwegian model

Toward an organized private sector

In 1892, the Norwegian Parliament passed a “factory inspection law” in order to regulate the working conditions among the workers within the manufacturing industry. Starting in the 1840s, industrial enterprises such as mechanical workshops, shipyards, and textile factories were established. During the same period a form of paternalism, which provided workers with a certain social safety, was displaced by a liberal ideology: When entering into a job contract between free men, the employee renounced the right of disposal of his labor, and the employer had no responsibility for workers who lost their capacity to work (Bjørnson 2003, p. 45).

However, within the emerging manufacturing sector, work was often hazardous to workers’ health, and in the 1890s, justified by a social liberal humanism characterizing the Liberal Party and to prevent social unrest, a legal regulation was prepared by a public Labor Commission. The outcome became a compromise marked by the Conservative Party, and as a result of the law, a national factory inspection was established, a few factory supervisors were appointed, and the use of child labor was restricted. On the other hand, proposals for minimum wages and restrictions on working hours did not pass (Bjørnson 1997, pp. 13–16).
By the turn of the century, The Norwegian Confederation of Trade Unions (LO) and the Norwegian Employer’s Association (NAF) were established. The development of a national trade union was closely connected to the spread of a socialist ideology in Europe, and the Norwegian pioneers were inspired by the ideas of class struggle and unionization (Olstad 2009, p. 18). Still, the breeding ground for such ideas was poor, and initially the LO only gained a foothold in the cities. Comparatively speaking, the enterprises and local communities were characterized by strong social ties between employers and employees on the one hand, while on the other hand, social and cultural distinctions between different categories of workers in different industries and companies led to a variety of living and working conditions (Bjørnson 1990, pp. 19–24). Moreover, Norway was still primarily a country of farmers and fishermen, and peasants, farm workers, servants, and women were also excluded from the LO’s conception of a class community. Additionally, the employer’s association was not a strong organization, the industrial bourgeoisie had limited financial resources, and there were few large companies (Sejersted 2011, p. 11). Nevertheless, the establishment of these national organizations reflected a growing acceptance for the ideas of a class society, as well as a clash of interests between labor and capital.

The breakthrough of an organized working life may be dated back to 1907, which is the year that national collective agreements were signed by skilled metal workers and unskilled paper mill workers. Both agreements have been understood as adaptations to capitalistic modes of production (Bjørnson 1990, pp. 200–208), and in the paper mills, a principle for “normal wages” was established that implied national standards and minor wage differentials. In the metal industry, the agreement was based on minimum wages, with opportunities for pay increases for capable individuals. Although the agreements were based on different norms of fair payment, the common basic principle was that wages should be set within the framework of a collective bargaining system, in which lockouts and strikes were regarded as lawful weapons that were only to be used during the time of negotiations. Just as important was the establishment of some “general provisions,” as the entering into the collective agreements presupposed the mutual recognition of the workers’ right to negotiate, as well as the managerial prerogative. Furthermore, the rights and duties of the union representatives were established insofar as they would have the right to negotiate on behalf of the union members, but they would also act as prefects at the workplaces (Bjørnson 2003, p. 60).

The national agreements were met by considerable resistance among rank and file representatives, and in 1911 a so-called union opposition was organized. In a period of economic expansion, revolutionary socialists wanted to use the power of trade unionism to challenge both the managerial prerogative and the capitalist system (Olstad 2009, pp. 178–182). In the years to come, governments from the Liberal Party did engage in labor market policy, as class struggle was considered to be incompatible with the values of a modern society, and in order to control the labor market parties, an Industrial Dispute Act was passed in 1915. Hence, the legislation framed the collective bargaining system, and a state mediator and governmental procedures for compulsory arbitration were established (Bjørnson 2003, p. 65).

During WWI, inflation led to a decline in real income, although the collective agreements prevented the use of wage struggle to maintain the standard of living. Moreover, the Russian Revolution led to a further radicalization that gave the revolutionaries a majority in the national congress of the Labor Party in 1918, and to encounter the threat
from the revolutionaries, the government asked a new Labor Commission to report on codetermination reforms and profit-sharing schemes.

**Governmental paternalism and a democratic dilemma**

During the first two decades of the 20th century, public employment increased. The development of railways, the postal service, telecommunications, and the network of roads was considered governmental responsibilities, while the municipalities initiated an expansion of hospitals and schools. The workers employed by the government and municipalities entered the LO and became subjects of the jurisdiction of the Industrial Dispute Act (Bjørnhaug et al. 2000, p. 32). In a country without nobility, and with a weak industrial bourgeoisie, senior civil servants (embedsmenn in Norwegian) who had belonged to the social and economic elite in the past became particularly afflicted by the inflation and went through a pronounced weakening of living standard. The civil servants in general (statstjenestemenn in Norwegian) also experienced a decrease in income, and the countermove for both these groups was to organize. The officials (funksjonærer in Norwegian) in the postal service and railway joined the LO, but remained civil servants in regard to the labor legislation. During the same period, doctors, officers, lawyers, nurses, and teachers formed professional organizations in order to develop their professions and defend their rights as employers.

