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# **Collective bargaining and labour market flexibility in Norway**

Paper prepared for an ILO project



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ISSN 0804-5135

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# Preface

This paper is part of an ILO project on collective bargaining and flexibility. The flexibility topics discussed are employment contracts, wages, working hours and work organisation, whilst the purpose of the project is to investigate how collective bargaining can be made more instrumental in introducing such flexibility. The paper presents the Norwegian experience. The contents of the paper are partly structured by a check-list set up by the ILO. We have included an introduction where we describe the basic features of industrial relations in Norway. To prevent too much repetition, the topics discussed in Sections 4 and 5 are structured more from a Norwegian perspective. For readers with no direct connection to the project, we have enclosed the project outline and the check-list.

The material in this country report is based on three types of sources. First of all, relevant research into flexibility, industrial relations and relevant aspects of the Norwegian labour market has been collected. We have benefited especially from the contributions in Dølvik and Steen (eds) (1997) where, both national and international experts on industrial relations, flexibility and labour market economy gave their opinions on the functioning of the Norwegian labour market.

Second, previous research and documentation conducted by Fafo colleagues have been drawn upon. A current research project on labour relations and collective agreements, financed by the Norwegian Ministry of Local Government and Labour, has proved especially profitable.

Third, we have had the possibility of discussing the more precise topics in this ILO project with central labour market actors from LO, LO-unions and NHO. In addition, relevant policy documents and reports have been collected. We are grateful for comments from our Fafo-colleagues Lars-Henrik Johansen, Kristine Nergaard and Dag Olberg.

We have received grants from ILO, The Confederation of Norwegian Business and Industry (NHO), Norwegian Confederation of Trade Unions (LO) and The Norwegian Ministry of Local Government and Labour.

In making this paper more accessible after it was hastily submitted to the ILO-project in early September 1997, we have included a short postscript with updates on two of the aspects in the discussion. First of all, the political situation in Norway following the General Election in September 1997 needs some comments. Second, the trade union structure in Norway has recently become more complex following the founding of a fourth trade union confederation.

# Introduction

As a necessary background to discussing flexibility and collective bargaining in Norway, this section gives a brief account of the historical development of industrial relations and the labour market parties.<sup>1</sup> We then follow the topics singled out by the ILO, namely flexibility in employment contracts, wages, working time and work organisation. In addition, we try to provide a background to current developments or, in many instances, the lack of development.

The main focus of the rest of this paper will be on the private sector, especially on the LO-NHO area. It can be argued that the expansion of both the public and the private service sectors makes concentrating on the traditional manufacturing sector less relevant. Nevertheless, collective bargaining in Norway seems to have maintained a position where the “responsible” rate of wage growth is determined by the growth of world market prices and productivity in the industrial sectors exposed to world market competition. In addition, collective agreements covering manufacturing are often subject to “key bargaining”, i.e. bargaining affecting larger parts of the labour market. We will nevertheless give an account of the organisations and major labour market changes in the public and the private service sectors as well.

## Historical background

The main features of the Norwegian system of industrial relations were shaped on the eve of this century as well as in the immediate pre- and post-war era. After a turbulent period of economic crisis, mass unemployment and industrial conflict in the early 1930s, a co-operative system of industrial relations gradually became institutionalised after the first Basic Agreement was signed by N.A.F. and LO in 1935. The same year a crisis pact between the Labour Party and the Agrarian Party enabled organised labour to take part in government. This coalition cut across the borders between labour, small farmers and fishermen, between the centre, the periphery and the nation-state, and has since become a persistent feature of the political configuration in which Norwegian industrial relations have been embedded (Rokkan 1967).

The underlying fact that Norway is a small, open economy is reflected in the institutional structures of the labour market. One such structure is a pattern developed in the 1950s in which a “responsible” rate of wage growth is to be determined by the situation in the industrial sectors exposed to world market competition. This means that in bargaining rounds at industrial level the export-based iron- and metalworkers usually set the pattern for subsequent arrangements. This pattern is still very much present in the negotiation system. During the 1990s Norway developed a “solidarity alternative” policy to strengthen centralised bargaining and maintain egalitarian goals, placing Norway near the top in corporatist or centralised wage-setting arrangements among industrial countries (for a comparative overview, see Traxler 1997).

