



**THE NORDIC MODEL
OF COLLECTIVE BARGAINING
AND TRADE UNIONISM**

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FOREWORD

The Nordic model is widely respected for its way of developing modern societies in a globalised world. Contrary to expectations and trends in many other countries, the Nordic model has shown remarkable resilience and capacity for adjustment since the crisis in the 1980-90s and the entrance into the EU's single market in the 1990s. This has put the Nordic labour market models with their collective bargaining and welfare arrangements at the centre of attention in the current European discussions on "flexicurity".

The Nordic model – or the Nordic social compromise – represents a unique blend of market-oriented economic policies and a strong egalitarian legacy in social and labour market policies. Over the past decades we have seen a market driven rationalisation of production, combined with policy-driven redistribution and protection in the sphere of welfare and labour markets.

In spite of a certain fall in trade union density, collective bargaining coverage remains high and still plays a key role in regulating pay and employment conditions in the Nordic countries. Considerable adjustments have been made in the organisational patterns of unions and employers' associations in recent years, but the foundations are maintained and form the basis for continuity and renewal of the integrated multi-tiered Nordic industrial relations systems.

Can the Nordic model be copied and imported? Since each national system of industrial relations is shaped by unique historical and institutional ramifications, attempts to import or copy practices from other countries rarely succeed. The analysis presented in this paper by the research institute Fafo, is that the successful adjustment and performance of the Nordic countries cannot be attributed to single factors or particular policy choices. It reflects that the institutionalised interplay between strong social actors, trade unions and governments have enabled step-wise developments of relatively coherent, balanced and inclusive policy approaches and reform-coalitions, providing also sufficient legitimacy and support to undertake painful adjustments.

At the dawn of a new century, the Nordic industrial relations regimes are meeting new challenges both from within and without. Not least the expanding European labour market and European integration set the regulatory systems in the Nordic countries under strain. It is my hope that the Nordic model will continue to show its capacity for adjustment so that it can face a challenging future in the best possible way.



Tom Saxén
General Secretary, Council of Nordic Trade Unions

I. INTRODUCTION

Open and dynamic societies, like the post-industrial economies in Europe, are subject to continuous restructuring and change. Reinforced by the dynamics of global competition, such processes cause tension between changing patterns of social and economic behaviour and inherited institutions of trade unionism and industrial relations. In Europe, such tensions are often accentuated by gaps between nationally bounded policies and transnational dynamics of economic and political integration.

Fifteen to twenty years ago, the Nordic countries were in deep economic crisis, and there was general international consensus that the "Nordic welfare model" was neither competitive nor sustainable in the global economy. Today, this picture has changed considerably, with the Nordic countries having risen like a Phoenix to top the international ranking lists of economic and social development. The question arises in international contexts as to what explains the excellent results in the Nordic countries with regard to employment, economic growth, productivity, mobility, standard of living and distribution of wealth. These positive developments over the last decade cannot be understood without insight into the strong labour unions, the institution of national-level agreements and the extensive cooperation among the social partners, all of which characterise the Nordic model of collectively bargained agreements.

For this reason, NFS commissioned Fafo (the Norwegian Institute for Labour and Social Research and Institute for Applied International Studies) to draw up a brief presentation of the Nordic working life model, with the aim of giving an overview of its main elements so that European and national players will have a common basis for assessing the Nordic experience in the European context. Such studies are often based on the "direct" indicators of labour market organization, including:

- A high degree of union affiliation of workers;
- Centralised agreements and coordinated negotiations at several levels;
- Extensive worker representation at company and community level;
- Well-developed, smooth regulation of working life in legislation and agreements.

In order to understand the way the Nordic model works, it is essential to have an overview of the interaction between the organization of working life and other key policy areas:

- The welfare state based on universal income security, tax financing, and the work approach in welfare policy, contributing to adjustment security, mobility and moderate indirect labour costs ('flexicurity').
- Extensive public services, education, and infrastructure, providing citizens and companies favourable conditions, skills and high participation rates for both sexes;
- Active labour market policies;
- Tripartite cooperation with the state, in which in particular the macro-economic stabilisation policies are important for the development in employment, social distribution and living and working conditions.

Globalised economies

Historically, the Nordic model developed in small, open economies, highly dependent on international markets, and strongly influenced by the incipient trade union movement in continental Europe. During the early years of industrialization prior to World War I, when the

economies were booming, the employers and the workers collaborated to create negotiating systems that could cope with external competition. The Nordic countries were recently ranked highest among the most globalised economies in the world (see table 1). According to prominent US economists such as Jeffrey Sachs and Paul Krugman, the success of the Nordic countries indicates that well-regulated, egalitarian economies with sophisticated welfare systems are able to assert themselves well in the global economy. Instead of these elements being obstacles, the Nordic countries, with their investments in universal services and social capital, have positioned them at the fore, along with the United States, in terms of digital infrastructure and internet penetration. The same holds true for mobility, participation of women in the labour market, and level of formal education in the population. All this implies that the predicted development in terms of the ageing population and labour shortages is likely to be less dramatic in the Nordic countries than elsewhere in Europe in the coming decade.

Table 1: World competitiveness scoreboard 2006

Country	Ranking
USA	1
Hong Kong	2
Singapore	3
Iceland	4
Denmark	5
Australia	6
Canada	7
Switzerland	8
Luxembourg	9
Finland	10
Ireland	11
Norway	12
Austria	13
Sweden	14
The Netherlands	15

Source: IMD World Competitiveness Yearbook 2006

Comparative research in the social sciences indicates that it is no coincidence that small, open economies with a powerful need to handle international market fluctuations successfully, including, for example, the Benelux nations, Austria, Ireland, the Nordic countries and Slovenia have developed systems of governance based on tripartite cooperation, social dialogue and generous welfare arrangements (Katzenstein 1985, Rodrik 1997). Because they have stressed the development of shared social capital, these systems have often proven robust in finding ways to utilise manpower and human capital in society so as to reinforce competitive power and distribute social risks. This has resulted in citizens' confidence and willingness to participate in major transformations of working life and renewal of society.

Box 1 below gives an overview of possible comparative advantages of the Nordic countries.

Inclusive public welfare state arrangements built on the "working line"

- Universal, tax-based income security → mobility and adjustment, "flexicurity"
- Free education for all → broad and deep skill base and demanding markets (customers)
- Work oriented welfare and child care → high female participation rates and talent mobilisation
- Developed public infrastructure → effectiveness and fast dissemination of innovations e.g. ICT
- Investment in R&D and industrial policies → vital clusters of renewal
- Relatively small social differences → trust, participation and capacity for innovation

Strong social partners and collective agreement systems within broad goal and framework legislation

- Tools for negotiated flexibility – semidispositive laws encourage local adjustments
- Strong local bargaining level and single channel participation system → flexible cooperation on adjustment and productivity in the companies
- Compressed wage structure spurs reallocation of resources to high productive firms
- Demanding counterparts provide pressures for innovation and renewal → "high road"

Macro-economic turnaround, independent central banks and globalisation have squeezed out inflationary expectations and enabled moderate nominal wage growth?

As the European economy is becoming increasingly exposed to global competition and as the European integration process continues, we have every reason to consider what relevance the Nordic examples and experiences can have for the European development – at both national and supranational level. Can other countries learn things from our success (and our setbacks)? What impact can lessons learned have on political and trade union cooperation at EU level?

Chapter III provides a detailed account of the Nordic model of working life, but before that is presented, Chapter II gives a brief background and describes the political and institutional structure for the Nordic system of work life regulation.

II. THE NORDIC APPROACH TO SOCIAL AND ECONOMIC GOVERNANCE

Background: Community and diversity

In the European context, the common features of the Nordic social models imply that the Nordic countries are often seen as a homogeneous bloc. Historically, however, there are significant differences between the Nordic countries, reflecting different paths of economic, social and political evolution. The early Danish industrialisation gave predominantly rise to small- and medium-sized firms built on manufacture and skilled handicraft, giving shape to a craft-based pattern of unionism and vital petty-bourgeois parties in the centre. The later industrialisation in Sweden took more the form of large-scale capitalist manufacturing, which gave rise to industrial unionism and shaped party politics in a more polarised pattern. By contrast, the development in Finland was more strongly influenced by the agrarian and forestry industries, where harsh class conflict and civil war in the shadow of Soviet communism spilled into the evolving patterns of party politics, union structures and industrial relations. In Norway, the patchy industrialisation, mostly based on natural resources and cheap energy, together with shipping and primary sectors in the districts, engendered a more diverse pattern of unionism and class coalitions between labour and centrist forces in the 1930s.

In essence, such historical differences have had a lasting impact on the national industrial structures. While Denmark is distinguished by its strong agro-industry and many small innovative companies, Sweden is still renown for its powerful multinational companies in transport vehicles, electronics, pulp and paper. Finland has undergone a remarkable transformation from being heavily dependent on timber, paper and pulp industries to becoming a rising star in electronics and other advanced high-skill industries. Like Iceland, Norway is still dependent on exports based on natural resources but has, as a leading energy supplier, in recent decades developed an advanced offshore and maritime industry with worldwide operations.

