

Who determines future working life policies in Norway? A Researchers' view.

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Marx once noted that when history repeats itself, it first tends to occur as a tragedy and then as a farce. On the eve of the third debate over EU-membership in Norway it would in this view seem commendable for working life actors to abstain from the polarised ‘black-and-white’ rhetoric that in many respects obscured the debacles in 1972 and 1994. Through either glorification or demonisation of the EU and the Norwegian nation-state respectively, the antagonising discourse of those days effectively blocked the potential for dialogue, learning, and development that the deliberation of such a strategic national choice may entail. Whether the opposing sides can resist jumping into the trenches and avoid the farce, remains to be seen, but the last decade’s practice as takers of EU policies under the EEA-agreement, alongside quite sweeping economic and political changes in the global and regional environment, as well as in Norwegian work life and society (see box below), might have been a sobering experience. In contrast to those who insist that nothing important has happened that we did not already know in 1994, I presume that the implications of these developments would deserve some deliberation and discussion of whether there is anything we can learn from these experiences. – What have they meant for the conditions and leeway for national working life policies (NWLP)?¹

The headline question ‘Who determines working life policies in Norway’ can be answered in two ways: First, if we speak of labour market policies in a narrow sense, the *formal reply* is not the EU, but still the national politicians and social actors, although they have to respect the basic labour standards adopted by EU and the European social partners. (As witnessed e.g. in the UK, where business and government have had to accept introduction of a bulk of legal worker rights, amongst others concerning information and consultation, parental leave, part-time etc, this is no mere triviality. And as indicated by the recent row over municipal pension issues in Norway (cf KLP), where the Minister wished to overrule certain collective agreements, EU rules may also delimit the freedom of national governments to dilute workers’ rights through deregulation.) Second, *the substantial answer* (to the initial question) is somewhat longer and more complex, inviting a broader discussion of the interplay between external and internal dynamics of change affecting policy-making in a context of growing economic and political interdependence. This is particularly so if we in NWLP include competition rules and industrial and regional policies, where the effects of EU regulations are more directly felt nationally, also in the EFTA-countries.

Rather than focussing on ‘who determines’ NWLP – be it national parliaments, the EU, MNC’s or others – it seems in this perspective useful to distinguish between

- (1) the substantial structural changes, conditions and challenges *facing* the labour market actors and policy-makers,
- (2) the legal and institutional ramifications *framing* the decision-making process, and
- (3) the conflicting political preferences, actor structure and balance of power actually *shaping* the direction and content of those decisions.

A major fallacy of most Norwegian EU-debates in this area is in my view that they tend to focus narrowly on the legal-institutional level – EU vs national institutions – and ignore the other substantial determinants of WLP, which in important respects are interrelated and common to actors at both levels. In this way we tend to get a static, determinist discussion in which national and EU policies are treated as separated, contrasting and given entities – good or bad – loosing sight of the fact that these levels are mutually interdependent arenas of political struggle, learning and change.² In such a confined outlook, the transnational dimension of the challenges in working life and the essential question of how the national actors can deal with and effectively influence the strategic external determinants of domestic policy-making, tend to get lost.³

Internationalisation notwithstanding, the nation-state will in my view remain the primary locus of social struggle over working life policies and collective bargaining, as illustrated by the ongoing strifes over wage policies, sick pay, pension rights, working time rules etc in Norway and the profound changes stemming from within national working life. – But unless the social and political actors can find better ways of influencing their external, international conditions, I am afraid that the room for manoeuvre in domestic struggles will gradually diminish.⁴ For employers this may be OK, but for politicians and trade unions that like to see themselves as *policy-shapers*, not *takers*, this can hardly be an attractive scenario. In such a perspective, the question whether working life policies are, or should be, decided at either the national or the EU level – or any other international level – is leading astray, since the outcomes depend on the pattern of interaction between decision-making at all these levels. And in this respect, it may seem as the initiative in shaping the working life policy-agenda is shifting towards EU-arenas (e.g. industrial democracy), increasingly relegating Norwegian politicians to agenda-takers. For political and social actors who want to influence the entire chain/process of working life policy-formation in our region, not only the tale of it, it therefore seems essential to make their voice directly heard at all tiers of the multi-levelled European regime. A handicap for Norwegian social partners in this respect, is the lack of national political representation in the policy-shaping processes at European level, increasing

their dependence on Nordic and European fellow associations. For trade unions in particular, I would thus suggest that the key question to be answered in the upcoming EU debate is how they can strengthen their political impact on the international processes that are restricting their clout and national room of manoeuvre. Since this challenge obviously entails both a global and a regional dimension, it is for me hard to see how such influence can be obtained if one cut oneself off from one or the other political levels on which these struggles unfold.

That said, I would add that the impact of globalisation of trade, FDIs, MNC's and production, often associated with Asian low-cost competition, in my view is vastly exaggerated in our context. Still the dominant shares of such flows take place within the OECD area, and for Norway and other European countries, predominantly within the single market, which account for more than 40% of world trade and more than 70% of Norwegian FDI-flows and trade in traditional goods. Manufactured imports from developing countries, mostly the narrow group of Asian NIC-countries, are clearly rising, but so are exports of investment goods the other way, implying that Western Europe has been maintaining solid surpluses in manufacturing trade with developing countries (and post-COMECON countries) over the past decades.