The contingent nature of Labour party hegemony has contributed to shaping power relations between capital, labour and the state. Since 1961 Labour have never been in majority, but have relied on parliamentary support from the political centre and the socialist left, enhancing co-operation and compromising in politics as well as in industrial relations. In the periods 1966–1971, 1982–1986 and 1989–1990, conservative or liberal/conservative coalitions were in government. The first and the last of these three periods marked no dramatic change in industrial relations and labour market policy. The second period, however, was characterised by substantial policy shifts and a strong recovery in the Norwegian economy followed by dramatic economic swings. The conservative/liberal government implemented extensive deregulation of the

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<sup>1</sup> This section draws heavily on Dølvik et al. (1997) and Dølvik and Stokke (1997).



credit and housing markets which lead to an extraordinary growth in credit-financed private consumption, in the service sectors as well as in employment levels. In 1986, prompted by falling oil-prices and external imbalances, the bonanza collapsed. Aggravated by large-scale industrial conflict and a breakdown in the government, a turn-around in economic policy and bargaining policies was initiated.

The incoming Labour government devalued and introduced a hard-currency regime, subsequently underpinned by austerity policies and high interest rates. At the same time the two sides of industry played a key role in securing wage moderation, followed up by wage laws, making excessive pay increases unlawful in 1988 and 1989.

The turn-around was successful in redressing the external imbalances and reducing inflation, but the side-effects were domestic recession and a severe debt-crisis for many households. Whereas unemployment in the post-war period was almost negligible until the mid-1970s and grew only slowly in the early 1980s, unemployment soared dramatically from 1988. Within a few years employment fell by 6 per cent and the share of the labour force out of ordinary work mounted to nearly 9 per cent, including 3 per cent in active labour market schemes (Rødseth 1997). To combat unemployment a more expansionary policy was introduced in the early 1990s, accompanied by active labour market policies and an expansion of higher education. In response to the finance market turbulence in 1992 the Norwegian currency was de-pegged from the ECU, leading to falling interest rates. From 1993 the domestic economy recovered, exports increased and the Norwegian economy entered a phase of accelerating growth in production and employment. Open unemployment has gradually been brought down to around 4 per cent.

A crucial precondition for the shift in the regime in the late 1980s was the active participation of labour and capital. The process started in 1988 when a moderate settlement between N.A.F. (NHO) and LO was transformed into a wage law covering the whole labour market. This was repeated in 1989. Both bargaining rounds concentrated on keeping centrally agreed wage increases to a minimum while restricting wage drift. The bargaining rounds in 1990–1993 were also highly centralised, and focused on pay. Wage laws were not used, but compulsory arbitration was used on certain occasions to keep laggards from exploiting the collective good. In 1992, the co-operative efforts between labour, employers and the state were formalised in the official “National strategy for increased employment in the 1990s”, labelled the “solidarity alternative”.

## Labour market organisations

The Norwegian labour market totalled 2,14 million people in 1996, of which 1,95 million were wage earners (Ukens statistikk 7/97). The number of wage earners has increased by 8 per cent since 1990. Public sector employees make up between 35 and 40 per cent of the work force, depending on the method of measurement.

### Employers' organisations

While private sector employers in Norway are represented by more than 50 small and large associations, the Confederation of Norwegian Business and Industry (NHO), is the only employers' *confederation* in the private sector. NHO is a product of a merger in 1989 between N.A.F. and two industry and crafts associations. In 1996 NHO comprised more than 13 500 firms with approximately 430 000 employees. The firms are members of both the NHO and one of the 28 branch associations which combine the roles of employers' associations and industrial interest organisations. NHO exercises strong central authority over affiliated associations as to bargaining strategies, industrial action and the conclusion of collective agreements. Both manufacturing, construction, craft trades and the service sector are defined as recruitment areas for NHO, but the confederation has its strongest hold in manufacturing. Membership density increases rapidly with the size of the firm. Density is especially high in chemical and metal manufacturing. Measured as a proportion of employment the density is approximately 70 per cent in manufacturing as a whole (Stokke 1996b).

The second major employers' organisation in the private sector is the HSH (The Federation of Norwegian Commercial and Service Enterprises) which had approximately 7000 member firms with between 100 000 and 150 000 employees in 1996. In addition, there are significant employers' organisations for

financial services, insurance, private health and social work, agriculture and the co-operative movement. In the 1990s, organised enterprises in total covered about 55 per cent of private sector employment (Stokke 1996a).