But despite this leveling of income, there were still inseparable social and cultural cleavages between the civil servants and workers (Bjørnhaug et al. 2000, p. 36), and the government treated their employees in a particular way. On the one hand, it was out of the question to establish a public collective bargaining system because it was considered to be a violation of a democratic principle to give organized interests influence toward the disposal of the public budgets (Seip 1997, p. 438). By contrast, the government offered its servants a better social safety net compared with the private sector. In 1917, The National Pension Fund was established, and in 1918 a Civil Servants Act was passed that secured minimum wages and a strong employment protection (Bjørnson 2003, pp. 79–84). In order to make wage demands, the access to formalized collective consultations was strengthened in 1933 in the so-called Negotiation Act, though there were still no collective agreements and a formalized right to strike in the public sector. Because of this, two distinct labor legislative regimes were established in the two sectors of the working life.

**Crisis and compromises**

In 1921, Norwegian working life was affected by the international economic downturn, leading to high unemployment among industrial and forest workers, bankruptcy among farmers, and a loss of municipal revenues. In combination with deflation and subsequent demands for wage cuts from employers, this threatened to delegitimize the collective bargaining system. Wage settlements ended in widespread lockouts and strikes, but this time it was the unionists who profited from the long-term collective agreements, since employers were unable to adjust wages to the proper price level (Bjørnson 2003, p. 89).
Subsequently, the main arguments of the Union Opposition were undermined, and the revolutionary spirit of the labor movement faded, as did the eagerness to introduce codetermination reforms; hence, the proposals from the Labor Commission were never implemented. In the public sector as well, institutional arrangements, such as minimum wages and employment protection, functioned as a safeguard for the civil servants (Bjørnson 2003, pp. 102–103), although the lack of confidence between the social classes accelerated when the government restricted the workers’ right to negotiate and strike in an attempt to put an end to the labor disputes. In addition, the social insurance system appeared to be inadequate, the unemployment funds were emptied, and lean municipal treasuries could not prevent social need.

The 1929 stock market crash on Wall Street intensified the crisis in Norway, but starting in 1931 the economy recovered, and the government asked a public committee to make an effort to unite the labor market parties. In 1935, the LO and NAF signed a general agreement that demonstrated a return to, and universalization of, the principles from the collective agreements of 1907 (Olstad 2009, pp. 423–424). That same year, the Labor Party formed its first stable government after reaching a settlement with the Agrarian Party. As a result, the social crisis seemed to be defeated, and the problems in the economy seemed to be manageable, although unemployment continued to be a challenge until WWII. In 1936, an extended Worker Protection Act was passed, and while the engineers put their stamp on the Factory Inspection Law by using their skills to safeguard dangerous operations, the physicians marked the new law with their focus on public health. Moreover, provisions against unfair dismissals were accepted and shift and night work were regulated, and in 1938, mandatory unemployment funds and a health insurance plan that covered 65% of the workforce was established (Bjørnson 2003, pp. 99–102).

The model year 1935

In 1935, there was no integrated Norwegian model of working life relations including collective bargaining systems, arrangements for codetermination, and the working environment regulations: The wage development in the private and public sectors was based on different principles. The working environment legislation gave the employees legal rights regarding working hours and unfair dismissals, and in addition, tax and insurance-funded social security provided a certain safeguard in case of a loss of income. However, no formal arrangement for codetermination either in the private sector or in the public sector was implemented.

In the private sector, the signing of the Basic Agreement symbolized the restored mutual recognition between the labor market parties and the reestablishing of the social pact from 1907 that had been undermined during the years of crisis and mistrust. In the public sector, a social pact was based on a relatively stronger employment protection and formalized rights to collective consultations regarding the wages, but without a collective agreement. On the one hand, these social pacts may be seen as results of compromises between contradictory interests and normative and ideological positions and reflects the fact that no parties had achieved a full breakthrough for their principal points of views. On the other hand, as Francis Sejersted has underlined, “modernization” had become a common project. The leadership of the labor movement “wanted a form of capitalism
that was as effective as possible” and were able to collaborate with “progressive bourgeois forces” (2011, pp. 157–158). Subsequently, the labor market organizations had become important actors, but in a regime in which the government had the power to intervene in order to prevent the class struggle from undermining social interests. Even though a leveling of income had occurred, the social and cultural differences between workers, officials in the private sectors, and civil servants still ran deep. The municipalities in particular played an important role by offering social benefits, but the normative justification of this public engagement was an idea of social responsibility: Those who were able to work should secure their own basis for existence.

In a transnational perspective, there were strong ties between LO and NAF and their Nordic colleagues, and extensive sharing of experiences between the Nordic governments and political parties (Bjørnson 2003). And at this time, collective agreements and mutual recognition between the labor market parties had paved the way for comparable social pacts in all the Nordic countries (cf. Vartiainen 2011, p. 335). However, the strong governmental involvement in the Norwegian labor market marked a distinct difference, especially compared with the Swedish version of a Nordic model (Kjellberg 1998, p. 79). According to Sejersted, this difference was due to the stronger trade union opposition in Norway, and that a more centralized Swedish labor movement was able to secure labor peace more effectively (2011, p. 159).

The second Norwegian model

Collective bargaining and governmental control

When Parliament reassembled after WWII, a joint declaration was unanimously announced, which proclaimed that trade and industry should be regulated by corporative bodies, and a national coordinating council with representatives from the government and labor market parties would be placed at the top of a pyramid that included industry and company councils. The purpose was to expand the political democracy by use of societal control over the economy (Heiret 2003a, p. 113). However, this corporate structure was never fully realized, as the right wing and employers wanted to reestablish the market economy, while the LO and the Labor Party were divided between a radical wing that considered the corporative bodies as a first step toward socialism and a more moderate wing oriented toward the Western industrialized world.