The diverse Nordic paths of development have also influenced the national patterns of policy-making. For example, Denmark, which always had a weaker social democratic party than the neighbours, has been distinguished by a tradition for coalition governments and consensual politics, offering the social partners a pivotal role as compromise-builders in social and labour market policies. Sweden, by contrast, has been characterised by a much more polarised pattern of class politics and power-relations with a hegemonic social democratic party in government throughout most of the post-war era. Finland, with a relatively small social democratic party and strong leftist parties, has been dominated by varying centrist coalitions. In Norway, the labour party played a dominant role in the post-war era, but the political picture has in recent decades become more similar to the Danish situation and Norway is now – for the first time – governed by a centre-left coalition government. Whereas Sweden and Denmark are governed by centre-right coalitions at the moment, strong right-wing populist parties have in recent years developed in Norway and Denmark. Clearly, the relationship between class and political behaviour is changing, giving rise to new challenges for the unions.

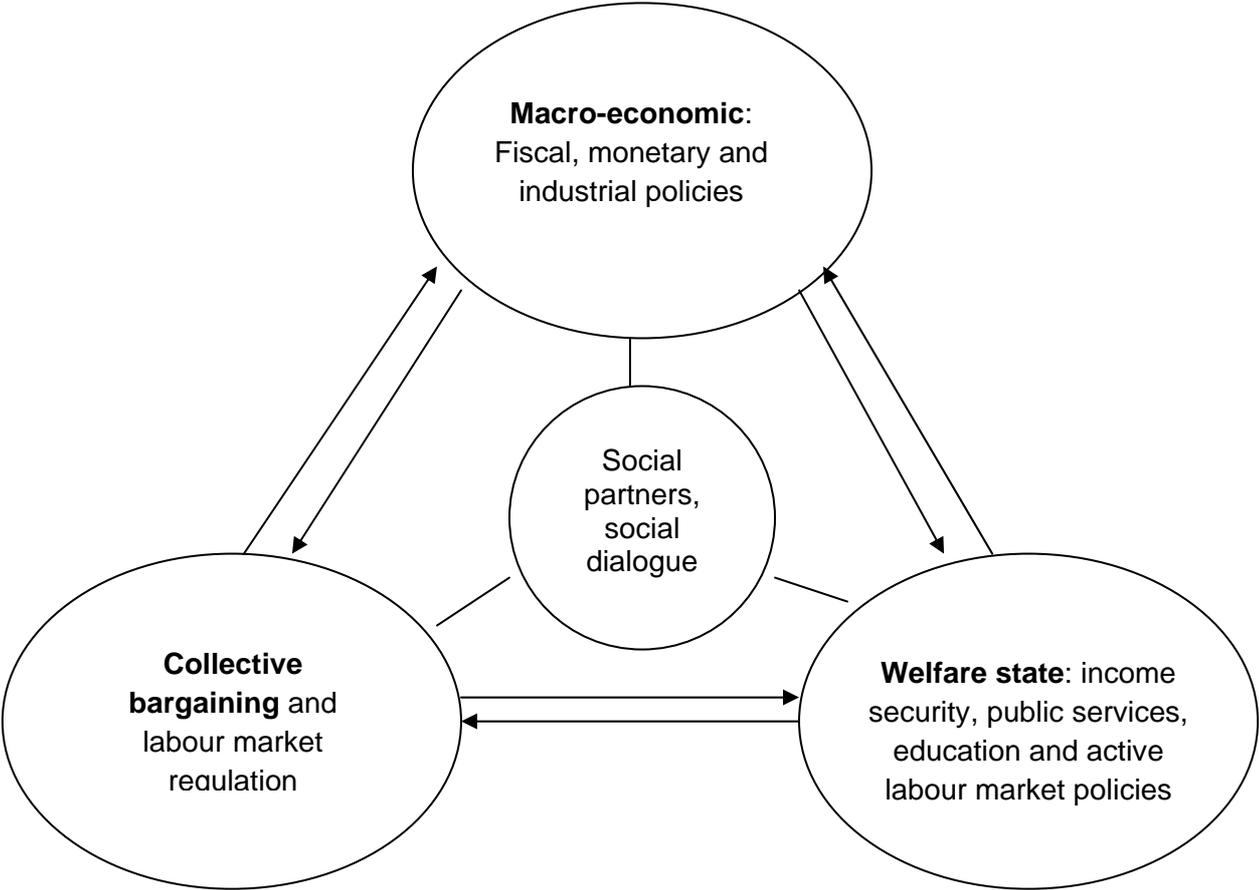
Internationally, the fall of the Berlin Wall and the new dynamics of European integration have implied significant changes in the Nordic countries. After Denmark had become the first Nordic member of the European Community in 1972, the other Nordic countries remained in EFTA until Finland and Sweden entered the EU in 1995. Norway and Iceland have chosen

not to join the EU, but were incorporated into the single market through the EEA agreement in 1994 and have eventually also joined the Schengen regime. Whereas Denmark in 1993 was granted a set of 'opt-outs' from the Maastricht Treaty and Sweden remains outside the euro, Finland has subscribed to the full package of EU membership. This implies that the Nordic countries today have quite diverse relationships to the political processes of integration in Europe. In economic terms, however, they are all fully incorporated in the single market, which means that they face largely the same opportunities and constraints domestically.

The social foundations of the Nordic model

The main common elements in the Nordic socio-economic approach are captured in Chart 1 below, highlighting the interconnections between macro-economic governance, industrial policies, collective bargaining and welfare state policies, placing the organised social actors in the labour market in key intermediating roles.

Chart 1: *The social foundations of the Nordic model*



- The *macro-economic* policies of the Nordic countries in the post-war era were characterised by prudence and stabilisation, based on fiscal rectitude, cautious use of monetary policies (credit control, devaluations) and close coordination with the centralised wage setting systems. Collective bargaining, with the exposed sectors in the lead, was coordinated economy-wide with the aim of achieving moderate real

wage growth, low inflation, international competitiveness and sufficient room for growth in investment and demand to ensure full employment.

- Labour market regulation in the Nordic countries has built on *collective agreements* as the principal means of determining pay, working conditions and labour relations, eventually supplemented by labour legislation. Through the coordination of wage setting and tripartite cooperation with the state in economic and social policies, the social partners conquered a central interconnecting role between different areas, levels and institutions of policy development.
- As regards *industrial policies*, the solidaristic wage policies were considered an important precondition for the development of productivity and restructuring. By creating a proper wage floor, the egalitarian wage policies forced unprofitable firms out of business and served as a vehicle for reallocation of labour into the most productive firms and sectors. In the small open economies, adjustment and mobility were acknowledged as 'facts of life' and were enhanced by industrial policies and the 'working line' pursued by public authorities through active labour market policies and training aimed at facilitating employability and labour mobility. Underpinned by macro-economic policies for full employment, such public support was also considered as crucial for convincing local unions about the benefits of participating in productivity-enhancing cooperation and adjustment at the company level.
- The *welfare state* has been the third foundation in the Nordic model of interlocking policies. By contributing to socialisation of the individual risks connected to restructuring and by establishing a proper reservation wage, the tax-based income security schemes facilitated worker participation in rationalisation and adjustment at the firm level and underpinned the economy-wide, solidaristic wage policies. Hence, the welfare state was seen as a productive arrangement, enhancing the policies of growth, restructuring and human capital formation (through free public education). The financing of the welfare state, though, was reliant on the success of the overall policy-approach in ensuring growth, rising employment and a widening tax base. Eventually the public services became a major arena for female employment, and did, by socialising care for kids and elderly, further stimulate the growth in female participation in productive work. By redistributing demand via the tax system and by offering decent service jobs, the welfare state hence played an important role in shaping the Nordic passage into the post-industrial working life.

This sketch of the foundations of the Nordic model does indeed draw a stylized picture. The specific way in which the various policy areas have been organised and connected has of course varied between countries and different phases, but these foundations have persisted as common cornerstones in the Nordic pattern of governance. An important distinction has been the multi-levelled character of the Nordic systems, in which policies at the macro and micro levels have been linked together by institutionalised patterns of vertical and horizontal coordination.

In social models based on such kinds of policy interaction and interdependencies, the role of the industrial relations actors reach well beyond the labour market domain. Making the political authorities' ability to achieve their goals dependent on the cooperation of organised labour and business, their intermediating role has provided the social actors with considerable power to influence the governance and functioning of the wider social fabric. Throughout the post-war era the main social actors were accordingly incorporated in a range of tripartite institutions and networks, facilitating consultation with public authorities over policy-making in a broad spectre of economic, working life and social policy issues, centrally and locally.

Table 2: *Employment rate 2005 – employed persons aged 15-64 as a share of the total population of the same age group*

Country	Total	Women
EU	63,8	56,3
Finland	68,4	66,5
Sweden	72,5	70,4
Norway	74,8	71,7
Denmark	75,9	71,9
Iceland	83,8	80,5

Source: Eurostat 2006

A consequence of this pattern of policy-making is that the Nordic countries have managed to maintain high employment rates and fairly egalitarian wage structures (See tables 2 and 3).