In the public sector, there are separate employers' organisations for state and local government.<sup>2</sup> The government is formally the employer in the state sector. The Ministry of Labour and Government Administration is responsible for the main negotiation rounds, covering roughly 250,000 employees. The Norwegian Association of Local Authorities (KS) covers the local public sector. The main negotiations in the municipal sector covered roughly 300 000 employees in 1991/1992<sup>3</sup>. Since 1964 both the state and the local government sectors have used the same salary scale, although actual pay for specific occupations may vary somewhat. The main bargaining rounds for the local government sector are regulated by the Labour Dispute Act, whereas bargaining in the state sector is regulated by the Public Service Dispute Act. In the state sector agreements are settled with bargaining cartels of unions from the three union confederations and an independent teachers' union. The central interlocutors with KS are also bargaining cartels of unions from the main confederations LO, YS and AF. Individual unions may nevertheless in principle be entitled to bargain independently.

Summing up, the structure of the employers' organisation in Norway is marked by a high degree of centralised power and fairly high density rates. Clear demarcations of bargaining areas moderate rivalry and competition, even though some tension exists both inside and between private and public sectors. Nevertheless, the dominant role of private manufacturing associations co-ordinating their policies under the auspices of NHO has contributed to the institutionalisation of an encompassing bargaining structure based on a relationship of high-levels of mutual trust, especially with the LO and its unions. The NHO is still both willing and able to play a dominant role in collective bargaining and has not (yet) experienced severe signs of internal tension between traditional manufacturing and other parts of private sector.

### Trade unions

Trade union density has stabilised around 56–57 per cent since 1980. This is lower than in other Nordic countries, partly reflecting the fact that unemployment insurance in Norway is organised by the state and not by the unions.

LO is still the dominant union force in Norway due both to its traditional hegemony among blue-collar workers in core manufacturing industries and to its organisation of a substantial part of employees in the public sector. Roughly 54 per cent of unionised workers in the labour force were members of LO-affiliated unions in 1994. LO consists of 28 different unions with a total membership of 800,000 of whom about 73 per cent are occupationally active (Stokke 1995). Approximately 55 per cent of the active LO members are located in the private sector, but the proportion of membership in public sector is steadily increasing. In addition, a growing share of LO's members are women.

Industrial unionism has been the main organising principle of the LO-unions in the private sector since the 1920s. Tension between unskilled and skilled workers has thus never been an important factor. Industrial unionism is the main principle in the local government sector too, whereas the LO-unions in the state sector also reflect how the central government is divided into different departments. Recently, LO initiated a process of cartelisation. The unions in the state and the local government sectors are already organised more or less as cartels, so the main changes will be a grouping of private sector unions into two cartels: One for manufacturing and one for the service sector.

The two other confederations, the Federation of Norwegian Professional Associations (AF) and the Confederation of Vocational Organisations (YS) were both established in the late 1970s. Confederations and independent unions had been forerunners for these two new entries. In 1995, the 36 unions in AF organised almost 250,000 members, while YS consisted of 18 unions with 215,000 members.<sup>4</sup> About two-thirds of the active members of both AF and YS are employed in the public sector. Whereas AF mainly recruits graduates

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<sup>2</sup> In addition, a new employers' organisation (NAVO) for semi-autonomous state enterprises was founded in 1993.

<sup>3</sup> Source: Nergaard (1993:142). The figure includes Oslo Municipality which conducts its own bargaining.

<sup>4</sup> Roughly 77 per cent of AF's members are occupationally active as wage-earners. The corresponding figure for YS is 84 per cent. Source: Stokke (1995) and statistics delivered by the confederations.

and well-educated professionals, the membership base of YS is in female dominated, semi-skilled occupations with low and medium range wages in the public sector. In addition, YS-unions dominate in banking and insurance. LO and AF mainly organise different segments of the labour market, one reason why LO and AF could sign a collaboration agreement in 1993 covering industrial policies, protection of employee rights, research and education, equal rights and family issues. Collective bargaining was kept outside. By contrast, the boundaries between LO and YS in the public and large parts of the private sector are blurred, often leading to competition and rivalry. Moreover, YS actively opposes the strong traditional links between LO and the Labour Party.<sup>5</sup>

A substantial but decreasing number of unions are not members of any confederation. The most important ones of these organise teachers, journalists, shipmasters and mates and employees in aviation. The majority of the many independent unions have less than 5 000 members. The largest independent union, the teachers' union, has a collaboration agreement with LO and often co-ordinates collective bargaining demands with LO-unions. Nevertheless, the fragmentation on the union side is much larger in Norway than in Sweden and somewhat larger than in Denmark (Fennefoss and Stokke 1991).

Although union density in Norway has been relatively stable during the whole post-war period, swinging between 50 and 57 per cent, LO's share has fallen steadily. Table 1 shows how YS and AF have gained shares at the expense of LO.