The post-war general election indicated a political radicalization, as the Labor Party obtained a majority in Parliament and the Communist Party received considerable support. Yet, after the Soviet invasion of Czechoslovakia in 1948, the Labor Party launched a large-scale campaign against the communists, and in 1949 Norway joined NATO. Additionally, through membership in the OEEC, the economic policy became rooted in free trade, as well as in the idea that welfare should be based on industrial growth within a capitalistic system. Even so, the government continued to play “a compensatory role” by developing industries without private investments (Sejersted 2011, p. 230). Consequently, in the 1950s and 1960s, the government became an important industrialist by establishing iron and aluminum works, and providing guarantees for the shipyards.

The collective bargaining system was also characterized by governmental regulations. Until 1952, all the general agreements were settled by compulsory arbitration,
and wage settlements in the private sector became increasingly more coordinated over the next decades (Frøland 1992). While bargaining was carried out in the spring for some industries and in the autumn for others, all gradually became “spring trades.” In addition, a “technical calculation committee” was established in 1967, where the government, the LO, and the NAF met under the leadership of Statistics Norway in order to coordinate the economic framework for the next settlement (Frøland 2003, p. 219). Social economics was now established as a tool of governmental control, and wage settlements were governed by scientific calculation models. Both in the private and public sectors, labor costs were supposed to reflect the productivity and prices of industrial products exposed to international competition. Subsequently, collective bargaining in the so-called front trades was used to settle a wage level that other industries and sectors had to relate to, with the prerequisite for this model being a tight coordination between the private and public sectors.

In 1958, Parliament had passed The Public Service Dispute Act, which paved the way for collective agreements in the public sector and gave employees the right to strike and establish arrangements for mediation and arbitration (Seip 1997, pp. 400–403). Lastly, Parliament had accepted a real collective bargaining system in the public sector; consequently, the argument against delegating the right of disposal of the national budgets to organized interests had been undermined by the development of a wide range of bargaining procedures in the wake of The Negotiation Act from 1933. Moreover, the decision was triggered by several wage conflicts between the Parliament and teachers, policemen, and other civil servants, as with an expanding public sector, it appeared appropriate to draw on the experiences of the private sector. However, one important difference was established. In order to secure a moderate wage policy, the government assigned the right to negotiate to the large nationwide organizations on the grounds that such organizations tended to be more socially responsible than smaller organizations fighting for special interests. During the 1950s and 1960s, the negotiations in the municipalities also became coordinated and centralized. As a result, institutional arrangements were established to ensure that wage growth in all branches and sectors followed the path of the industries exposed to international competition (Heiret 2003a, pp. 130–132).

Nonetheless, governmental control was not total. The results of the collective bargaining had to be sanctioned by the union members in a referendum, and in the private sector, local wage drift still provided an opportunity to reward an increase in productivity. Together with a well-developed system of local unions and shop stewards, a characteristic dynamic between local and central organizations was established, and the wage policy carried out by the national corporative bodies had to achieve a certain support among the workers. The autonomy of the local unions was also demonstrated by the fact that the communists and left-wing socialists continued to hold important local positions despite efforts from the LO and the Labor Party to win the ideological battle, not only by political arguments but also by using more questionable methods such as surveillance and registrations (Bjørnhaug and Halvorsen 2009).

**Codetermination, productivity, and trust**

During the 1960s “industrial democracy” and “worker’s participation” were put on the agenda, thus the local level became increasingly important. With the acceptance of the
LO and the NAF, a number of so-called cooperative experiments were conducted in leading industrial companies based on a human relation-inspired understanding: Codetermination in the work situation would create a more democratic society and lead to more efficient production. In order to succeed, both the social and technical aspects of the work process had to be reformed, and based on this “sociotechnical” adjustments, job rotation and autonomous groups were designed. The lasting effects of these “cooperative experiments” varied, but as a normative framework of understanding they became important. The assumption that codetermination over one’s work would lead to increased productivity, and that the labor market organizations had to be involved in such processes, gradually emerged as an almost indisputable dogma in Norwegian working life (Heiret 2003a, pp. 145–147).

However, according to the LO, codetermination regarding working conditions was not enough to reach a democratic working life, and in 1966 the so-called cooperative part of the Basic Agreement was signed, which gave union representatives the right to be informed and consulted with on important economic and organizational issues. In 1972, an amendment of the Companies Act made it possible to elect board members among the employees, an arrangement which was expanded in 1976 to include boards of corporate groups. The NAF had previously feared that the representation of interest groups would undermine the board’s role as a collegial management body, but the breakthrough for the reform came when a public committee suggested that the employees should receive the full rights and duties in line with the other members of the board, and that they should have a statutory responsibility to promote business interests (Bergh 1983). The LO had previously feared that the union representatives would be hostages for more competent owners, but was now in favor. Hence, the implementation of employee-elected board members can be understood as an expression of enhanced trust relations in the workplace (Heiret 2003a, pp. 147–149), as the ideas of class conflicts and struggles for special interests had lost ground to the notion that the labor market parties had a common interest in profitable companies.