Table 3: *Wage dispersion and poverty risk in 2004*

Country	Income quintile share ratio Disposable income of top 20% vs. bottom 20%	At-risk-of-poverty ratio (% of households with disposable income below 60% of median disposable income)	Gini-coefficient
United Kingdom	5,6	19	0,34*
Spain	5,4	20	0,32
Germany	4,1	13	0,28
Norway	4,1	11	0,28
France	4,0	13	0,28
Finland	3,6	12	0,26
Denmark	3,5	12*	0,24
Iceland	3,5	10	0,25
Sweden	3,3	9	0,23

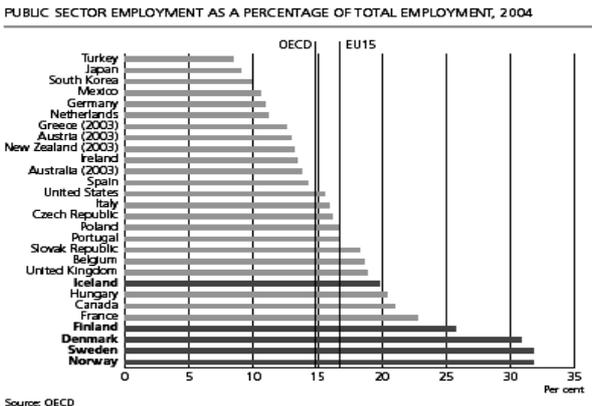
Source: Eurostat (* Figures from 2002)

The public sector has, alongside the coordinated systems of collective bargaining, played an important role in this regard. The employment extensive public services (see chart 2) have, in addition to reducing social differences in life chances, been marked by better wages and lower pay differentials than the services sector in e.g. the UK and the US where private actors play a greater role. Further, the public social security systems have created a wage floor (reservation wage) that companies have to exceed if they want to attract and retain labour. Such mechanisms have prevented development of a low wage sector and have – together with union pay policies and comparatively low unemployment rates – provided incentives to move resources from firms with low productivity to firms with higher productivity.

In the current European debate about 'flexicurity', which originally was a Dutch conceptual invention, it is often referred to Denmark where flexible employment protection and elaborate income security has contributed to high mobility and adaptability in the labour market. In the

other Nordic countries statutory employment protection plays a more salient role in the labour market, but they too have shown considerable industrial and labour market adaptability. In accordance with their dependence on international markets, it should be noted that the Nordic countries in recent decades have pursued significant supply-side liberalisation of their economies, not least as part of their adjustment to the European single market. Thus they are, according to OECD-data, closer to the Anglo-Saxon than the continental countries in terms of product market regulation (Schubert and Martens, 2005).

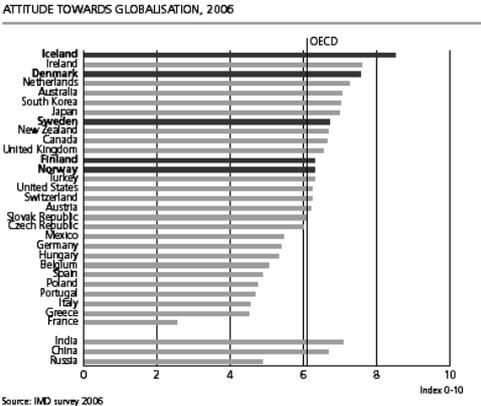
Chart 2: Public sector as a percentage of total employment 2004



Source: *In search of best Nordic practice - A case study of how to adjust to globalisation (2006)*

Yet, a striking feature of the recent adjustments in the Nordic countries is that they have managed to combine product market deregulation and economic rationalisation with the maintenance of inclusive welfare state policies and encompassing collective agreements. These adjustments to global competition were burdensome and would hardly have been accomplished without strong social actors with capacity and legitimacy to contribute in coordinated efforts. These factors are probably important in explaining why the populations in all the Nordic countries, together with Ireland, the Netherlands and the UK, are less anxious and more positive to globalisation than the people of most other OECD and EU countries, as seen in chart 3.

Chart 3: Attitudes towards globalisation 2006



Source: *In search of best Nordic practice - A case study of how to adjust to globalisation (2006)*

III. NORDIC INDUSTRIAL RELATIONS – CONTINUITY & CHANGE

Introduction

This section provides an overview of the Nordic model of industrial relations and collective bargaining. Marked by encompassing trade unions and employers' associations, high levels of density, multilevel collective bargaining and compressed wage structures, the national systems of industrial relations have played central roles in the Nordic regimes of governance.

During the economic crises in the 1980s and early 1990s, these systems were widely portrayed as sclerotic, rigid obstacles to economic change and competitiveness. Faced with the challenges of post-industrial modernisation, European integration, and globalisation, many observers predicted the demise of the Nordic industrial relations model and their trade unions. The most infamous evidence that this scenario was coming true was the withdrawal of the Swedish employers' confederation (SAF) from the peak-level dialogue during the economic crisis in the early 1990s. This was, in wide circles, taken as proof that centralised bargaining was incompatible with the interests of powerful internationalised companies. In line with mainstream economic thought, it was expected that the Nordic countries would converge towards the Anglo-American trajectory of labour market deregulation, decentralisation and union decline. A decade later, this scenario has not materialised. To the contrary, in spite of a certain decline in union density, the Nordic collective bargaining actors have shown surprising resilience and adjustment capacity. But as always, the line between success and failure is thin, and the ability to sustain the positive performance in recent years depends on continuous willingness to learn and renew according to changing circumstances. In a context where the workforce is ageing and EU enlargement and the rise of China and India in the world economy implies a new twist in international cost competition and labour migration, the Nordic actors will be facing tough challenges in the years ahead.

Main pillars of the Nordic system of collective bargaining and industrial relations

The historical evolution of industrial relations in the small, open Nordic economies followed different routes and rhythms, but nevertheless displayed important commonalities. The early formation of powerful confederations of trade unions in the Scandinavian countries was clearly inspired by mutual exchange and learning from continental unionists at the Scandinavian Labour Congresses in the late 19th century. After the pathbreaking Danish September Compromise in 1899, which was the first Basic Agreement in the world constituting a regulatory framework of national collective bargaining, similar (but less encompassing) settlements followed in Norway in 1935, Sweden in 1938, and later on in the postwar era in Finland and Iceland (Kjellberg 1992). Still, historical differences as regards the role of the state in dispute resolution and incomes policies, as well as the relationship between legislation and collective agreements in regulating employment conditions, have had a lasting impact. The Nordic model is hence characterised by considerable national diversity.

The following bullet points summarise the main features characterising the historical evolution, structures and context of collective bargaining in the Nordic countries:¹

¹ This paragraph builds largely on Kjellberg (1992, 1998), Due *et al.* (2000), Stokke (1998) and Dølvik and Vartiainen (2002), see also Elvander (2002).

- A relatively stable *balance of power* between capital and labour, anchored in broad class compromises struck during the early formative events of national industrial relations. These were subsequently codified in formalised Basic Agreements (1899 in Denmark, 1935 in Norway, 1938 in Saltsjöbaden Sweden, 1938 with Vinnulöggjöfin in Iceland, and later in Finland), with predecessors in pioneer metal industry accords struck in 1905 in Sweden and 1907 in Norway).
- These historical settlements implied *mutual recognition* of the employers' prerogatives to manage and the unions' right to organisation and bargaining. Eventually underpinned by statutory regulations and institutions of conflict- and dispute management, labour peace under the duration of agreements, and membership ballots over the outcome of negotiations, these factors have contributed to a pattern of working life governance in which *self regulation* through collective agreements and *solidaristic wage* policies have played a dominant role.
- The *employers' associations* were important counterparts in the build-up of powerful central and peak level associations. With a majority of small and scattered member firms, they wished to take conflicts over wages out of the single company and made use of massive lockouts and central conflict funds, contributing to the centralisation of bargaining and power in the trade union organisations.
- A particular combination of *centralisation and decentralisation in a single channel system*; the strong central tiers have their counterparts in shop-floor trade unions with significant functions in implementation of central accords, collective bargaining at firm level under a peace clause, and participation and mobilisation of membership at the work-places. In interplay with the ballots over proposed agreements (eventually dismantled in Sweden and Finland), these factors have contributed to democratic legitimacy and bottom-up anchoring of the collective bargaining and representation systems.
- During the post-war era, wage setting was guided by '*pattern bargaining*' in accordance with the logic of front agreements in which the actors in export manufacturing were assigned the role as principal agents. This was institutionally formalised in national models for calculating the room of manoeuvre for responsible and internationally competitive wage growth.
- Except in Finland, there has been *no competing ideological and religious lines of unionism*, in contrast to in many other European countries. In all countries but Norway, specific confederations have been established for white-collar and professional employees. Combined with unemployment insurance schemes run by the trade unions (Ghent-systems, with Norway as an exception since the late 1930s), and the central role of trade unions in bargaining and participation at the workplace, these factors have contributed to *high union density* (70- 80 percent in Sweden, Denmark, Iceland and Finland, and 50-60 percent in Norway).
- Those features have been underpinned by the *collectivist thrust of labour law*, which implies that the trade unions, and not the individual employees, are the legal subjects associated with disputes over the application and interpretation of collective agreements. Industrial conflict over interpretation of agreements is prohibited, that is, strike is only permitted in conflicts over interests (when an agreement is expired) and is a collective right controlled by the trade unions.
- The dominant role of collective bargaining has, with Denmark as an exception, gradually been complemented by *extensive statutory regulation* of issues related to work environment, health and safety, terms and conditions regarding the employment contract,

dismissals, codecision and work-related social security. Labour law does often contain clauses allowing the social partners at company and/or central level to agree on exemptions e.g. concerning working time – so-called *semidispositive legislation* – offering incentives and room for negotiated flexibility.

