

Interview: The Norwegian Model

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Interviewees: Ragnar Ihle Bøhn and Alexander Iversen

The Norwegian Model

What is The Norwegian Model and is it a success? This text is based on a discussion between Ragnar Ihle Bøhn and Alexander Iversen, as they present their opinions and impressions from the point of view of both employers and employees.

About Ragnar Ihle Bøhn

Ragnar Ihle Bøhn is a Senior Adviser in the Ministry of Local Government and Modernisation (KMD).

About Alexander Iversen

Alexander Iversen is a negotiator for Parat, which is an employee organisation under the umbrella of the Confederation of Vocational Unions (YS).

Podcast conversation translated from Norwegian to English

Interviewer: Welcome to this podcast on The Norwegian Model. Today, we are speaking with Alexander Iversen, from Parat, which is an employee organisation under the umbrella of the Confederation of Vocational Unions (YS). And Ragnar Ihle Bøhn, who is a Senior Adviser in the Ministry of Local Government and Modernisation. Ragnar Ihle Bøhn, what is The Norwegian Model?

Ragnar Ihle Bøhn: I don't think there is one clear definition of The Norwegian Model, but I think most would agree on at least certain elements that characterise the Norwegian model. First, I would say that it is characterised by high levels of employment, universal welfare benefits and a unionised labour market. You could say that the model is based on three elements, which we call The Economic Model, The Cooperation Model and The Welfare Model. The Economic Model is based on active and stability-oriented economic policies within an open economy. And what I mean by an open economy is that Norway as a country has a small, open economy. There is stiff competition, we are open to imports and exports, and we have low tariff barriers – almost none. The second part, The Cooperation Model, is perhaps the most special feature of The Norwegian Model. It builds on this organised labour market, which is characterised by strong unions and employer associations, tripartite cooperation and a good balance between legislation and contractual regulation. Finally, we have The Welfare Model, which builds on our universal welfare benefits such as free schools

and health care – regardless of income – as well as unemployment benefits. We have an old expression: tax according to ability and receive services as needed.

Interviewer: Thank you for that great introduction. It sounds very Norwegian, but couldn't you also call it The Nordic Model? What do you think, Alexander Iversen?

Alexander Iversen: Yes, of course, the Nordic countries, Sweden and Denmark, Finland and Iceland, have very similar models. So, you can often read about The Nordic Model. You might say that it is one model, but with small differences between each country. Let's take Iceland as an example. In Iceland, if I remember correctly, they have negotiated a 32 per cent salary increase for public sector workers for the period 2014–2019. That provides good, long-term predictability for wage negotiations. But then you lose the flexibility that we have in Norway, where we negotiate wage settlements annually.

Interviewer: OK, Alexander, what do you think is the best thing about The Norwegian Model – from a union perspective?

Alexander Iversen: I would say the high employment and high wage levels, and that employees in Norway have genuine co-determination and influence on their work.

Interviewer: Who are the social partners in the Norwegian labour market?

Alexander Iversen: The Norwegian tripartite cooperation comprises, first, the employee organisations under the umbrella of the central organisations, which are the Norwegian Confederation of Trade Unions (LO), the Confederation of Vocational Unions (YS), the Federation of Norwegian Professional Associations (Akademikerne) and the Confederation of Unions for Professionals (Unio). Then, we have the employer organisations. The main employer organisations include the Confederation of Norwegian Enterprise (NHO), Spekter, the Enterprise Federation of Norway (Virke) and the state through the Ministry of Local Government and Modernisation (KMD). And the third party, is the State.

Interviewer: Alexander said tripartite cooperation. Ragnar, can you tell us, what is tripartite cooperation?

Ragnar Ihle Bøhn: Tripartite cooperation means the cooperation between the government and the social partners in the labour market that Alex just mentioned. The aim of this cooperation is to achieve a moderate price and wage inflation that will ensure both low unemployment and healthy economic development.

Interviewer: Is this an important part of The Norwegian Model?

Ragnar Ihle Bøhn: It is absolutely essential.

Interviewer: And you say it is important to keep in mind that the parties have different responsibilities?

Ragnar Ihle Bøhn: Yes, it is important to remember that, though the government may contribute with input to wage settlement negotiations, it is really only a facilitator. It is important to be aware that the government is not a party to the negotiations. In other words, the government is not a party in the same way as NHO and LO. In my case, I'm a representative of the Ministry of Local Government and Modernisation.

Interviewer: So, for some public sector employees the government is a facilitator, and then the ministry that you work in is the employer?

Ragnar Ihle Bøhn: Yes, we are an employer.

Interviewer: You're the boss?

Ragnar Ihle Bøhn: Yes. We sit and negotiate, and we say yes or no.

Alexander Iversen: Preferably yes, right?

Interviewer: But there is a lot that has to happen before you can start negotiations. Can you say a little about how this works in terms of the tripartite cooperation?

Ragnar Ihle Bøhn: There are a number of mechanisms to help the parties when they come to the negotiating table each spring to avoid getting into a big discussion about the realities of the Norwegian economy. Negotiations are based on a common understanding of reality. And we have a number of instruments to help us with this. For example, first and foremost, we have the Liaison Committee. The Liaison Committee is chaired by the Prime Minister. And includes all the leaders of the central organisations. In addition to those that Alex mentioned, the committee also includes representatives from the Norwegian Farmers' Union, the Norwegian Fishermen's Association and the Norwegian Farmers and Smallholders Union (NBS).

Interviewer: So I guess a lot of the groundwork is done there?

Ragnar Ihle Bøhn: Yes, well, hopefully we at least come to a consensus on the economic realities. That makes discussions easier.

Interviewer: How much money do we have?