Such trust relations may also be found in efforts made to increase productivity by replacing Taylorist principles of production. In the 1950s, time and motion studies had become popular in Norwegian manufacturing industry, and in accordance with the prevailing belief that industrial modernization was to lay the foundation for growth and prosperity, the LO became a driving force by organizing productivity campaigns and initiating a system of union-elected productivity officers in the workplaces (Halvorsen 2000). In accordance with the Taylorist principles, piecework wages were the preferred payroll, but productivity growth was not as expected. Both workers and engineers protested against the minute division of labor, and the piecework wage system did not necessarily lead to best practices. In the 1960s, and 1970s as an alternative, Norwegian companies initiated fixed pay systems to award productivity growth, with the prerequisite for such a change being that the local unions and workers systematically contributed to streamlining the work processes (Heiret 2003a, pp. 149–153). During the 1970s, there was also a reduction in the distinctions between workers, supervisors, and officials. More equal working time schemes were being introduced, officials’ economic and social privileges were being removed, and the number of supervisors reduced, thereby making cultural differences less important (Slottemo 2003, p. 134).

In state-owned companies, employee-elected board representation became a statutory right as early as 1965, though the collective agreements on codetermination did
not include public employees, which due to the development of health and educational institutions increased in number. A public committee examined this question in the 1970s, but in this case the democratic dilemma was still considered to be an insurmountable obstacle. Unions should not be able to influence the political decisions made by elected bodies (Heiret 2003a, pp. 171–172). However, many of these employees were professionals with higher education, who could use their knowledge to gain power and influence. Furthermore, employees with less education, such as nurses, also attempted to establish a scientific base of knowledge that could lead to labor monopoly and a growing social recognition. In the meantime, wages and working conditions became increasingly important for the professional associations, and in 1975 the Academics Union (AF) was established to protect the interests of those with a higher education. Two years later, the Confederation of Vocational Unions (YS) was established as an association of primarily lower paid civil servants and semi-skilled occupations. YS, therefore, became a competitor to the LO, and profiled itself by asserting the political independence of the Labor Party.

A Norwegian oil paradox and the working environment

As with the rest of the Western industrialized world in 1973, Norwegian working life was affected by the oil crisis and the subsequent dramatic economic downturn. The shipbuilding industry, referred to by Parliament as “the engine of the economy,” was now producing super tankers carrying oil from the Middle East. The yards were also the heartland of Iron & Metal, the most powerful union in the LO. In one stroke, the yards lost contracts and bankruptcy threatened, but the oil crisis also had a different effect on the Norwegian economy (Heiret 2003a, pp. 163–164). Using newly discovered oilfields in the North Sea as security, the government could raise large loans from the international financial market, and was able to follow advice from the OECD in order to meet the crisis with a countercyclical policy (Venneslan 1997). Hence, while the rest of the Western world went into a recession, production was sustained by governmental support programs, and costly reforms were also implemented.

Throughout the post-war period, governmental welfare programs had taken over for former municipal and private solutions, and in 1967 “The National Insurance” was established, helping to secure a retirement pension for all citizens. Yet, the labor market continued to play a central role as a provider of welfare, and of particular importance was the fact that occupational pensions were not a statutory right in the private sector, but instead were left to the collective bargaining system (Hippe 1997). In the mid-1970s, however, the government took an even more active role in the negotiations by funding labor market and social reforms as an integral part of the wage settlements (Heiret 2003a, pp. 164–167).

This was deemed necessary to secure a majority in the referendum, even if the results gave substantial real wage increases. The norm of a moderate wage development seemed to have lost support, and in 1978 Parliament adopted a generous sick pay scheme that gave full pay from the first day. The previous year, a Working Environment Act had been adopted, which meant a significant expansion of labor protection and a weakening of managerial prerogatives. It was felt that workers should not only be protected against hazardous work, and have a hygienic and clean workplace, but also be given a statutory
right to meaningful work and a satisfactory psychosocial working environment. The law was also based on a norm of democratic participation, and necessary measures were to be taken by a joint Working Environment Committee, in which the leadership, and therefore the majority, rotated between management and employees, with a principal safety deputy being given the authority to stop production if a worker’s life or health was at stake (Bjørnson 1997, pp. 25–28). Still, the basis for this worker protection regime was a notion that a good working environment would provide an increased productivity and therefore profitability (Heiret and Bokn 2008, pp. 8–9).

The wave of reforms in the 1970s can be understood as a result of the growing oil economy that created a distinctly Norwegian scope of action in the middle of an international crisis. At the same time, the normative basis for the model was under pressure, and as with the rest of the Western world, there was a political radicalization that attacked the very idea of economic growth based on industrial production (Heiret 2003a, pp. 173–174). Pollution threatened the basis of existence, and youth and women’s movements’ criticism of capitalism were a unifying ideological platform. In Norway, this wave of radicalization was expressed through a polarized battle for membership in the EEC, in which the demands of national sovereignty found resonance in a renewed skepticism in industrial capitalism and in a movement for democracy from below. In 1973, the Labor Party lost the general election, but retained its power with the support of the Left Socialist Party. Because of a radicalization within the Labor Party and efforts at regaining lost votes, the party was at the forefront of political reforms.

The model year 1977

In 1977, the Norwegian model appeared as an integrated and developed institutional system compared with the model from 1935. The government had brought together the bargaining systems in both the private and public sector under a common slogan: Moderate wage increases would ensure that competitive industries could finance public and private welfare. Moreover, a system of industrial democracy, based on trust relations between workers and management, was established in the private sector with a two-sided normative justification, as the codetermination would secure democratic rights while increasing productivity. Thus, a certain dynamic had been implemented between the arrangement for codetermination and the system of collective bargaining. In addition, almost all employees were now subjected to a Working Environment Act that not only should secure both the physical and the psychosocial working environment but also extend the possibilities for codetermination and workplace democracy. Furthermore, all employees were incorporated into a fairly universal and generous welfare state. As a result, Norwegian employees, whether they were workers, officials, or civil servants, had also become economically, socially, and culturally more equal.