Table 1: Total union density and density by confederation from 1960 to 1994

Year	Total	LO	YS	AF	Independent
1960	52	41			11
1970	50	38			13
1980	55	37	5	5	8
1990	56	33	9	9	5
1994	56	30	10	10	6

Note: YS and AF were both formed in the late 1970s. Earlier confederations outside LO are grouped together with independent unions. Sources: Fennefoss (1988), Stokke (1995).

Despite the decline in relative membership, LO-unions are still largest in both the private, state and local government sectors, and are able to dominate the bargaining rounds. LO has both formally and in practice strong central authority with a decisive role in determining the unions' policy on collective bargaining and industrial action. Close collaboration and consultation on most policy areas between LO and the Labour Party have continued in Norway. This privileged access to the decision making centres of the party in power has bolstered LO's power and been an important prerequisite for the maintenance of centralised collective bargaining and economic policy concentration. The central role of LO has, however, been increasingly questioned by unions and political forces kept on the fringes of these corporatist networks.

Strong central power in Norway is combined with significantly decentralised trade union functions: Local bargaining at company level is an integrated part of the negotiating system; re-negotiated collective agreements usually have to be approved in a ballot of union members covered by the agreement, and local unions play an important role in co-determination as well as in health and safety work at company level.

Union density varies considerably between sectors and industries, with the trade and hotels and restaurants sectors at the bottom with 22–24 per cent and the state sector at the top with 85 per cent (table 2).

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<sup>5</sup> See the postscript for an update.

Table 2: Union density by industry and sector (1995)

Sector/Industry:		Density	Recruitable number of employees
All		57	1 840 000
Public sector		79	697 000
Of which:	Municipal sector	78	499 000
	State sector	85	197 000
Private sector		44	1 142 000
Of which:	Production of goods	58	406 000
	Private service	36	706 000
Industrial examples:	Banking and insurance	78	
	Manufacturing	62	
	Private transport	48	
	Construction	48	
	Hotels and restaurants	24	
	Retail trade	23	
	Wholesale trade	22	

Source: Nergaard (1996)

# 1 The types of flexibility introduced

## 1.1 Structural flexibility at the macro level

The Norwegian labour market is characterised by relatively strict regulations of labour standards and by an egalitarian wage structure. Despite this the labour market seems to be quite adaptive and flexible. Norway deviates from other Western European countries in so far as it is able to combine a narrow wage structure with low unemployment and a high rate of employment. In an environment with strong trade unions and high employment, wage growth has been reduced and inflation has been brought down over the past decade, suggesting that the so called equilibrium rate of employment is among the lowest in Europe (Dølvik 1997: 7). Labour supply seems to be more responsive to fluctuations in demand than it is in most other countries, suggesting that welfare institutions surrounding the labour market do not necessarily distort incentives. Monthly flows into and out of employment are considerably above the average for countries with protected internal labour markets, such as Japan, Italy, France or Spain. The numbers are, however, lower than in countries with little dismissal protection, such as the USA (OECD Employment Outlook 1995, cited in Bosch 1997:216). Noteworthy of the labour market during the recession in the late 1980s is the fact that the recession not only led to increased unemployment but also to a substantial reduction in the labour market participation rate. The reverse happened during the recovery in the 1990s. The part of the population between 16 and 74 years of age outside the labour force increased from 45 per cent to 49 per cent between 1985 to 1992, and decreased to 44 per cent in 1995 (Dølvik et al. 1997: 60)

It has been argued that the relatively equal wage level, not only among blue-collar workers but also between blue- and white-collar workers, seems to enhance mobility which is further enhanced by a universal health insurance and pension system with benefits that are not tied to a collective agreement or an individual contract of employment. Bosch (1997: 212) states that narrow income differences might facilitate inter-company mobility since workers changing employer are unlikely to face a significant pay cut. He also argues that the narrowing of the social gap between various categories of employees may improve co-operation based on trust and motivation. The gross job relocation rate in manufacturing industry was 16.8 per cent in the years from 1977 to 1992 (Dølvik et al. 1997:59). As an additional element, the Norwegian “passion for equality” has been used as a label for explaining developments that seem to contradict conventional economic theory concerning income differentials, dismissal protection etc. (Bosch 1997). Disagreement does exist, but this difficult to explain political or cultural factor, combined with a well established tradition of negotiations about certain labour market issues, structures the options in and conduct of collective bargaining in significant ways.