- There is *no legislation on minimum wages* in the Nordic countries, whereas statutory *erga omnes* mechanisms for generalising collective agreements exist in Finland and Iceland, and are currently being adopted in Norway. Growing service mobility and labour migration has in recent years prompted new debates on how to ensure that the collective agreement-based wage floor can be sustained in an open labour market.
- To varying degrees, the *state has acted as an important third party* of industrial relations by nurturing social partner involvement and cooperation in a wide range of areas and through various forms of accommodation and, sometimes, intervention in negotiations. While the principle of autonomous self-regulation of collective bargaining has been sacred in Sweden, the state has in Denmark, Finland, Iceland and Norway often played a key role in settling bargaining conflicts, offering economic incentives and side-payments (incomes policies). Except in Sweden, the state has from time to time even intervened directly in bargaining stalemates and determined wage growth by statute (codified by the parliament). Moreover, in all the countries the mediating institutions play an important role in facilitating negotiations.
- Under the postwar Bretton-Woods regime with fixed exchange rates against the US dollar the solidaristic wage policies were one of the cornerstones in *macro-economic policies* aimed at full employment. Politically determined low interest rates contributed to high levels of investment and, to varying degrees, state regulation of credit supply helped stabilising demand, while fiscal policies usually conformed with the legacy of prudence and balanced budgets. The wage floor created by solidaristic pay policies was seen as an important element in the promotion of industrial restructuring, encouraging reallocation of labour from low-productive companies to more efficient firms.
- Due to the financial globalisation and credit market liberalisation in recent years, the interplay between collective bargaining and monetary policies have undergone important changes. As part of the euro-club, the Finnish collective bargainers have responded by revitalising centralised incomes policies. This has also been the case in Norway and Iceland where shifts to floating currency regimes were undertaken. Sweden has also introduced a floating regime based on inflation target, whereas the Danish krona is linked to the euro, but in both countries the interaction with monetary policies has been taken account of through strengthened all-encompassing coordination of collective bargaining at the sectoral level. The role of the central confederations have thus changed in different directions in the Nordic countries due to recentralisation of collective bargaining coordination in Finland, Norway and Iceland and a certain decentralisation in Sweden and Denmark.

The system of labour market regulation in the Nordic countries has thus built on collective agreements as the principal means of determining pay, working conditions and labour relations. Eventually statutory regulation of basic employment conditions, industrial conflict and rights of participation have, except in Denmark, complemented and underpinned the role of collective agreements. Such statutory framework regulations are usually developed in close cooperation with the social partners, and have reflected the primacy of autonomous collective bargaining as the principle tool of regulating terms and conditions at work. In comparative perspective, the strong Nordic tradition of self-regulation and subsidiarity implies that the scope/domain of collective bargaining is broader than in the continental tradition and that statutory regulation by the state has played a correspondingly less prominent role.

In the area of social policies, the pattern is in many respects inverse; basic welfare and social security rights are secured by the state. Against this background, it has been a key concern for the Nordic trade unions in the European context to secure that the national practice of regulating labour markets by means of collective agreements can be maintained. The EU labour market regulations, whether negotiated by the social partners or not, are usually adopted in the form of minimum directives. For the Nordic trade unions it has therefore been important that such directives can be implemented in accordance with national practice and tradition. This issue has recently been accentuated as regards the application of the Posted Workers Directive (96/71/EC). In Sweden and Denmark, the trade unions are – in accordance with national practice – attributed the role of securing equal treatment and host country pay for posted workers, if necessary by means of boycott and sympathy action. The conditions for this practice are currently being tried by the European Court of Justice, in the so-called Laval case (C-341/05, Ahlberg, Bruun and Malmberg 2006).

The micro-foundations of Nordic industrial relations

As indicated above, an often overlooked feature of Nordic industrial relations is the strong tier of unionism and collective bargaining at enterprise levels. This is complemented by unitary systems of consultation and codetermination in which the unions, in contrast to in the dual continental systems, play a leading role. From early in the post-war period, bodies for local union participation and cooperation related to productivity development and improvement of work organisation were established. In the 1970s they were supplemented by systems for labour representation at board and group levels. Through strong ties of vertical and horizontal coordination, these elements have formed the basis for development of highly integrated and articulated systems of collective bargaining (Kjellberg 1992, 1998). This particular combination of centralised and decentralised structures has given room for considerable flexibility as regards the way and level at which different issues are dealt with, offering in recent years also a framework for centrally controlled decentralisation. Framed by labour law and institutions for mediation and settlement of disputes, which ensure labour peace, these features have facilitated a legacy of partnership, responsibility and self-regulation also at the company level.

Compared to the Anglo-American legacy, in which powerful local unions in settings of adversarial industrial relations and weak central coordination have been denounced for resisting and obstructing change, the strong tier of company unionism and bargaining in the Nordic countries has been more conducive to restructuring and negotiated adjustment. In single-tier systems, the entire package of industrial relations issues has to be resolved at the company level – including distributional conflicts over wages, profits and jobs. The Nordic model of industrial relations with the centralised determination of the main frameworks and distributional issues implies that company bargaining conducted under the peace duty traditionally mainly concerns adjustment of wages in accordance with centrally agreed criteria of productivity and profitability. As a consequence, the industrial relations agenda at company level tends to be more governable and more strongly oriented towards cooperation around supply side issues (typically concerning productivity, skill formation, and reorganisation of work and production) than in more adversarial single-tier systems.

It also seems that the nexus between representative participation and local bargaining anchored in central framework agreements in the Nordic models has provided tools for more coherent and differentiated actor strategies than has been the case in dual continental systems. The tradition for company bargaining with strong shop-floor unions further implies that management has faced demanding counterparts, which at the same time were strong partners with which they could strike reliable 'deals', legitimised by higher level actors. As a result, restructuring has tended to become less prone to resistance and conflict, and

associated with broader labour involvement, than often has been the case in less articulated systems of industrial relations.

Also the so-called semi-dispositive clauses in labour law have encouraged company actors to negotiate adjustments in national requirements, providing incentives for negotiated flexibility. Especially in Sweden and Denmark, the legacy of local negotiations and cooperation has in recent years paved the way for quite far-reaching decentralisation. This includes core issues such as pay and working time, which further increase the leeway for local bargains on adjustment and flexibility without injecting the risk of labour conflict/unrest at company level (Stokke and Thörnquist 2003).

This decentralised tier of industrial relations has been underpinned by local public authorities who offer training, labour market programmes, temporary lay-off schemes and social policy measures in situations of company restructuring or downsizing. Especially in Denmark, such public safety nets for companies and workers have in recent years been supervised by tripartite bodies at sub-regional level, giving impetus to social dialogue on adjustment also at the decentralised community level.

Multilevel linkages and articulation

The critical link between the decentralised level of collective bargaining and the confederal peak level has always been the national union federations at industry level. These have both historically and today been the crucial bargaining agents in the Nordic countries, facilitating coherence between local action, industrial/sectoral agreements and macro-economic coordination. In line with the historical role of the federations as vanguards in industrial pattern-bargaining, we have in recent years seen an interesting development towards stronger coordination (e.g. the Danish CO-Industry and the Swedish Facken inom Industrin, which embrace unions from all confederations) and even organisational amalgamations at the sectoral level in the Nordic countries.

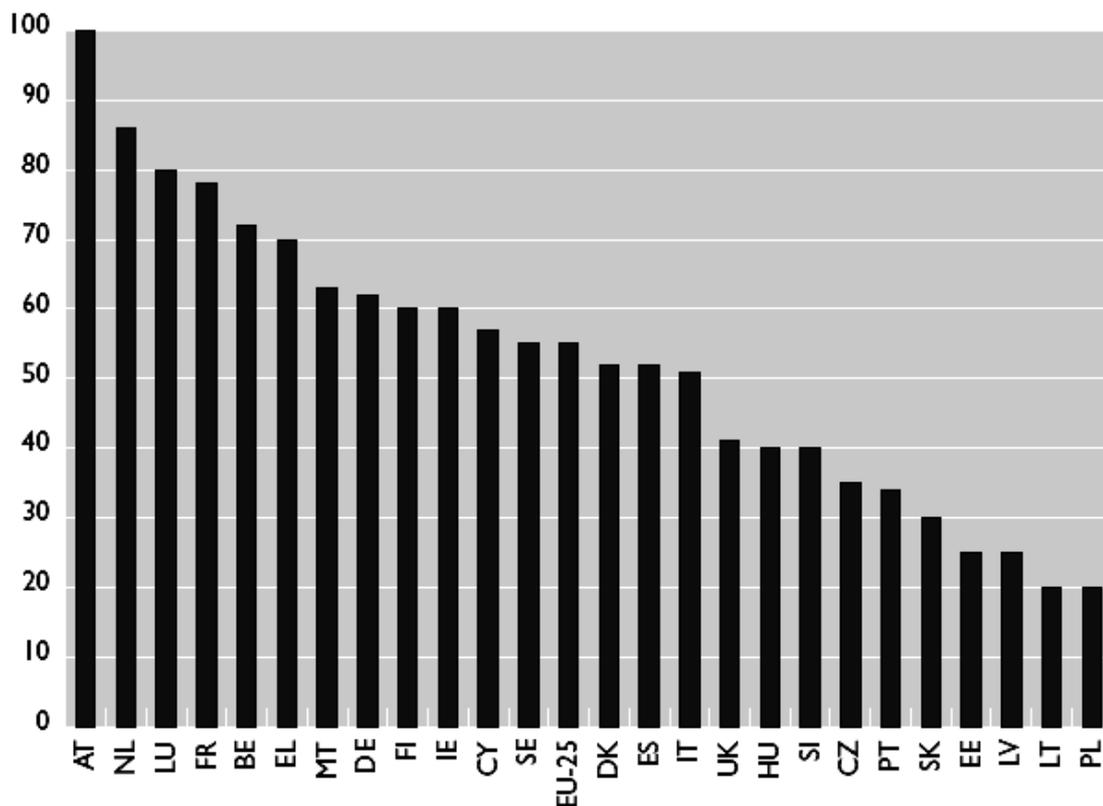
The legacy of collective bargaining coordination and social partnership in the Nordic countries is in other words not simply a reflection of peak-level compromises and top-down policies, which would indeed represent a fragile and volatile basis for enduring cooperation. Through the micro-foundations of industrial relations, the tradition for negotiated adjustment and compromise has got a solid local anchoring, which involves broad societal forces at community level and enables bottom-up articulation and coordination of views and interests. Thereby a two-way pattern of dialogue and interest aggregation has been facilitated in which the intermediate industry level has played a key role, allowing for bottom-up and top-down interaction in accordance with changing circumstances and needs.