It is a characteristic feature of the post-war period that the working life institutions were based on normative acceptance among the labor market parties, and that several of the major institutional reforms in Norway were planned by Labor governments, but carried out by the bourgeois coalition that was in power between 1965 and 1971. However, the radicalism of the 1970s marks a break with this broad consensus. The former slogan “moderation today shall provide prosperity tomorrow” had lost public support, and a former tension between different normative justifications had come to the surface:
The model as a governmental regulatory regime for economic growth seemed to form a contrast to the model as a tool for improved working conditions and wage increase.

The systematic exchange of experiences and ideas between the Nordic politicians and labor market parties was probably at its peak in the decades after WWII, and comparable institutional reforms of collective bargaining, working environment, and codetermination did occur in both Norway and Sweden (cf. Sejersted 2011). However, the governmental involvement in the institutions remained a more characteristic feature of the Norwegian variety of the Nordic model. The Swedish model in this period has been labeled “centralized self regulation” because the balance of power, and the fundamental compromises between the labor market parties, made extensive labor legislation less urgent (Kjellberg 1998, p. 79). In addition, according to Vartiainen, this model was characterized by stable Social Democratic governments with the ability to coordinate the pay bargaining with other macroeconomic policies (2011, p. 336). In the 1970s, however, codetermination became a statutory right in Sweden in order to increase union influence over employment and production matters as a response to claims from radicalized and more militant workers (Kjeldberg 1998, p. 82). According to Sejersted, the “more the state took control over the rules of the game, the weaker the incentives became for the parties to come to an agreement.” And the former harmonious relationship between the labor market parties was undermined, “as was the relationship between the parties and the state” (2011, pp. 365–366).

The third Norwegian model

Liberalization and continued governmental control

In 1978, the countercyclical policy was abandoned, as the economic downturn now was understood as an expression of a structural crisis in Western capitalism, and Parliament suspended the collective bargaining system by imposing temporary price and wage controls. It was also decided that government transfers, which continued on a large scale, should strengthen the potential winners in international competition, while unprofitable companies were to be shut down. For the first time since the interwar period, unemployment became a social problem, as 100,000 jobs were lost in the manufacturing industry in 10 years. However, the public sector, particularly in public health and higher education, continued to grow, attracting women with both a lower and higher education. Simultaneously, the oil production in the North Sea expanded, and as a result of the national policy, Norwegian offshore yards received large contracts. Consequently, employment within the manufacturing industry remained important, and combined with the heavy increase in public services, employment rates became among the highest in the world for both men and women (Heiret 2003b, pp. 177–178).

In 1981, the Conservative Party won the general election by promising to soften social democratic regulations and emancipate individuals from the collectivistic post-war project. Over the next five years, regulations on broadcast media, the housing market, banking, and financial transactions, as well as the opening hours for shops and restaurants, were all liberalized (Sejersted 2011, pp. 353–356). In addition, the wage settlements in the private sector were decentralized to an industry level, with an increase in both local wage drift and inflation as the result (Dølvik and Stokke 1998, p. 131).
However, the established national bargaining system was not dismantled, and compulsory arbitration was systematically used to prevent public employees from undermining the moderate wage policy. Additionally, in order to avoid wildcat strikes and uncontrollable wage increases in the oil industry, the government stated that it would be an advantage for the international companies to be a member of the NAF at the next allocation of licenses. As a result of this, the oil industry was integrated in the national bargaining system (Ryggvik and Smith-Solbakken 1997).

During the wage settlement in 1986, the NAF provoked a major lockout for the first time since the interwar period in order to remove a paragraph in the agreement which guaranteed that no one should earn less than 85% of the average for male workers. In a period that has been characterized as “the decade of the market” (Furre 1991, p. 421), the NAF found it reasonable to remove a regime that threatened profitability, although public opinion supported the LO against what was called an attack on the fundamental values of equality. The NAF lost the dispute, with the defeat leading to an extensive reorganization that resulted in an employers association with a new name: The Confederation of Norwegian Business and Industry (NHO) (Heiret 2003b, pp. 182–185).

That same year, the bourgeois coalition left office and the Labor Party, which was now in power, revitalized the governmental control of the labor market. In order to meet a new recession, this time as a result of falling international oil prices, the collective bargaining system was once more suspended by a temporary legal regulation on wages and prices. To ensure a moderate wage development, the government appointed a public committee that concluded in favor of a continued strong corporative coordination. Industries exposed to international competition should still determine the wage level, and the following settlements were implemented to be in line with this so-called front-trade model (Dølvik and Stokke 1998, pp. 131–133).

Whether this model contributed to a moderate wage development and increased competitiveness is difficult to measure (cf. Frøland 2003, p. 249), but the institutional arrangements and a normative notion that fair payment meant equal pay regardless of work undoubtedly contributed to a leveling of wages, thus creating a compressed wage structure. From the mid-1970s to the mid-1990s, virtually all employee groups approached the wage level of the average male industrial worker, and relatively speaking, lower incomes increased while higher wages decreased (Høgsnes 1999). Yet, the Academics Union (AF) promoted a different norm of equality, namely that education and responsibilities should pay off and that an equal length of education should provide equal pay.