This may change in the future, most likely slowly, but so far this means that the primary challenge for Norwegian working life policies is not the spectre of globalised production, but to remain attractive in the largely regionalised struggle for investment and jobs in the advanced markets for high-cost, high-quality products. With sluggish growth and intensified competition among producers in the industrialised countries, this is a demanding task. In the race for market shares, the temptation for single countries to follow in the Anglo-American path by deregulating labour markets and rolling back the welfare state in order to cut taxes and indirect labour costs is indeed significant. If such a spiral of tax and regime competition is set in motion, creating a Prisoner Dilemma situation, the risk is that each and every government feel compelled to follow, whether they want or not.⁵ If such dynamics gain momentum, and some argue they already have, this will systematically diminish the room for deviating national policies, creating a market-driven convergence of political terms and conditions across industrialised countries – not towards the bottom, but towards the (upper) middle – as perhaps indicated in the changing direction of reform in Norwegian working life policies in recent years. For national politicians and social partners, such a trajectory would, regardless of EU-membership, severely constrain national policies, unless they command superior productivity and competitiveness. The only plausible way to escape such a 'policy-

trap' is, as far as I can see, to influence the common rules of the game through cooperative action.

So far, there is little evidence that the process of market driven harmonisation of welfare and labour regimes has come far in the OECD area or in Western Europe. National and institutional diversity is still striking, but in terms of labour and unit costs convergence is clear, meaning that superior labour standards must be met by higher productivity. Yet, bearing in mind the predictions that the allegedly ineffective and inflexible Nordic labour regimes would come under particular pressure in the EU, a striking observation is that our fellow Nordic countries have been among the best economic and employment performers in the EU in recent years, at the same time as they have maintained and renewed their labour market - and welfare systems. In as far as there is no universal best way of organising labour markets and economic performance becomes more dependent on the provision of human capital, skill, and social infrastructure, there is no reason to expect institutional harmonisation or dismantling of regimes of Nordic kind. A precondition, however, is that they can match international 'best practice' as regards effectiveness and maintain public finances and levels of inflation and labour cost growth compatible with the requirements of international markets and EU-rules. In Norway, the high interest rates and strong petro-currency reinforce such requirements. The growth in export-demand and employment as well as the room for economic stabilisation policies in the Nordic countries, furthermore, are conditioned by the sluggish growth and restrictive economic policies in the euro-zone. Nordic and European trade unions are therefore struggling hard to win political support for a relaxation of the EU Stability Pact and a more expansionary ECB monetary policy.⁶ For Nordic countries that maintain fixed-exchange rate regimes vis-à-vis the euro (as Denmark is currently doing and many are proposing in Norway), or join the euro (as Finland has done and Sweden and Denmark are contemplating), the loss of national interest rate policy as instrument for stabilising the domestic economy means that collective bargaining and fiscal policies will have to carry the brunt of adjustment to shifting economic cycles.⁷

Given the interacting forces of convergence *and* divergence discussed above, the dominant trend among EU countries is not towards Anglo-American LM deregulation, but towards a kind of middle road strategy of 'modernisation' in which the mantra is 'flexicurity', social partnership, cohesion, and maintenance of the European social model. The rationale of the evolving regime of EU labour market policies, based on minimum directives, social dialogue agreements, and the Swedish-stamped employment strategy, is not to replace national regimes but to underpin them by defining the social floor of competition and tackling

issues of genuinely transnational character. As underscored by a leading German professor, Wolfgang Streeck, this does not entail the embryon of a federalist labour regime but is a modest complement to national systems assigned to manage the interfaces between these systems. This characteristic is strengthened by the recent shift towards the so-called open-method of coordination and soft regulation through voluntary agreements, dissemination of best practices, and learning between the member-states in broader areas (e.g. social security).⁸ This does not mean that the dog cannot bite and that employers are entirely happy with it, but neither are trade unions. In contrast to many Nordic unionists who call for a stronger social dimension but deplore the supranational traits of the EU, however, the European Trade Union Federations persistently highlight the latter as a precondition for the former. With regard to their prospects of success, I tend to believe that the process of Eastward enlargement will make this struggle more demanding but also more important, not least from the point of view of protecting the Nordic labour regimes.

