

# The Nordic model of economic governance and employee voice: Viable in Global competition?



**Richard B. Freeman, The Fafo Conference 2007**  
Equality, diversity and inclusion: Challenges to the  
Nordic models in the global economy, Feb 15, 2007

**Harvard University and NBER**  
**Centre for Economic Performance, LSE**

**THE KEY FACT: Union density falls in most advanced countries ... US, UK, other Anglo Germany, Netherlands, Austria, France, Italy, ...**

**Falls least/rises in Nordic; Spain**

**Three interpretations:**

**1) Unions are going toward extinction in global economy**

**2) Two equilibrium: high/low, with EU density not important bcs maintain collective bargaining coverage**

**3) Unions have to modernize from CB institution**

# **Problem goes beyond globalization**

**Not globalization per se but all factors that lead to greater competition place pressure on traditional union  
“monopoly” activities and weaken collective bargaining**

**Professional societies doing fine**

**Mass higher education has drawn many potential creative  
union leaders into other activities ?**

**Union structure makes innovation hard – no strong  
exit/entry**

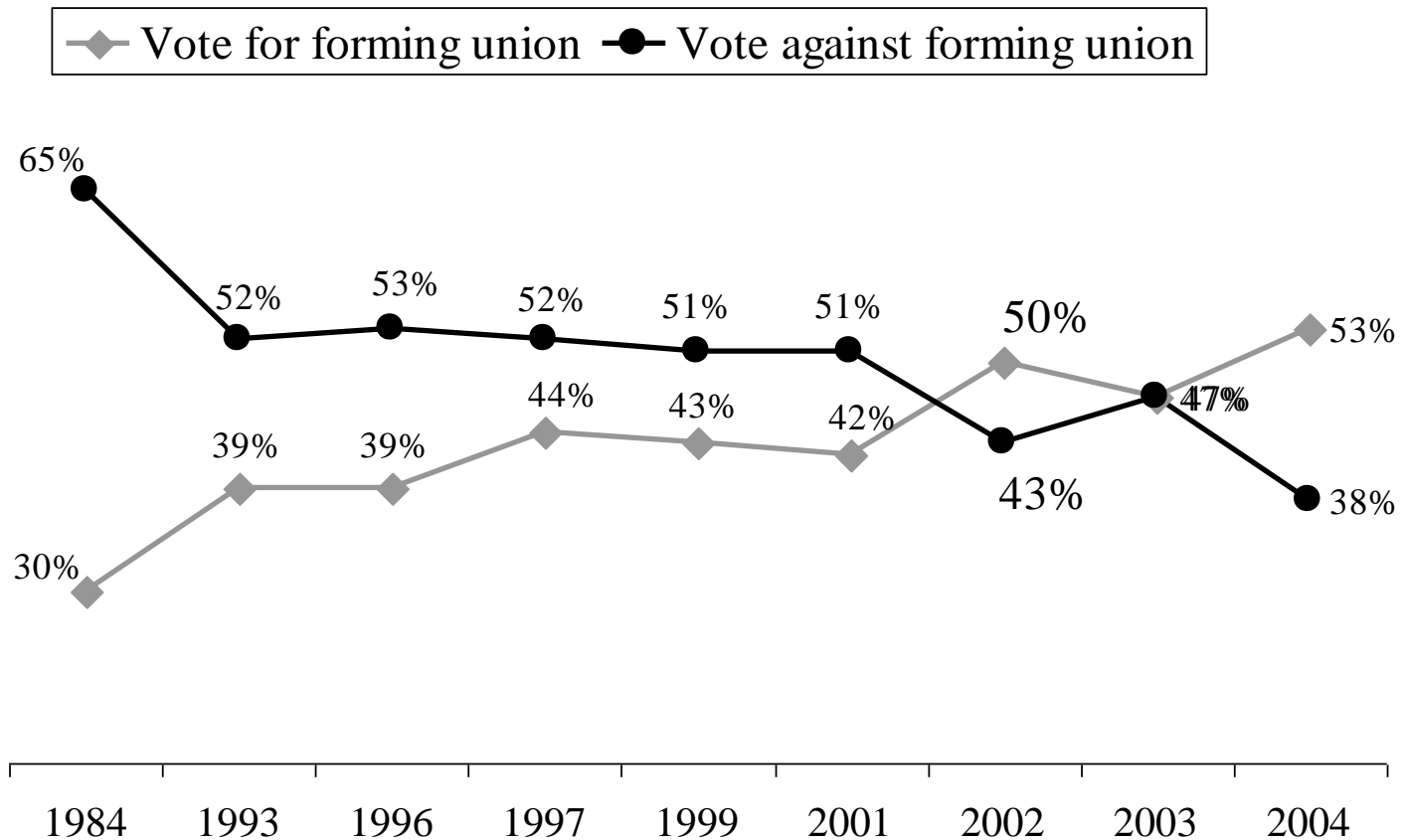
**Unions are defensive reactive organization so always lag**

**Growth comes in spurts**

# Counterfactual: US and other Anglo-American

	US	Canada	UK	Eire	Australia	NZ
<b>Density, 2004</b>	<b>13</b>	<b>29</b>	<b>29</b>	<b>35</b>	<b>23</b>	<b>21</b>
<b>Change, 1995-2004 pvt sector</b>	<b>10.4 to 7.9</b>	<b>22.2 to 18.0</b>	<b>21.6 to 17.2</b>	<b>45.0 to 28.3</b>	<b>26.0 to 17.4</b>	<b>19.8 to 12.0</b>
<b>Unfilled Union Demand as% of nonunion</b>	<b>32% to 52%</b>	<b>25</b>	<b>10</b>	<b>27</b>	<b>17-39</b>	<b>11-32</b>

# Surge In Support For Union Representation among nonunion workers, US, 1984-2004



# Counterfactual Says

DEMAND FOR WORKER VOICE REMAINS HIGH – US WORKINGAMERICA SIGNS UP  
→ 2 Million for non CB organization

EMPLOYER POWER → INEQUALITY AND CRIME

BUT HAVE TO MODERNIZE PRODUCT –  
MORE PROFESSIONAL OCCUPATIONAL;  
LESS CONFRONTATIONAL;

MORE TRANSPARENT –using Internet and greater education.

# **Globalization Makes Task harder ...**

**Unions must alter what they do; “re-invent” their role as representative of workers; but UNION VOICE is local while economics is global**

**BUT ...**

**If democratic unionism → inefficiency  
then you “pay for it” via devaluation or  
other economic price**

**lots of “experiments” and globalization  
will lead to fast imitation and spreading  
of best practice**

**Multinationals capable of adjusting to local  
conditions**