The relative loss in income for the professions requiring the highest education greatly undermined the solidarity inside AF, and initiated by the Medical Association, a new organization, The Academics, was formed in 1997, as it was no longer considered appropriate to be part of an association that included large groups with only a three-year higher education (Bergh and Nilsen 2004). Consequently, another new organization that eventually took the name Unio, which included nurses, police officers, and teachers, was founded. Nevertheless, the majority of the members of the LO and YS continued to be workers and lower officials and civil servants.

Thus, the organizational pattern of today was established: the LO is still by far the largest, with 50% of the organized labor force, while Unio has approximately 20%, and YS and the Academics have approximately 10% each. Since the 1950s, more than 50% of the labor force has been organized, with roughly 70% having been subjected to a collective agreement. In the public sector, all employees are subjected to collective
agreements and 80% are organized, while the figures for the private sector are 60% and 37%, respectively (Nergaard and Stokke 2010). On the other side of the table, all public employers are members of an association, while the degree of organization among private employers has risen slightly to just about 50%.

These figures show some salient features of the Norwegian models: Union density and collective agreement coverage have been stable, but the relatively high numbers are due to a well-organized public sector, including professional associations that advocate wage increases and improved working conditions. There has also been an ongoing process of social and cultural equalization, and social symbols and cultural preferences no longer follow the old class distinctions (Skarpenes 2007). By contrast, the figures show that the notion of an organized Norwegian working life has its limits, as in the private sector where the majority is not organized and a large minority is not subject to collective agreements. These employees are primarily located in smaller firms, in commodity trades, and in hotels and restaurants, and the level of organization is lowest among temporary employees and non-Western immigrants (Nergaard and Stokke 2010, pp. 6–7).

Between 1997 and 2005, the center governments in power appointed several public committees in order to prepare the Norwegian working life for an increasingly globalized economy. The reports on the bargaining system concluded once more in favor of the “front-trade model” and suggested to strengthen coercive governmental measures if the labor market parties were unwilling to adapt to a moderate wage regime (NOU 2000:21; 2001:14). However, enforcement turned out to be unnecessary, since the government in 1999 decided to break the LO and NAF’s hegemonic position in the corporate bodies and invite all employee and employer confederations to participate as full members of the Technical Calculation Committee. All of the organizations decided to join, despite previous opposition to the “front-trade model.”

After the turn of the century, the wage settlements came to be dominated by questions of principles, with public employers wanting a more decentralized model with a stronger element of local and individual remuneration. Here, they were in accordance with the Academics, but encountered significant opposition from the LO and Unio, which appeared as vocal defenders of national and collective solutions. The NHO argued for greater flexibility, although the existing system was also considered to be in their interest. In general, the national framework for collective settlements retained its position, but with significantly more room for local adaptations in the public sector and individual payments, especially for the officials in the private sector (Heiret 2003b, pp. 334–341).

Nonetheless, the understanding of the concept of fair payment has remained a contentious issue. According to the groups with higher education, the condition for joining the corporate bodies was that their relative position in the wage settlements should improve, but the pay gap has not been closed, although an adjustment in calculation was implemented in 2003 in order to open up access to a more direct comparison between educational groups in the private and public sectors (Nergaard and Stokke 2006, p. 64). Unio has repeatedly demanded extraordinary political measures; however, an attempt to establish a broad political agreement on an equal pay reform has failed, precisely because of a conflict on the meaning of the term. While professions with a three-year higher education in the health and educational institutions claim more equal pay compared with officials in the private sector, the lower educated request more equal pay compared with the higher educated. Both groups belong to
female-dominated occupations, and both consider themselves to be advocates for gender equality (NOU 2008:6).

Another challenge for the collective bargaining system has been the opening of the labor market, which has been a result of the Norwegian membership in the EEA. After the EU enlargement eastward in particular, there has been an extensive labor migration, not least related to construction workers who have been attractive in a Norwegian market with its increasing need for this kind of labor. The labor migration has triggered a heated debate on social dumping, and in 2008 Parliament passed a law that made it possible to universalize the collective agreements. The purpose was to ensure equal pay and working conditions for both Norwegian and foreign workers, in order to prevent a competitive distortion that would be a detriment to the Norwegian labor market (Eldring 2010).

This spring, the general wage settlement ended in a major labor dispute in the public sector, and even though all groups had experienced a rise in real wages since 1990, and the gap between demand and offer was relatively modest, the LO, YS, and Unio went on strike. Once again, the relative differences between groups of employees triggered a conflict. High activity and a demand for labor in the oil industry was about to raise the level of income for the officials in the private sector, which resulted in the public employers hesitating to offer their employees the same increase. Unio in particular regarded the offer as a violation of the former agreement on the leveling of wages, and the labor disputes that followed have to be understood as an expression of competing norms for fair pay and different understandings of the concept of equality.

**Codetermination and restructuring actors**

In 1985, a public committee presented a report on industrial democracy that indicated a shift in the normative justification. Codetermination and workers’ participation were now merely understood as a means to streamline production, whereas democratization was no longer a decisive argument (Johansen 1995). A similar process occurred in the public sector, where basic agreements were finally signed in the early 1980s. The union representatives obtained the right of codetermination in matters concerning working conditions, but not in political issues, thereby making it possible to deal with the democratic dilemma (Lægreid 1983). These reforms must be understood against the backdrop of a growing amount of criticism against an ever-expanding inefficient public sector. As with the private sector, participation and codetermination should first and foremost contribute to more efficient operations (Hagen and Pape 1997 p. 34).