The multileveled character of the collective bargaining systems has hence provided possibilities to move the level at which bargaining is conducted up-and downward depending on the issue, allowing leeway for differentiated adjustment in the degree of de- and re-centralisation. Even though the locus of initiative and power may shift in accordance with economic and political cycles, this kind of multiple anchoring does indeed mean that the balance of power is less sensitive to popular shifts in political climate and governments than in centralised single-tier systems. This has made the legacy of social partnership more robust and entrenched than in most other European countries – of the thesis that votes count, but resources (and members) decide (Rokkan, 1967) – reflecting the complex set of checks and balances that the political actors at all levels are faced with. Such mechanisms do clearly favour continuity rather than swift change and have also contributed to – and been underpinned by – the legitimacy and high levels of membership in the organisations of business and labour.

Collective bargaining coverage

The capacity for regulation of labour market conditions through coordinated collective bargaining is indeed highly dependent on the coverage of collective agreements. In most European countries, the coverage of collective bargaining is a function of the organisation rate of the employer associations, which is usually significantly higher than the density of trade unions, and the widespread use of mechanisms for extension of collective agreements (*erga omnes*). In the Nordic countries, this relationship is different. As seen in chart 4 below, the density among private sector employers in the Nordic countries is pretty average. The high coverage of collective bargaining (see table 4) is a reflection of factors such as high union density, large public sectors, rules ensuring that collective agreements are applied to all employees in the private companies covered, and union efforts to strike application agreements with unorganised companies. In Finland and Iceland, extension mechanisms introduced in the 1970s and 1980s respectively have further contributed to the broad coverage of collective agreements.

Chart 4: *Private sector employer density in the European Union – estimates made by the European Commission*



* Density = % of employees working in the country for an employer, which is member of an employers' organisation. Most recent figure (ranging from mid-nineties to 2004); Slovenia: not the membership rate of the compulsory chamber, which is 100%; EU-25: weighted average. Most figures date from the Industrial Relations in Europe 2004 report.

Source: *Industrial Relations in Europe 2006, Figure 1.2*

Table 4: Collective bargaining coverage in selected countries (percentage)

Country	US	JAP	CA	AUS	D	N	DK*	ES	NL	IS**	S	FI	F	A
Year	2004	2003	2004	2004	1997	1998	2000	1997	2001	2000	1997	2001	2003	1998
Coverage	13,8	23,5	32,4	50	63	77	80	81	82	99	92	95	95	99

Source: Visser, 2006. *Denmark: Scheuer/Madsen 2000 (included by author).
**Iceland: ASI 2006 (included by author)

Whereas the coverage of collective agreements has been persistently high in Sweden, Finland and Iceland, the private sectors in Denmark and Norway have shown somewhat lower coverage rates. According to studies by Scheuer and Madsen (2000), the Danish rate has risen in recent years (from 52 percent in 1994 to 59 percent in 2000), while the coverage rate in the Norwegian private sector has been fairly stable and was in 2004 estimated to around 55 percent (Nergaard and Stokke 2006).

Strikes and labour disputes

A specific feature of industrial relations in the Nordic countries is, as mentioned earlier, the statutory obligation to respect labour peace under the duration of a signed collective agreement. Disputes over the content or interpretation of an agreement (conflicts over rights) are to be settled by the Labour Court. A special feature of the Nordic systems though is that the trade unions, except in Norway, enjoy fairly liberal rights to use boycotts and sympathy-actions as means to force single employers to sign collective agreements. This kind of collective action has in recent years attained increased importance and international attention as a result of the growing influx of foreign subcontractors after EU enlargement (cf the Laval-Vaxholm case). Political strikes are allowed under certain conditions.

As a result of the extensive peace obligation and strict regulations concerning the use of industrial action, the level of conflict in the Nordic countries has been relatively low and has mainly been associated with short-term but sometimes large-scale strikes during re-negotiations of agreements. Measured in the number of strikes per year, the Nordic countries therefore tend to rank low in European comparisons (Stokke and Thörnquist 2003). The predictable pattern and overall moderate level of industrial conflict are indeed part of the explanation why Nordic employers have been reluctant to go for full decentralisation of collective bargaining, which would probably have led to a more unpredictable pattern and much higher level of conflict at the workplace.

Like in other European countries, the number of lost workdays because of labour conflict has shown a downward trend in the Nordic countries in recent decades (see table 5). The still fairly high levels in Finland are associated with the few large-scale conflicts, which tend to break out during the centralised pay rounds for instance in the paper industries. The higher level in Denmark than in Sweden and Norway is associated with a spread of short-term stoppages and point strikes, which have become informally accepted as part of the game in the decentralised negotiations at company level (Stokke 2005).

Table 5: Workdays lost per 1000 workdays. Various European countries

	1981-1990	1991-2000	2000-2004	2001-2004
Spain	637	331	183	155
Italy	585	128	41	39
Ireland	325	95	48	29
Finland	373	135	116	132
UK	292	22	38	31
Denmark	160	167	75	35
Norway	93	94	34	42
Iceland	87	47	79*	87*
Sweden	83	30	41	36
France	70	66	11	14
Belgium	46	29		
Germany	27	9	29	31
Netherlands	17	29	3	4
Austria	2	4	83	103
Switzerland	0	2	-	-

Sources Stokke (2005), "Arbeidskonfliktene i 2004 – Noe nytt?"
 Søkelys på Arbeidsmarkedet, No 2, p. 243-247
 Statistics Iceland (*estimates by ASI)

Union membership and density

Several institutional factors have contributed to maintaining high levels of union membership and density (70-80 percent) in the Nordic countries even after the post-war rise in unionisation in Europe culminated in the 1970s (Visser and Ebbinghaus 2000). Together with Belgium, which also has shown high and stable union density (55 percent), all the Nordic countries but Norway (53 percent) have run unemployment benefit systems administered by the trade unions – or so called Ghent systems. Although there is no compulsory link between membership in an unemployment benefit scheme and union membership, and most of it is tax-financed, comparative studies indicate that the incentive effects of the Ghent system on employee and union behaviour contribute to 20-30 percent higher rates of unionisation than in other systems (Visser 2006).

Another feature of Nordic trade unionism is the strong, independent confederations for white-collar and professional employees. Combined with the high employment share in public services, the role of the white-collar confederations has implied that the transition to post-industrial labour markets have had less negative effects on union membership than in most other countries. In addition, the presence and wide-ranging functions of unions in the workplace have facilitated acceptance and support of unions as a matter of fact in Nordic working lives (Kjellberg 2003, 2006). Nonetheless, the restructuring of work and labour markets, as well as changes in lifestyles and political attitudes, have affected union membership also in the Nordic countries in recent years, causing stagnation and, most pronounced in Sweden, decline in density especially among younger employees.

Table 6: Net trade union membership in some European countries 1970-2003. Thousands and percentage change.

	Members - absolute (thousands)				Change			
	1970	1980	1990	2003	Thousands 70-03	Thousands 90-03	Percent 70-03	Percent 90-03
EU	33939	43663	39261	36261	2321	-3033	6,8	-7,6
Germany	6965	8153	8103	7120	154	-893	2,2	-11,2
France	3348	3282	1968	1830	-1628	-138	-47,1	-7
Italy	4736	7189	5872	5327	591,5	-544,7	12,5	-9,3
UK	10068	11652	8952	6524	-3544	-2428	-35,2	-27,1
Ireland	382	491	442	516	134	74	35,2	16,9
Finland	828	1332	1527	1495	667	-31,8	80,5	-2,1
Sweden	2325	3039	3260	2984	659	-276	28,3	-8,5
Norway	683	938	1034	1109	426	75	62,3	7,3
Denmark	1108	1604	1756	1711	603	-45	54,4	-2,6
Iceland*	-	-	102	117		15		15
Netherlands	1430	1517	1348	1575	145,3	227,4	10,2	16,9
Belgium	1231	1651	1645	1850	619	204	50,3	12,4
Spain		1030	1193	2197	1167	1003	113,3	84,1
Switzerland	760	853	820	643	-117	-178	-15,4	-21,7
Austria	1355	1444	1375	1151	-204	-223	-15,1	-16,1

Source: Selected figures from Visser (2006), *Union membership statistics in 24 countries. Monthly Labor Review*, 38-49. http://digitalcommons.ilr.cornell.edu/key_workplace/273/
* Figures for Iceland from Statistics Iceland (1990-92 and 2003 estimates by ASI)

The organisational capacities of unions are a function of membership size and development, determining available financial and human resources and the potential for mobilisation. As seen in table 6, union membership in Europe peaked in 1980 and been decreasing ever since, falling from almost 44 million members in 1980 to 36 million in 2003, that is a 16.5 percent decrease.