As a conclusion one could say that a main source of flexibility in the Norwegian labour market is the structural flexibility at the macro level. The anatomy of flexibility arrangements, including the so-called “solidarity alternative”, will be examined below. In line with this and contrary to developments in many other industrialised countries, the economic crisis in Norway in the late 1980s and early 1990s was met not with *decentralisation* and *deregulation* but with *recentralisation* and *reregulation*. The highly centralised bargaining rounds from 1988 to 1993 had a narrow focus, namely to keep wage growth under control. Flexibility issues, which could be expected to form a natural part of the negotiations, for example pay decentralisation and working time arrangements, were left aside.

With the recovery of the economy and the fall in unemployment, the situation is changing. Still, the debate on flexibility and collective bargaining has just started. There are basically three rationales for flexibility currently debated in Norway:

- improve productivity and competitiveness
- counteract shortage of labour

- increase personal choice

The first reason fits into a long tradition in which Norway as a small open economy needs to enhance competitiveness by amongst other things creating a highly productive and competitive workforce. The new emphasis on training and education is a part of this tradition. The second rationale is more temporary and contrasts the domestic and continental Europe debate of a decade ago. The last point is to some extent a new agenda in Norway raised by the trade union movement.

## 1.2 Flexibility in employment contracts

The Worker Protection and Working Environment Act of 1977 regulates the type and scope of individual employment contracts including trial periods and redundancies and dismissals. After a revision of the labour code in conjunction with Norway entering the European Economic Agreement, written contracts of employment are now obligatory. Workers laid off temporarily may receive unemployment benefits for up to 52 weeks. The relatively generous support for temporary lay-offs reduces the risks incurred by employers when they make permanent appointments. Hence, it can be seen as the counterpart to the restrictions on the use of fixed-term contract.

In terms of strictness of employment protection legislation, Norway lies roughly midway between deregulated labour markets and highly regulated markets. Redundancies for economic reasons are accepted if no other suitable work can be offered in the enterprise. In order to terminate indefinite contracts, employers have to give notice between 1 (less than 5 years service) and 6 months (for workers over 60 years old with more than 10 years service) in advance. In selecting candidates for dismissal, an agreement based principle of seniority is the accepted method for workers with the same qualifications and skill level. Severance pay is *not* regulated through legislation. Instead, an agreement between LO and NHO dating from 1966 regulates this for workers 50 years of age or older.

### Part-time work

In principle there are no strict differences in the rights and obligations concerning part-time and full-time workers. Part-timers have the same rights to join unions and take part in industrial actions as do full-timers, and there are no separate regulations on part-time work in Norway. Most pension schemes treat part-time workers as full-time workers in the sense that the amount saved is calculated as a percentage of the gross earnings. However, a lower limit which must be exceeded, may exist.

About 27 per cent of the Norwegian work force are part-timers (working less than 30 hours a week). Among reporting OECD countries, only in the Netherlands do more employees work part-time (Freeman 1997: 27). The level seems to have stabilised, and it is argued that part-time work became “normalised” in the 1980s in the sense that the majority of part-time workers have work contracts and work conditions that are fairly similar to those of full-time workers (Ellingsæter and Rubery 1997:113). Of all employed women, 48 per cent work part-time.

Part-time work has undoubtedly been used as a means of flexibility for many individuals, in particular women with children. In the health-care sector part-time work has been particularly common. Employer strategies towards part-time work are nevertheless varied. In the hotel and catering industry the use of full-time permanent employees has been reduced from 42 per cent of all employees in 1986 to 30 per cent in 1996. Here, a tendency to prefer part-time and hourly remunerated workers to the full-time monthly remunerated has been evident. This is especially valid for female workers, resulting in an increased wage difference based on gender (Næringslivets Ukeavis, 18.4.1997). This tendency is not seen in manufacturing, where only 15 per cent were employed on a part-time basis in 1995 (NHO 1995b).

### Temporary work

The use of temporary or fixed-term contracts has been made more difficult in recent years in order to limit the polarisation in the labour market between permanent and temporary employees. The use of temporary

workers is regulated in the Worker Protection Act. The regulation was tightened from February 1995. Temporary employment is today only allowed:

- if it is a temporary type of work and is separated from “ordinary” work in the company
- for work training (apprentices)
- if the employee is a substitute
- in extraordinary work in connection with labour market policy programmes
- for senior management

It was the addition of the condition “separated from 'ordinary' work in the company” which caused most debate. The amendment was not included in the Labour government’s original proposition.