However, during the 1980s and 1990s, a new form of codetermination achieved a breakthrough. Due to the 1969 Basic Agreement between the LO and the NAF, work councils could be established within a company group operating in Norway. The councils would be consultative bodies with no decision-making authority, but would serve to resolve conflicts of interest between local unions, as well as serving as arenas for strategic discussions between union representatives and the management. In the decades to come, company groups became a common way of organizing industrial enterprises, and through coordination with the employee representatives in the boards, the so-called cooperation in company groups (konsernfaglig samarbeid in Norwegian) became an important institution in Norwegian working life (Heiret 2000). This cooperation can
be understood as an extension of the democratic rights to a new organizational level, but it is also inextricably linked to the notion that codetermination will contribute to increased productivity and a more informed and robust decision-making procedure. Therefore, in all larger company groups, the employees are currently involved in making decisions about mergers, demergers, company closures, and acquisitions (Hagen 2010).

Also in the public sector, union representatives have become what we may call restructuring actors. Since the 1980s, government-run infrastructure enterprises such as the postal system, telecommunications, and the railroads have been reorganized in order to expose their operations to competition. Moreover, a number of government-run industrial enterprises have downsized their workforce and restructured and partially privatized their production. In all these processes, the unions and employers have signed so-called agreements of reorganization. In addition, state-funded restructuring programs, severance payments, and labor market measures have all contributed to a reduction in labor protests. For this reason, the restructuring processes have been brought about within the framework of an organized working life, involving union representatives as key actors (Heiret 2003b, pp. 207–208).

In 2002, the hospitals were organized in public enterprises and company groups, and the employees obtained the right to elect members of the board (NOU 2010:1, p. 75). In addition, during the last decade, local union representatives have strengthened their position, due to their expanding role in local wage bargaining processes. As in the private sector, a form of “cooperation in company groups” has been developed. However, the professional influence of physicians, nurses, and other groups with higher education has been contested and reduced as a result of governmental reforms. A similar development has occurred in the educational institutions. In the schools and at the universities, authority has been transferred from collegiate bodies to headmasters and superior governing bodies. As a result, the codetermination of the professions has become more depended on representation in formal bodies established by law or collective agreements, but their total ability to influence on strategic questions has be weakened (Bleiklie and Michelsen 2008; Grove and Michelsen 2005). As a public committee stated in 2010, the formal arrangements of co-determination in Norwegian working life has been satisfactorily developed, but in practice an employee’s ability to influence is not fully achieved (NOU 2010:1, p. 147).

An inclusive working life?

At the turn of the century, a major political conflict was triggered as the center government suggested changing the Working Environment Act in order to make the labor market more flexible. In a context of labor shortage, it was claimed that the existing regulations prevented an optimal utilization of the available workforce. A Public Working Life Committee delivered its report in 2004, and the majority was in favor of more flexible employment and working hour regulations. Furthermore, the Committee proposed a new normative basis: The act should no longer be a pure worker protection law, but instead protect the concerns of employees, enterprises, and society alike. The LO, YS, and Unio mobilized against the proposal, and the case became an issue in the general election campaign of 2005, contributing to reinstating the Labor Party in office, this time as the head of a so-called red–green coalition. Worker protection
remained the normative basis of the Working Environment Act, and proposals to soften the regulations of temporary employment and working hours were not implemented (Heiret and Bokn 2008, pp. 13–15).

Another problem reported on by a public committee was that a growing segment of the workforce was receiving working disability benefits, and that a considerable proportion was on sick leave. The result was the signing of so-called agreements on an inclusive working life in order to reduce absenteeism and the use of disability benefits. Individuals with a reduced work capacity ought to be more economically active, and once again, a reform was based on ambiguous economic and normative justifications. On the one hand, a socioeconomic argument was adopted, as the agreements were thought to increase the supply of labor and lower insurance costs, as this argument was embedded in the idea of social responsibility: A generous social security system had to be rooted in an understanding of employees’ moral obligation to support themselves if they had the opportunity to do so. On the other hand, it was assumed that integration into workplace communities was a prerequisite for satisfying basic social needs. Only by realizing their capabilities through employment would life be perceived as being meaningful (Heiret and Bokn 2008, pp. 9–13).

The agreements on inclusive working life have not solved either the problems of sickness or disability allowance, but they have confirmed that there exists a normative political consensus. Employment is to be regarded as the basis for both income and social integration, and it is a governmental task to ensure an institutional framework to help prevent employable persons from exploiting the system, as well as offering a financial safety net to (worthy) needy persons.

The distribution of income is still, comparatively speaking, very equal in Norway, even if differences in income have increased over the past 20 years as a result of a considerable rise in wages and capital income for the 10% with the highest incomes. The “low-income group,” defined as those with less than 60% of average median income, has been stable at approximately 8% of the households (NOU 2009:10, pp. 12–14). Non-Western immigrants falling out of the labor market form a growing part of this group, and we may observe a consequence in relation to the norm of social responsibility, in that it should be worthwhile to work, even if some groups are kept below the official limit for “low income” or “poverty” (Fløtten et al. 2011). Moreover, skilled and highly educated employees seem to be included in the organized working life, while a growing population of immigrants from Eastern Europe, and especially from Africa and Asia, are recruited to unskilled jobs, with a pay scale not acceptable for ethnic Norwegians. Thus, a new class distinction based on ethnicity is developing (Brox 2005; Tjelmeland and Brochmann 2003).