With almost 7.5 million union members in 2003, the Nordic countries account for more than 20 percent of union members in the EU/EEA-area, and muster today more members than each of the big three – the UK, Germany and Italy. The drop in union membership since 1980 has been most dramatic in the UK (with a loss of 5 million members, or 45 percent), but has been significant in the majority of European countries except Ireland, Belgium, Spain, Denmark, Finland, Iceland and Norway. Sweden showed growth until 1990, but due to the severe drop in employment in the first half of the 1990s and a certain decline in density, the membership in Swedish unions actually was lower in 2003 than in 1980.

The development in absolute membership is important for the unions, but is a poor indicator of trends in the relative strength of unionism since it is strongly affected by employment developments.

Trends in trade union density

A better indicator of how the unions are performing is accordingly the net number of members relative to the size of the employed workforce (net union density/organisational rate). In this regard, the Belgian and the Nordic trade unions have been faring markedly better than the other European trade unions. As a whole, the trade union density in the EU-15 has fallen from almost 40 percent in 1980 to 26.3 percent in 2002, as seen in table 7.

Table 7: Trends in union density in the EU, Norway, Iceland and Switzerland (percent)

Year	EU	D	F	I	UK	IE	FI	S	N	DK	IS*	NL	BE	ES	CH	A
1970	37,8	32,0	21,7	37	44,8	53,2	51,3	67,7	56,8	60,3	-	36,5	42,1		28,9	62,8
1980	39,7	34,9	18,3	49,6	50,7	57,1	69,4	78,0	58,3	78,6	-	34,8	54,1	12,9	31,1	56,7
1990	33,1	31,2	10,1	38,8	39,3	51,1	72,5	80,8	58,5	75,3	88,8	24,3	53,9	12,5	24,3	46,9
1995	30,4	29,2	9,0	38,1	32,6	45,8	80,4	83,1	57,3	77,0	86,0	25,7	55,7	16,3	22,8	41,1
2000	27,3	25,0	8,2	34,9	29,7		75,0	79,1	53,7	73,3	83,9	23,1	55,6	16,1	19,4	36,5
2001	26,6	23,5	8,1	34,8	29,3	36,6	74,5	78,0	52,8	72,5	85,1	22,5	-	16,1	17,8	35,7
2002	26,3	23,2	8,3	34,0	29,2	36,3	74,8	78,0	53,0		85,4	22,4	55,4	16,2	-	35,4
2003	-	22,6	8,3	33,7	29,3	35,3	74,1	78,0	53,3	70,4	85,1	22,3	-	16,3	-	-

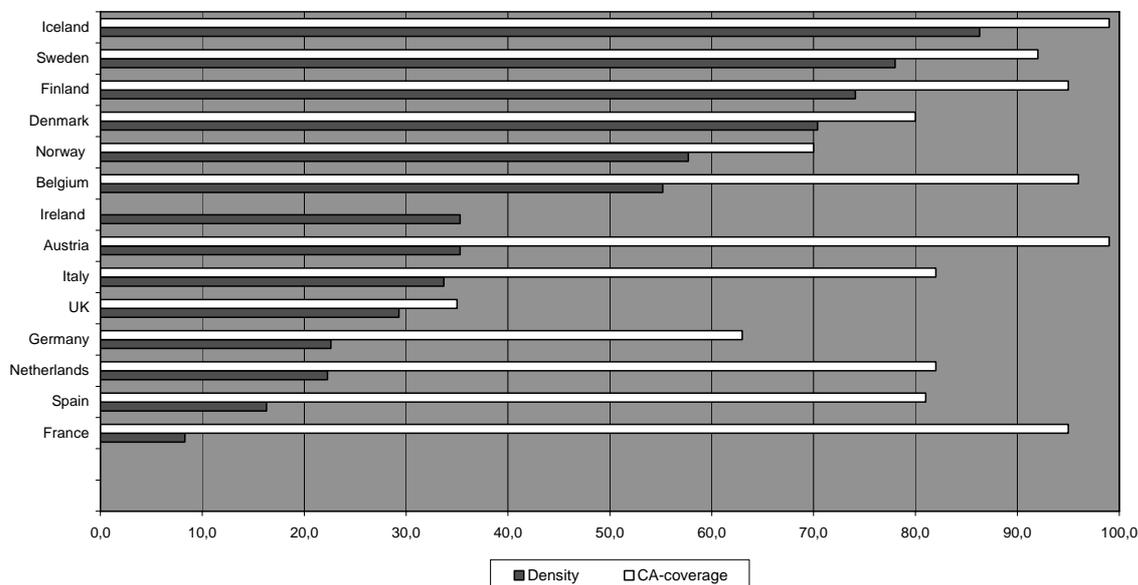
Source: Jelle Visser (2006), *Union membership statistics in 24 countries*. In *Monthly Labor Review*, 38-49. Comparable administrative data not available for Portugal and Greece, where density usually is assumed.

* Figures for Iceland from *Statistics Iceland (1990-92 and 2003 estimates by ASI)*

If we look closer at recent developments, we see that all the Nordic countries have experienced a decline in density from 1995 to 2003 – around 7 percentage points in Denmark, 6 percentage points in Finland, 5 percentage points in Sweden, and 4 percentage points in Norway. The decline since the mid 1990s partly reflects that density in the Nordic countries, in contrast to most other countries, has tended to rise in times of growing unemployment and fall when employment is increasing and the likelihood of job-loss is reduced (Booth et al 2001, Kjellberg 2006). Compared to the main European trend, the Nordic decreases are still fairly moderate and from a much higher level than the others, with the exception of Belgium. In consequence, we have been witnessing a combination of European convergence and divergence, according to which the general decline from varying levels of density has taken different paces and given rise to a pattern where union density in recent years has been

- high and relatively stable in Belgium and the Nordic countries (50-85 percent), though with modest decline in the latter
- medium high but steadily falling in Austria, UK, Ireland and Italy (30–35 percent)
- low but rising in Spain and the Netherlands (16–22 percent)
- low and declining in France, Switzerland and Germany (8–23 percent)

Chart 5: Union density rates and bargaining coverage in 14 countries



Source: Visser 2006, Stokke et al 2003, p. 106. Density figures from 2003, CA-coverage figures 2000. Figures for Iceland from Statistics Iceland.

Weakening of the Ghent-system in the Nordic countries

The most robust result in comparative studies of union density is the persistently higher level found in countries with Ghent systems, which indicate more than a sheer 'free-rider benefit' for the unions. The responsibility for support, guidance and follow-up of employees provides opportunities for contact- and trust-building, especially among groups in vulnerable positions in the labour market, implying a state-sponsored institutionalisation of unions as an important and accepted part of the society's social structure.

In recent years, the role of the union-run unemployment funds as a vehicle for unionisation has been weakened in Nordic countries, contributing to the decline in union density in Denmark, Finland and Sweden (Lind 2004, Jokivuori 2006, Kjellberg 2006). Both the introduction of independent unemployment funds with rising numbers of members, especially among white-collar employees, and a marked rise in non-unionised members of union-run funds, have implied that around 15-16 percent of the workforce in these countries is now part of unemployment funds without being union members. In Finland, where the independent fund also offers lower fees, this has according to survey data contributed to a drop in density of around 10 percentage points from 1995 to 2005 (Jokivuori 2006). In Sweden, the main negative effect on density has stemmed from the fact that growing numbers of (especially younger white-collar) employees have chosen to be members of the union-run unemployment funds without joining the union (Kjellberg 2006).

In Denmark, the centre-right government elected in 2001 launched reforms that implied 'free choice' of unemployment funds and competition among the funds, including growing numbers of independent funds, which have weakened the links between the unemployment

funds and union recruitment (Lind 2004). The recent fall in density in Denmark has thus accelerated in the past few years, mainly affecting the unions in the blue-collar confederation LO. Also in Sweden, the newly elected 'alliance' government has introduced reforms that are likely to propel decline in union membership. By increasing the individual contributions to the unemployment funds, cutting the benefits significantly, and reducing the tax deduction for membership in the funds and in the unions, the individual net costs of membership in funds as well as in the unions will rise significantly (as much as six times according to LO estimates, Kjellberg 2006).

In view of diminishing unemployment and structural change it seems likely that the decline in union density will continue in the Nordic countries. When assessing the potential magnitude of future losses, it is worth noting that Norwegian unions, without a Ghent-system, over the past 35 years have managed to maintain a fairly stable density level (currently 53 percent), in spite of shifts in the labour market. The density rate among fulltime/standard employees is actually higher today (62 percent) than the overall density in 1970, when the part-time rate was much lower than today. As indicated by table 8 below, the area that seem most sensitive to future falls in density is the private sector services, where density in Norway is much lower than in the other Nordic countries.