The historical magnitude and the economic potentials of the Eastward enlargement of EU and the EEA are indisputable, but one should not underestimate the social challenges of this operation, which might add to the market driven pressures on national labour regimes in the existing EEA/EU countries. Except for the issue of labour mobility, the EEA/EU economy is becoming a laboratory of 'globalisation in one continent', with a sizeable area of low-cost countries with quite well educated labour and immediate access to markets and investment from the richer members of the club. This certainly provides conditions for economic and social progress, but especially for the trade unions it seems to me extremely important to prevent that the eastern part of the single market, where governments are likely to fight hard to entice inward investment, becomes a neo-colonial playground for western companies shopping for the cheapest and most business-friendly conditions for establishing revolving door export-production.⁹ For some employers this may appear as a welcome opportunity to escape from the cost-ridden Norwegian petro-economy, but for workers and trade unions, who will hardly move to the Baltic, this probably represents the most direct and concrete challenge of 'globalisation' since their forefathers rose from poverty during the first phase of globalisation some hundred years ago. The main issue here is, in my view, not so much that increased labour immigration may undermine national labour standards, but the likelihood that Norwegian employers use the threat of moving production to cheaper eastern locations to put Norwegian workers and unions under pressure at home. If so, the main challenge is to help raising standards in the new member-countries.

This task, I assume will appeal to the core values of the Nordic social partners, and unions in particular, calling for solidarity in its original sense, that is, joint action for the sake of common self interests. Such a venture can hardly be resolved by acting on a bilateral, national basis, or by sending EFTA-petitions to the EU, but requires (1) joint efforts to build up proper labour market organisations and institutions in the CEE-countries, and (2) vigorous political pressure within the EU to establish appropriate development support, funds, training and pan-European rules that can prevent exploitation, exclusion and social dumping. Norway is indeed a small actor in this picture, but in alliance with our Nordic fellows I actually do believe that Norwegian actors, not to speak of our oil-fund, could make a useful contribution to mobilise the social, economic and political forces required to make this historical experiment work.

¹ For further reading on related issues by the author, see '[The globalisation challenge: Convergence or divergence of national labour market institutions?](http://www.faf.no/pub/622.htm) (<http://www.faf.no/pub/622.htm>); [European Trade Unions: Coping with Globalisation?](http://www.faf.no/pub/rapp/675/675.htm) (<http://www.faf.no/pub/rapp/675/675.htm>); [Globalisation, Work, and Labour Standards](http://www.odin.dep.no/ud/norsk/handelspolitikk/032121-090005/index-dok000-b-n-a.html) (<http://www.odin.dep.no/ud/norsk/handelspolitikk/032121-090005/index-dok000-b-n-a.html>), [Globalisering og europeisk integrasjon – utfordringer for lønnsdannelsen og kollektivavtalene i de nordiske land](http://www.faf.no/pro/sip-glor.htm) (<http://www.faf.no/pro/sip-glor.htm>).

² With the skewed and changing power-relations between markets and politics, international business and national labour, in contemporary capitalism, the notion of sovereignty provides meagre guidance as to how social and political actors can influence the main drivers of change. The power to influence working life developments is not a given entity, which according to a zero-sum-logic can either be controlled by 'us' or 'them', by capital or labour, or for that sake, by either the big or the small nations within international organisations. In a situation where the scope and conditions for domestic decision-making are contingent on external structures and on flows of events that more and more depend on what the actors of other nationalities do - individually and in common – the national actors' power to shape domestic developments becomes increasingly reliant on their capacity to influence the external determinants of these developments. In such a perspective, the effective power of national actors can actually be increased by sharing power with actors in other countries through mutually binding cooperation. Reflecting the basic insight that power is a relational and dynamic phenomenon, ceding of formal sovereignty by pooling decision-making authority and resources can thus be a necessary means to increase the capacity for self-determination.

³ An ironic example is that after national unions for years had fought in vain for participation rights in Nordic MNC's, the directive on EWC's was adopted the very same day that the Congress of the Norwegian LO (narrowly) voted no to EU-membership and most likely sealed the outcome of the eventual referendum.

⁴ For example, even the most militant unionists in Norwegian manufacturing are well aware that the room for wage increases over time depends on the rate of pay rises, inflation and growth in the main European export markets, and thus on the policies of the ECB, EU governments and the fellow unions.

⁵ Just think of the perplex reactions of Norwegian ministers when they hear that not only consumers but also companies are moving their business to Sweden, where interest rates, company taxes, wages and the exchange rate are perceived as being more favourable than here.

⁶ Also in Norway, the policy of the European Central Bank influences the conditions for monetary policies; there are thus strict limits for how much the Norwegian inflation target and real interest rate can deviate from that of the euro-zone without harming competitiveness and jobs in the mainland sectors exposed to competition.

⁷ This implies that those who rightly argue that a shift to euro would impose stricter constraints on national fiscal policies, should acknowledge that this would also apply if Norway returned to a fixed exchange-rate regime with a weaker Krona (which many of the same actors actually seem to suggest).

⁸ The idea of the open-method-of-coordination is not to impose regulations, but to agree on common targets which the member-states are supposed to fulfill through their own means and through mutual learning and dissemination of best practice. In contrast to the regulatory process, where the EFTA-countries are secured a certain participation, the EFTA-countries are excluded from these processes of policy-learning and formation.

⁹ At the same time one should bear in mind that the EU/EEA countries have run solid trade surpluses with the new member-states and that their attractiveness as investment location is also influenced by the low productivity, fragile institutions and poor infrastructure in most of these countries.