A survey undertaken by Statistics Norway and Fafo in the spring of 1995 found that 14 per cent of employees were temporarily employed, or approximately 250 000 out of a total number of 1 840 000 wage-earners. Temporary contracts were most common in the public sector and of less importance in the private manufacturing industry. Among workers under 30 years of age, 38 per cent were temporarily employed.

Compared with a 1989 survey, the level seems to have been relatively stable. Of the temporary employed, one third were replacing employees on leave and 11 per cent were on labour market policy programmes or in a work training situation. The rest did either “non-ordinary” work, or could not be grouped in any of the above listed categories. The report concluded that it was hard to say whether the legal conditions for allowing temporary employment had been met for approximately 30 to 40 per cent of the temporary employed (Nergaard and Stokke 1996).

The Fafo survey was undertaken shortly after the changes in the labour code in 1995. The long-term effects of these changes have yet to be documented, but a new survey conducted by Statistics Norway in the spring of 1996 showed the same level of temporary contracts – 13 per cent or 250 000 employees (Ukens statistikk 24/97).

### **Temporary help services**

The use of temporary workers through private temporary help agencies is regulated in the Employment Act of 1947. In general it is illegal if:

- the enterprise hiring the worker operates as a manager for the worker
- the nature of the work is an integrated part of the enterprise’s normal operations
- the enterprise has employees capable of doing the type of work in question

A general exception was granted in 1971 for clerical, accounting, retail, cantina and storage work. The trend since then has been increased use within these occupations and a tendency to use wider definitions of these occupations. In June 1997 the Minister of Local Authorities and Labour took actions to move to more narrow set of definitions, indicating that clerical work does not include computer engineering etc. In 1996 170 temporary help services were registered at the Ministry of Labour, approximately the same as in 1988. Yet in 1994 there were only 95 agencies, indicating significant variations over the business cycle (Olsen 1997:23).

The largest temporary help services are members of a trade organisation called Autoriserte Vikarbyråers Forening, covering around 90 per cent of the market. Based on figures from this organisation Olsen (1997:24) estimates the total activity of work through temporary help services at 9000 man-years or 0.5 per cent of all work in Norway. Although this figure might seem low, it is noticeable that the amount has doubled compared to both 1988 and 1994. Several have argued that there is a connection between the extension of leave provisions for permanent staff and the demand for temporary help services. Given the further proposals by unions to extend leave provisions this trend might continue.

It has been quite common, for example in shipyards, to hire temporary workers from other enterprises within the same industry. This is legal as long as the enterprises the worker is hired from also runs its own production. In 1996 the large shipyards on the west coast experienced severe shortages of skilled workers and hired up to 25 per cent of their manpower (Næringslivets Ukeavis, 2.5.1997). It is difficult to estimate the total amount of work hired from other enterprises within the industry. Olsen (1997:39) finds that 10 000

workers were covered by general exceptions from the Employment Act on this basis in January 1997, whereas 12 500 workers were covered by specific (limited) exceptions through 1996. It is not possible to estimate how much work was actually conducted.

### **Distance work**

In several enterprises the opportunity for working at home or so-called distance working is being developed. This is done through individual agreements with each employee. The legal implications of working at home are not yet fully developed. Traditionally, work at home has not been covered by the Workers Protection Act. A debate is emerging whether this has to be reconsidered. One main question is whether the employee should be entitled to get a workstation in line with the standards and regulation valid for the workplace. Another question is to what extent work-related insurance should cover a person working in his or her home. The LO-affiliated Commercial and Clerical Workers Union has called for these issues to be included in the 1998 collective bargaining round. It is assumed that distance work is not a widespread phenomenon in Norway, although there are no reliable time-series (NHO 1995b).

## **1.3 Flexibility in remuneration**

Remuneration is basically a question left to the individuals and organisations in the labour market to handle. Only some legal obligations concerning minimum overtime payment and holiday allowance exist in the labour code. These are given as percentages of ordinary salary. In other words, Norway has no legal minimum wage. Furthermore, no '*erga omnes*' procedures for the extension of collective agreements are applied in Norwegian labour relations. Remuneration is left to the parties, or to individual contracts and unilateral action if collective agreements do not apply.

In Norway all types of remuneration are taxed equally according to wage income. This has reduced the desire and incentives for non-wage arrangements. Such arrangements are therefore not an important part of remuneration in most sectors. The only exceptions are a limited number of senior managers who are offered shares as part of their "pay pack".