Table 8: Union density rates and bargaining coverage in 11 countries – analytical table

Category	Survey data					Administrative data					
	UK 2004	IE 2003	NL 2001	SE 1997	N 1998	FI 2001	F 2003	ES 1997	A 1998	D 1997	IS 2002
Total	28,8	37,7	25,0	82,2	55,5	71,2	8,2	15,7	38,4	27,0	85,4
Men	28,5	38,0	29,0	83,2	55,0	66,8	9,0	-	44,0	29,8	81,1
Women	29,1	37,4	19,0	89,5	60,0	75,6	7,5	-	26,8	17,0	89,5
16-24	9,7	27,8	11,0	45,0	25,0	53,5**	-	-	-	-	75,9
Full-time	31,5	39,6	27,0	90,0	62*	-	-	-	-	-	-
Part-time	21,1	29,2	19,0	83,0	57*	49,1	-	-	-	-	-
Standard	29,5	40,8	26,0	-	61*	-	-	-	-	-	-
Casual	17,2	22,1	10,0	-	35*	-	-	-	-	-	-
Private	17,2	30,4	22,4	77,0	43,0	55,3 ***	5,2	14,5	29,8	21,9	-
Public	58,8	68,0	38,8	93,0	83,0	86,3	15,3	32,0	68,5	56,3	-
Manufacturing	24,6	40	28,0	95,0	54,0	83,8 ***	7,5 ****	24,0	57,0	45,0	-
Coverage	35,0	-	82,0	92,0	77,0	95,0	95,0	81,0	99,0	63,0	99,0

Source: Jelle Visser (2006), *Monthly Labor Review* 1/2006. *1994. **16-29 years. ***Private services only. Figures for Iceland from Statistics Iceland.

The most striking feature here is that density among women has become equal with (UK, Ireland) or even higher (Sweden, Norway, Finland) than male unionization rate (Visser 2006: 46), which according to other studies also applies to Denmark and Iceland. The strong influx of women in Nordic unions surely reflects their high participation rates in the labour market and small differences between part-time and fulltime employees, but is in particular enhanced by the high density in the public sectors where a vast majority of the labour force consists of women. The rising level of education in the workforce and the size of public services have also influenced density positively, as the propensity to unionise actually is highest among well-educated groups in the Nordic countries. Another significant figure is the high level of unionisation in manufacturing – in Sweden estimated to 95 percent and in

Finland almost 84 percent – whereas Norway displays markedly lower rates in the private sector (54 percent in manufacturing and according to other studies around 20 percent in branches such as retail, horeca, and cleaning, see Nergaard and Stokke (2006)).

The worrying part of the picture is the markedly lower rate of unionisation among young employees; in Sweden the density among the 16-29 years age group dropped 16 percentage points between 1993 and 2004 and by 6 percentage points among the 30-44 years old (Kjellberg 2006). It is still not entirely clear, however, to what extent these changes imply that new generations as such are less apt to unionise or whether the drop is influenced by other factors such as the delayed entry into stable employment and adult life, and the rise in atypical work in recent years. Yet, even among employees that are under 30 years of age, the rate of unionisation in Denmark, Finland and Sweden is as high as 55-61 percent, according to survey data presented in the Industrial Relations in Europe 2006 (European Commission 2006).

IV. OVERVIEW OF THE NORDIC MODEL OF COLLECTIVE BARGAINING AND WELFARE

	DENMARK	FINLAND	ICELAND	NORWAY	SWEDEN
Net trade union density - %	70	74	(80-90)	53	78
Collective agreement coverage	80	95	90	77	92
Law (L) vs collective agreements (CA)	CA	CA & L	CA & L	CA & L	CA & L
CA-extension – erga omnes	No	CA with 50% coverage	All CA minimum wages	Construction	No
Statutory minimum wage	No	No	No	No	No
Implementation of EU-regulations	CA, supplementary laws	Law	Law	Law	Law
Collective agreements	Minimum conditions	Minimum conditions	Minimum conditions	Mostly minimum conditions	Minimum conditions
Ballots over CA outcomes	YES	NO	YES	YES	NO
Main level of CA-coordination	Sector	Peak	Peak	Peak/ industry	Sector
Decentralisation & Company agreements	YES	Less developed	Less developed	YES, central criteria	YES
Mediation and dispute resolution	YES	YES	YES	YES	YES
State role in collective bargaining	Occasionally	Regular incomes policies	YES	Incomes policies (sometimes Intervention)	NO
Blockades	Legal	Legal	Legal	Legal	Legal
Peace duty	Under duration of CA	Under duration of CA	Under duration of CA	Under duration of CA	Under duration of CA
Average collectively agreed annual paid leave (2005)	30 days	25 days	24-28 days	25 days	33 days
Statutory minimum paid leave (2005)	25 days	20 days	24 days	21 days	25 days
Statutory maximum working week in hours	48	40	48	40	40
Average collectively agreed normal weekly hours (2005)	37	37,5	37	37,5	38,8
Parental leave in weeks (2004)	52	47/49	39	42/52	77
Paid parental leave as percentage of salary	100	70	80	100/80	80

V. CONCLUDING REMARKS AND FUTURE CHALLENGES

The main conclusion of this review is that the Nordic systems of collective bargaining, contrary to expectations and trends in many other countries, have shown remarkable resilience and capacity for adjustment since the crisis in the 1980-90s and the entrance into the EU single market in the 1990s. In spite of rapid industrial restructuring and growing pressures from without and within, the main pillars of the systems remain intact and stable while significant changes have taken place in the modes of bargaining coordination and interaction with macro-economic policies.

Especially the Danish and Swedish shifts towards decentralisation and sector-based coordination of wage setting, interacting with strong independent Central Banks aiming at low inflation, imply a certain convergence towards broader European patterns and the former German model in particular. At the same time the contrast between organised decentralisation in Denmark and Sweden, and re-centralisation in Finland, Iceland and Norway, has implied increased diversity among the Nordic models of industrial relations.

Yet, in all the Nordic countries important elements of peak level coordination, formal or informal, have persisted. In Finland, Iceland and to a large extent also in Norway, such features have been reinforced in response to the external changes and the shifts in monetary policies. Tripartite cooperation has also been important for the continuation and adjustments in labour market policies and the social security systems – implying a stronger emphasis on activation and work – which have helped bringing down unemployment and trimmed the welfare states for future waves of ageing. In contrast to predictions that the egalitarian and generous Nordic labour–and welfare regimes were incompatible with globalisation and European integration, they have in leaner versions eventually turned out as winners in the race of globalisation, at least thus far.

More specifically, in spite of a certain fall in trade union density, collective bargaining coverage remains high and relatively stable, indicating that collective bargaining still plays a key role in regulating pay and employment conditions. Considerable adjustments have been made in the organisational patterns of unions and employer associations, but the overall structures with encompassing peak organisations and strong associations at industry and sector levels, linked with vital tiers of unionism and bargaining at the company levels, are maintained. These foundations have formed the basis for continuity and renewal of the integrated multi-tiered Nordic industrial relations systems.

Even though the social actors have followed different national paths of adjustment, the Nordic unions have managed to retain strong influence on overall wage developments. Moreover, they have kept alive a legacy of egalitarianism and solidarity in working life policies in spite of growing differentiation. With reduced nation-state capacity to control and influence economic and social developments in ever more open economies, this means that governments, and to some extent also employers operating nationally, have become more dependent on the union counterparts in fulfilling central objectives in the fields of macro-economic and industrial policy, competitiveness, and development of productive social capital. The Nordic trade unions have experienced losses of tools, members and muscle, but they still control sufficient power and clout to influence collective goods of such vital interest to their counterparts – as well as the capacity to deliver and ensure membership compliance – that their attractiveness as partners of political exchange and governance has been retained, and in several areas even strengthened in recent decades.

In important respects the adjustments undertaken during the past decades can be interpreted as a return to basic deeds in the Nordic models. Coordinated wage moderation and prudent fiscal policies aimed at retaining competitiveness in international markets and low inflation, were key features of the development of the Nordic models in the 1950s and 60s. In such a perspective, the expansionism observed in the 1970s – associated with organised labour’s ambitious agendas for strengthening workers’ rights through statutory reform, further wage compression, welfare state expansion and economic democracy – in many respects represented a breach with the traditional Nordic legacy, contributing decisively to the economic and political crises in the 1980s. Organised labour used its strengthened power in the 1970s to challenge the social compromises and balances of power underlying the cooperative Nordic models of industrial relations, provoking confrontation and retaliation when the economic fortunes and the political climate turned during the 1980s.

The double adjustment crisis referred to above came together with profound changes in the political power relations and constellations. The social actors, and the trade unions in particular, had to accommodate to a situation in which the hegemony of the social democrats was crumbling and they were forced to learn how to operate in a more volatile, conflict-ridden and unpredictable political context of shifting governments and coalitions. The social actors have also had to adapt to a context in which the domestic economic structures have undergone significant change; all the Nordic countries have, partly as an element of adjustment to the single market regime, pursued significant supply-side liberalisation of their economies. While many actors – both to the right and to the left of the political spectrum – have interpreted these changes as a farewell to the Nordic models, such interpretations overlook an important distinction of the refurbished Nordic models, namely that extensive product market deregulation has been combined with the maintenance of egalitarian/inclusive welfare state policies and well regulated labour markets.

What we have seen in the Nordic countries over the past decades is thus a market driven rationalisation of production and the supply side of the economies where public investment in human and social capital and infrastructure have been combined with policy-driven redistribution and protection in the sphere of welfare and labour markets. This particular blend of market-oriented economic policies, reflecting the small, open Nordic economies’ dependence on international markets, and a strong egalitarian legacy in social and labour market policies, has historically always been a central ingredient in the Nordic social compromises. And contrary to predictions, in the meeting with Europe, the Nordics have seemingly rediscovered their common historical roots and traditions.