Ragnar Ihle Bøhn: I'd rather talk about our next instrument, and that is the Norwegian Technical Calculation Committee for Wage Settlements (TBU). The TBU doesn't actually say how much money we have either. So it is up to the parties again. But the TBU goes one step further than the Liaison Committee and takes a more technical look at actual wage developments. The economic outlook. And then sets the parameters for what we should expect in the future. However, they are cautious not to estimate wage growth in the coming year. That is up to the parties to negotiate. But they do forecast inflation. And the parties must take inflation into consideration as they negotiate the frameworks for their wage policies. The fact is that people depend on wage increases, but if wage increases are eaten up by high inflation, strong wage growth will be of little help. For example, back in the 70s

there were massive wage settlements, but everything was eaten up by inflation. Now, this is somewhat back under control.

Interviewer: Alexander, as an extension of this cooperation on wage policies could you please explain the Norwegian model for wage settlements?

Alexander Iversen: It was developed by Odd Aukrust in the 1960s. He was a Research Director and later Director of Research at Statistics Norway between 1953 and 1984. Aukrust was a contributor for the establishment of the national accounts in Norway. His model was implemented in Norway during the 70s. Basically, industries that are exposed to international competition, in other words, Norwegian industries that are involved in exports, negotiate first. Or the parties, as they are called in the Industry Agreement, negotiate wages first. And then they discuss, or agree on, what the sector can tolerate in terms of a wage increase and remain competitive. The results of their negotiations then set the norm for subsequent wage settlements in other sectors. That does not mean that other sectors in the Norwegian economy cannot demand more or less – most likely more – than in the Industry Agreement, but it sets a norm and it is a relatively strong norm in The Norwegian Model.

Interviewer: Has it worked well in practice, then?

Alexander Iversen: Yes, there is a general opinion that it works well. Of course, there is some discussion about whether it is right that everyone should adhere to this norm. It becomes a kind of political question, but it is MY opinion that, by large, it works very well.

Interviewer: Do the employers agree, then? I suppose they should. This is where it happens!

Ragnar Ihle Bøhn: Yes, I think all parties feel that this model serves them well. This was confirmed by the last three Holden Committees, which some listeners may have heard about, where all parties endorse the Aukrust model. It has worked well.

Interviewer: Would you say that The Norwegian Model has been, and is, a success?

Ragnar Ihle Bøhn: The Norwegian Model has definitely been a success. Just look at the situation in Norway. We have a solid and stable economy. Good growth, low unemployment. And good social benefits.

Interviewer: Alexander?

Alexander Iversen: Yes, I completely agree. In addition, I can say that The Norwegian Model has resulted in low levels of conflict in the Norwegian labour market. We have a system, a partnership, a mechanism to resolve disputes by consensus, through a dialogue between the parties. And we have not had any serious confrontations between the labour movement and the state since the Menstad Conflict in the 1930s.

Interviewer: Yes, and what would you say there is about The Norwegian Model that makes this possible?

Alexander Iversen: I would say that is the conflict resolution mechanisms we have in our collective agreements. We have collective agreements between employer and employee parties that cover large parts of the Norwegian economy and they include dispute resolution mechanisms. And one thing that I think is important is the no-strike clause, or “labour peace obligation”, which entails that the employees are obliged to keep the peace during the period covered by the collective agreement. We do not go on strike or engage in any another industrial action during that period. That is only an option in conjunction with negotiations for a new agreement.

Interviewer: So much has happened since – you mentioned the Menstad Conflict – so much has happened since the interwar period. Can you put this into a historical context for us?

Alexander Iversen: Yes, we had a much more confrontational labour market during the interwar period. There were a lot of strikes and lockouts, where employers refused to let workers to come to work. There were no collective agreements. The first Basic Agreement was signed in 1935, and it was the result of these conflicts, and in particular the Menstad Conflict, where there was a strike and the employer brought in non-union workers to keep operations going. What we call strikebreaking. When the labour movement tried to gain access to the area and stop it, the state called in the army and the police to fight against the workers. Many of those involved were fined and imprisoned. But in the wake of this conflict, the first Basic Agreement was born, and with it a more formalised cooperation. And since then, we have not had that kind of serious conflict again. So although the Norwegian labour market is not completely free of conflict, it takes place in completely different forms than what you might see in other countries, where there are clashes, burning tires in the streets, that type of thing – thankfully we are spared those kinds of things in Norway.

Interviewer: In closing, Ragnar, what would you say are some of the challenges facing us in the future?

Ragnar Ihle Bøhn: There are certainly plenty of challenges. But, in my opinion, if we look at the premise of the Nordic model, we have strong and equal parties making commitments to each other. And a partnership based on a recognition that we are all in the same boat. Anything that might hinder these two things, could be a challenge for The Norwegian Model. We can also say that The Norwegian Model is not necessarily static. It evolves and, hopefully, adapts over time. And it is often said that The Norwegian Model does not prevent crises, but it is a good tool for overcoming crises.

Interviewer: And does The Norwegian Model have a future, Alexander?

Alexander Iversen: Yes, I both hope and believe that it does. But, as Ragnar mentioned, with equal parties. That’s an important concept here. However, the union density in Norway is on the decline – and that is a potential threat to The Norwegian Model. If union membership falls so low that employee organisations are no longer an equal party, then the other parties in the tripartite cooperation may find that it is no longer worthwhile to continue the excellent cooperation that we have today – and have had for a long time.

Interviewer: So, you would like to end our discussion with an appeal to join a union?

Alexander Iversen: Yes, and preferably a union under the umbrella of the Confederation of Vocational Unions. Ha ha ha.

Interviewer: Of course.