In 2011, the Working Environment Act was back on the top of the political agenda when widespread violations of the regulations of working and overtime were uncovered, both in public health service and in private institutions for the care of the elderly. The first reaction was a claim across party lines to respect the regulations by putting an end to illegal practices, whereas the next reaction was a claim to adjust the regulations to an established practice. The final result may be a new political struggle between the norms of flexibility and labor protection. Additionally, during the general wage settlement in 2012, a demand of welfare rights triggered a far-reaching labor dispute when the oil platform workers claimed the right to earlier retirement. Yet again, different norms of equality were at stake: While the workers justified the claim by pointing to generous retirement
agreements for the top management of the oil industry, the employers argued that it would be unfair to give highly paid oil workers a more favorable retirement agreement than other employees. Furthermore, a recent national reform of the entire retirement system that secured a certain occupational pension for all employees implied that the time of retirement was to be postponed. The dispute ended in compulsory arbitration, as the NHO threatened a lockout that would have closed down the production platforms in the North Sea.

The model years 1935, 1977, and 2012

In 2012, the Norwegian working life institutions are embedded in a distinctively different social context than in 1935 and 1977. Industrial and occupational structures have changed. Employment within the private manufacturing industry has gone down, while government-run companies have partly privatized and exposed their activities to competition and downsized their workforce. On the other hand, employment in the labor-intensive public health and educational institutions has increased. The demand for labor, in both the public and private sectors alike, is greater than the domestic supply. This has led to a high rate of employment among Norwegian citizens, and a workforce becoming more multinational. As a result of having oil revenues and an oil fund, Norway is indeed in a unique economic situation.

In spite of these changes, working life institutions are characterized by a noticeable stability, since there has been no deregulation of the national laws and agreements. On the contrary, we have seen a further integration of the public sector in the corporate bodies, and we have also seen that the national collective bargaining system has been maintained with a certain scope for local and individual variation. Organization and collective agreement coverage has also remained stable, although the organizational pattern has changed, and the LO and NHO have lost their hegemonic position.

However, there has been a shift in the normative basis for the working life institutions, as codetermination arrangements now cover all sectors, though democratization as an independent justification for participation has been toned down in favor of efficient, profitable operations and strategic influence, and the last remnant of socialist rhetoric is gone. Worker protection is still the primary purpose for the working environment legislation and the welfare system, but the idea of social responsibility has been strengthened in order to prevent the abuse of public means, and claims for flexibility are challenging existing regulations. Moreover, a new distinction in the labor market based on ethnicity and qualifications may develop an underclass of unorganized and unskilled workers who exist within a gray area of the organized working life. When it comes to the collective bargaining system, international competitiveness and equal pay are still the most important justification, and the government has retained the authority to ensure what it defines as social interests, though competing norms of fair pay and different understandings of the concept of equality are highly controversial topics.

In Sweden, the collective bargaining system was to some extent decentralized in the 1980s and 1990s, and the social pact between the labor market parties was weakened by the employers’ withdrawal from the corporative bodies (Kjellberg 1998, pp. 84–85). However, in the last decade, steps were taken toward more state involvement, for instance, by establishing a National Mediation Office. Thus, Vartiainen’s conclusion is that even though the collective agreement designs vary, the Nordic system is still strong,
and “all the countries have become more like Sweden” (2001, p. 346). But the ability to coordinate large wage settlements has been lost, first and foremost due to the loss of the social pact that previously moderated the unions pay claims. According to Vartiainen, this pact depended on the strong “Social Democrat-dominated blue-collar union” and Social Democrats being in office. “The model might well have been too dependent on the Social Democrats’ dominant political position” (Vartiainen 2011, p. 359). Sejersted makes a similar statement, but with a reservation for the Norwegian development: “The legislative drive of the Swedish government in areas formerly dominated by the LO together with the employers’ organization (…) tended to undermine the mutual trust of the traditional system, whereas Norway has been more successful in building on the old system’s existing relationship of trust” (2011, p. 287). Taking into account all the main working life institutions, I will underline this element of continuity in the Norwegian working life history:

During all of the periods, the models have been characterized by compromises between potentially diverging and concurring interests and norms in order to improve working conditions and wages; to ensure profitability, efficiency, and productivity; and to serve as tools for governmental control. Because of this, no class or group of interests can invoke a historical ownership of the models. The specific feature of the Norwegian working life relations may be that changing political constellations in power, as well as a wide range of labor market parties, have all regarded it as appropriate to use the institutional bodies in order to achieve their goals and fulfill their respective political agendas. In this respect, the Norwegian variety of a Nordic model still rests upon a notion of a social pact.

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End notes


2 “Working life relations” (arbeidslivsrelasjoner in Norwegian) is an established concept in Norway and is defined as “the many forms of connections between employers and employees, between their organizations and between them and the government” (Heiret & Korsnes 2003, p. 9). Thus, the concept has a similar meaning as industrial relations, labor relations, and employment relations.
In 2003, Øyvind Bjørnson and I published three extensive chapters in Norwegian in the book *Arbeidsliv, historie, samfunn* where the collective bargaining systems, the working environment regulations, and the codetermination arrangements were analyzed (Heiret et al. 2003). This article is partly based on these chapters. In Francis Sejersted’s book on the social democracies in Norway and Sweden, published in English last year, these working life institutions are part of his broader analysis (2011).