Since each national system of industrial relations is shaped by unique historical and institutional ramifications, attempts to import or copy practices from other countries rarely succeed. The crux of the analysis presented here is that the relatively successful adjustment and performance of the Nordic countries can not be attributed to single factors or particular policy choices. It reflects that the institutionalised interplay between strong social actors, trade unions and governments have enabled step-wise developments of relatively coherent, balanced and inclusive policy approaches and reform-coalitions, providing also sufficient legitimacy and support to undertake painful adjustments. In many respects the Nordic countries have pursued fairly mainstream policies advocated by international agencies and display many of the same institutional traits as many other coordinated market economies in Europe. The key to the recent progresses can therefore not be sought in special elements of Nordic policies or institutions, but probably lies in the fact that the particular linkages and balances of power between the social actors and policy areas – perhaps by luck, but probably more by policy learning through trial, error and correction – have facilitated achievement of a mix, sequence, and consistency of adjustment measures that as a whole has amounted to a viable bridge from crisis to renewal.

Future challenges

The adjustment and leverage of the Nordic industrial relations models over the past decades is no guarantee for future success. Experiences with preceding 'national models' rising to the stars, such as the German, the Swedish, the Japanese, the American, the Dutch and others, caution against drawing hasty, generalised lessons from the Nordic comeback. Institutions do influence actor behaviour, but they leave ample room for policy failures, shifts in power relations and decisional deadlock. As painfully experienced in the 1980s, the thin line between success and failure does indeed warn against complacency, especially during times of domestic buoyancy and rapid change in the external environment.

At the dawn of a new century, the Nordic industrial relations regimes are meeting new challenges both from within and without. While changes in the composition of employment continue to challenge established patterns of power-relations, organisation and bargaining from within, accelerating globalisation, low-cost competition and European integration set the regulatory systems in the Nordic countries under strain from without.

At the same time ageing of the workforce and exclusion of vulnerable groups from the labour market, draw attention to the flipside of the high demands for productivity and performance in the high-wage Nordic economies. Comparatively high shares of the Nordic labour forces are out of work because of sick leave, rehabilitation, disability pension, and, especially among ethnic minority groups, because they never managed to get a foot inside the labour market. According to some observers these forms of social exclusion reflect a brutalization of the working life, whereas others are of the opinion that they represent an unintended consequence of egalitarian, high minimum wages. At any rate, coping with increasing diversity will clearly become a more pressing issue in the egalitarian Nordic labour markets in the future. The Nordic countries are thus set for difficult dilemmas regarding how to bridge the gap between the objectives of improving international competitiveness by moving upwards in the production chains and countering internal labour shortages and growing welfare state expenditures by increasing the age of retirement and facilitating inclusion of vulnerable social groups faced by the risk of exclusion from the labour market.

A central issue is to what extent the employers are prepared to continue playing their traditional roles in the Nordic models. The basic deal underpinning the Nordic labour regimes has been premised on a social exchange relation according to which workers and unions have offered restraint, labour peace and cooperation in productivity development, whereas employers have provided national investment, jobs and renewal in return. With the growing impact of international financial markets and institutional investors on corporate governance, internationalisation of production chains, and tempting investment opportunities in low-cost havens, the capital 'exit option' does indeed cause uncertainty about employers' future commitment to continue investing in the jobs, skills, institutions and social relations of the home base. While relocation of manual and low-skilled jobs in the traded goods sector has been an issue since the 1970s, offshoring of ICT-related and high-skilled services is now on the rise. Although the Nordic countries came out on the winning side of the 1990s wave of internationalisation, the enlargement of the EU and the rise of China and India definitely imply a new twist in the global race of competition, restructuring and relocation of production, which it remains to be seen how the Nordic labour relations regimes can weather.

Especially the removal of barriers to free movement between the Nordic countries and the neighbouring low-cost economies across the Baltic Sea has raised new challenges for the Nordic social partners. Increased supply of subcontractors and labour may definitely help greasing bottlenecks in the national labour markets. So far labour immigration has been limited, except in the booming Icelandic and Norwegian economies, which have seen a sharp rise in demand for migrants and posted workers from the new member states. In 2006, labour from Central and East European countries (CEE-countries) accounted for around 7-8

percent of the workforce in Iceland. Norway granted 55,000 residence permits to workers from CEE-countries, corresponding to more than 2 percent of the labour force, and the flow of posted workers and self-employed is estimated to be of a comparable volume. New forms of low-cost production have thus become part of the domestic competition in several Nordic industries, exerting pressures on regulations and terms of employment. This is especially a challenge in construction but is also becoming widespread in parts of manufacturing, e.g. in Norway, where 'regime competition' on the spot is challenging the principle of equal pay for equal work.

In this way workers and companies governed by different labour regimes are pitted against each other, testing the boundaries of solidarity and the robustness of the regulatory regimes in the Nordic countries. All the Nordic countries stipulate in accordance with the Posted Workers Directive (96/71EC) that posted workers are to be paid and treated according to host-country conditions, but in practice the application of that principle is not always easy to ensure in fluid contract markets with long and complex chains of sub-contractors. The legal challenges associated with this came to the fore associated with the so-called Vaxholm/Laval case, where Swedish unions took to blockade and sympathy actions to ensure that a Latvian building contractor complied with Swedish terms and conditions. As a consequence, they were brought to the European Court of Justice by the Latvian firm. This case, along with a similar case in Finland – the so-called Viking case – is now pending in the ECJ, and will represent an important clarification of the interfaces between EU principles of free movement, EU statutes concerning basic labour rights, and national regimes of labour market regulation.

Beyond doubt, the Nordic collective bargaining models have come under pressure in the rapidly expanding European labour market. It is too early to judge whether the unions will prove strong enough to ensure orderly and equal conditions also for posted workers, in accordance with the Danish and Swedish legacy of autonomous self-regulation, or whether new ways of combining collective agreements and statutory means will be developed, as witnessed in Finland and Iceland. The debate about this will definitely involve issues of principles and strategy among the trade unions.

At any rate, for the Nordic trade unions the struggle for acceptance of collective agreements and industrial action in accordance with national tradition as a means to implement EU labour regulations is considered a matter of high principal importance – not only from a Nordic perspective but also for the development of European social model built on diversity.

Whatever the outcome, the creation of a common market for labour and services among high-and low-cost countries in Europe represents a daunting challenge for industrial relations actors. A sizeable number of Nordic companies have established daughter-firms or licenced production in low-cost countries and serve the home market by contracting out services to these providers. The impact of such dynamics have most clearly been demonstrated in Germany, where the threat of further relocation to the East has forced workers and unions in important companies to accept prolonged working hours/reduced hourly pay and other concessions in order to safeguard jobs, possibly setting in motion a competitive spiral of downward pressures on labour terms and conditions among the 'old' member states. To what extent such dynamics will gain momentum and how the Nordic actors will respond to them still remains to be seen, but it takes little fantasy to realise that concession bargaining on rolling back inherited labour standards would represent a significant break with the legacy and rationale of Nordic trade unionism. Such a turn from steady improvements of standards and rights during the past centenary towards downward adjustments would create huge strains, not least between social actors that are exposed to international competition and those who are not.

With growing labour market integration and low-cost competition, the social actors of the Nordic countries will face stronger pressures to engage in development of labour market governance at the supranational EU level. As national means of regulation and competitive corporatism are clearly not sufficient to meet the challenges of transnational labour markets, a central issue is whether the Nordic actors will manage to develop more proactive and forceful strategies to influence international policy-making.

The Nordic adjustment has so far largely conformed with the pattern of competitive solidarity (Streeck 1999) or renationalised corporatism (Dølvik 1992). That is, policy aims and means have been marked by a strong national orientation, in which improvement of national competitiveness and protection of national sovereignty, institutions and values have played an important role in politics as well as in industrial relations. European ideas and solutions have played a smaller role, even though the shift in monetary policies and the implementation of the single market rules served as significant catalysers for change, representing an important instance of Europeanisation of Nordic governance. Further, the EU labour market regulations have implied less challenges to the Nordic models than feared by many sceptics, and have in several fields strengthened the rights of workers and brought about new forms of interplay between legislative and negotiated regulation (Andersen et al 2003, Bruun and Malmberg. 2005).

In recent years, many of the Nordic trade unions have become more engaged in European policies and in their European organisations. Nordic actors have thus played central roles e.g. in developing the ETUC bargaining order and the approaches to European collective bargaining as well as in the struggles over the posted workers directive and the services directive. In line with their pragmatic approaches, the enhanced European engagement seems nevertheless to be based on a clear notion that the locus and core issues of industrial relations also in the future will and should be handled at the national levels, though increasingly within frameworks for coordination and minimum regulation developed at the European level. Recognition and protection of the Nordic collective bargaining model hence represent a basic element in the approaches of Nordic trade unions to European labour market regulation. But the growth of the pan-European market has clearly also strengthened the awareness in Nordic trade unions that a stronger European dimension to collective bargaining and industrial relations is needed in order to defend and promote the common interests of European labour.

In this perspective, the Nordic experience with policy-coordination and social partnership in multilayered systems, could, if projected onto the European level, fit well into a trajectory of European integration based on strengthened interaction and collaboration between autonomous but ever more interdependent member states and national systems of collective bargaining.

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