### **Collective bargaining**

The collective agreements in different sectors set what could be regarded as the minimum wage. Employers are bound to apply the terms of a binding relevant collective agreement also to their unorganised employees. Employers who are *not* bound by any collective agreement are generally *assumed* to apply the terms defined by the appropriate settlement at least to the basic wage level. Little is actually known about wage setting in companies not covered by a collective agreement, but studies have shown that the union/non-union wage gap is not very high in the private sector in Norway (Mastekaasa 1992).

Since 1964 the *duration* of collective agreements in Norway, both in the private and public sectors, has been two years. During the biannual main bargaining rounds, all aspects of a collective agreement is open to revision. If the negotiations in the private sector are conducted at industry level, the union in LO and the employers' branch organisation in NHO bargain over each single collective agreement. If the inter-sectoral level is applied, the bargaining takes place between the peak organisations and cover more general topics. In addition, combinations of inter-sectoral and industry level bargaining have taken place. The intermediate or mid-term bargaining rounds are always centrally co-ordinated, and the parties focus on pay. An additional difference of importance is the procedure for ratification: In a main bargaining round the results are usually voted over in a ballot among all union members covered by the collective agreements, whereas the results of the intermediate bargaining rounds are decided upon in LO's General Council.

The intermediate or mid-term bargaining rounds could be labelled wage indexation. Nevertheless, flexibility has been introduced in these negotiations. Up to 1975 such indexation was usually coupled to the growth of the cost of living. Since then additional economic factors have been included in these bargaining rounds. The current factors to be taken into account in the mid-term bargaining rounds, are: The general economic situation at the time of negotiating, the economic outlook for the coming year and the development in wages and prices in the previous year. This more flexible basis for mid-term bargaining rounds has actually



resulted in the cancelling of negotiations in certain years (1985, 1987), or in moderate wage increases coupled with social reforms (the 1990s).

The second most important type of wage protection provisions are the low-wage guarantees between LO and NHO introduced in the 1980 bargaining round. These guarantees secured the upward levelling of wages across sectors through specific pay increases for groups earning less than 85 per cent of the average in manufacturing. The guarantees were co-financed by the employees and affected employers. In the following years, N.A.F. (NHO's forerunner) pledged deregulation and market-based wage-formation and hence tried to get rid of the low-wage guarantees. This eventually led to a major conflict in the 1986 pay-round. Most of the low-wage guarantees have since been maintained at the sector level, securing upward levelling for groups earning less than 85 per cent of the average in the sector.

### **Youth wages**

In connection with the reform of the upper secondary education system the wage level for apprentices was reduced from about 70–80 per cent to about 50 per cent of those of a skilled worker. This was accepted by the unions in return for a major increase in the number of apprentices. The government has also adopted a so-called youth guarantee for people under 20 years of age, promising everyone either education, training or a work-experience job. In 1995 this was extended to all young people under 25 who had been registered as unemployed for more than 6 months. The work-experience jobs, which can be in private or public enterprises, are paid less than the minimum wage agreed upon in different collective agreements. The unions have also accepted this, given that the young people in work-experience jobs also receive some sort of formal training. The guarantee together with the reforms in the upper secondary education system have reduced unemployment among young people considerably. In August 1997 only 5000 people under 20 years of age and 20 000 under 25 years of age were registered as unemployed.

To sum up one can argue that the unions have accepted some wage flexibility among young people in return for increased training opportunities. This has, however, been done without directly attacking agreed minimum wages, which would have been a much more sensitive issue. In addition, many collective agreements include separate wages for young and/or untrained workers. There is nevertheless an additional “unregulated” job market in the service sector, attracting many young workers. In parts of this market the real average wage level is below the minimum level guaranteed by collective agreements.

### **Performance pay**

Performance appraisals and individual award systems seem less common in Norway than in countries like Britain or Germany. Judged on the basis of surveys, 10–15 per cent of private sector employees claim to receive some kind of performance-related pay in addition to or instead of fixed pay. Surveys among employers show a significantly higher level. Between 40 and 50 per cent of medium-sized or large NHO-companies claim to have some sort of performance-related pay. An increase in bonuses has also been reported in the retail trade. Nergaard and Pape (1997) judge the somewhat contradicting results as being partly caused by confusion over what can be regarded as performance-related pay, and partly by differences in survey methods (including sampling and level of investigation). There is on the whole no clear trend towards a significant increase in performance-related pay *substituting* other systems of remuneration. This corresponds with the discussion in Langeland (1995).

Many collective agreements in manufacturing leave it as an option for the local bargaining partners to agree on piecework. Since the 1970s piecework has decreased significantly as a wage system (Langeland 1995, Nergaard and Pape 1997).

### **Benefits for the unemployed**

The Norwegian government runs an active labour market policy programme. The effects of these programmes are debated, but OECD-studies suggest they have helped reduce long-term unemployment (Dølvik et. al. 1997: 59) The unemployment benefits financed by the public social security system have an average gross compensation rate of 65 per cent with a maximum duration of 3.5 years. Arneberg (1996: 22) argues that the average gross compensation rates for the unemployed in general do not lead to any significant voluntary unemployment or so called “welfare traps”.

## **Overall developments**

The Norwegian wage bargaining system is still highly centralised. Following the introduction of the “four criteria” in local bargaining – the financial standing of the enterprise, productivity gains, competitiveness and the future prospects, wage drift seems to be under tighter control than in previous decades. There are signs of development towards various forms of performance pay, especially bonuses, but there is currently a lack of reliable data.

## **1.4 Working hours**

The interplay between labour law and collective agreements concerning working hours is complex, and varies considerably depending on industry and status. The Workers Protection Act sets the working week at 40 hours, and regulates the working day and overtime. The last major amendment to the Workers Protection Act, in 1994, led to some simplifications but did not alter the legal regulations for working hours in any considerable way. The last time working hours were a major subject in collective bargaining was in 1986. Organised employers and unions in the metal industry concluded an agreement that reduced the standard working week from 40 to 37.5 hours. The centralised collective bargaining system made it possible to extend this to the rest of the economy. As a result, Norway now has one of the shortest general standard working weeks in the world.

Norwegian employers demanded that work time should be made more flexible in return for the working week reduction in 1986. They proposed that working time should be adjusted more closely to demand by distributing it more flexibly over the entire duration of the standard working day, which under the provision of the Workers Protection Act starts at 6 a.m. and ends at 9 p. m. (indirectly defined by rules concerning night work). In manufacturing for example, normal working hours had hitherto been from 7 a.m. to 5 p.m. It was left to local negotiations to make work time more flexible. Later surveys have shown that 90 per cent of management proposals for more flexible work time in large parts of manufacturing industry came to nothing (Karlsen 1989). All that was agreed was a more flexible system for organising breaks in order to improve machine utilisation times.

A survey by NHO among its member enterprises showed that 13 per cent of blue-collar workers and 6 per cent of white-collar workers had shift-work or other types of variable working week (Karlsen 1997: 16). On a national basis, 16 per cent of all employees reported doing shift work (Ukens statistikk 24/97). Percentages are especially high in hotels and restaurants, health and social work, transport and activities related to oil and gas extraction.

In the public sector flexibility has very much remained an issue for the nation-wide negotiations and has not been left to local negotiations to the same extent as in the private sector. Nevertheless, flexibility, especially in the municipal sector, can be reached by combining full-time and part-time staff.

Some flexible arrangements in working hours are responses to the welfare demands of the workers. In the public sector and in banking, for example, employees work shorter hours in summer than in winter. Shorter working hours are regarded by many as an important welfare benefit in itself. According to the last living condition study in 1995, 17 per cent of employees would prefer a shorter working week with some reduction in pay (Karlsen 1997: 18). Arrangements for working hours have been widely debated, but changes are still few. This will be dealt with later on in the paper.

## **Annualisation**

The Workers Protection Act provides for the annualisation of working hours within certain limits, and the employers especially have raised this issue. There are some examples of annualisation or greater flexibility over a longer period of time. In exchange employees are offered attractive options such as blocks of time off and more individual control over working hours. Judging from surveys conducted by NHO among member firms, this trend applies especially to white-collar workers (NHO 1995b:27). Another tendency is that enterprises check actual attendance at work less and have rather turned their attention to monitoring the outcome and how functions are performed (Bosch 1997: 231).

## **Work sharing**

The tendency over the last few decades has been towards shorter working hours and more people working. One might say that in practice work has been shared. Job-sharing and reduced working time as a strategy to combat unemployment have however traditionally been rejected by the main social actors and also by the Labour government (September 1997). With the present shortage of key personnel in several sectors, including health care, education, construction and among skilled manufacturing workers, the issue of work-sharing has moved even further down the agenda.

## **Overtime**

The Workers Protection Act regulates overtime by stating that the working hours is 8 hours long and the work week 40 hours. Additional work is to be regarded as overtime. A working day cannot exceed 14 hours and maximum overtime is set at 10 hours per week, 25 hours over four weeks and 200 hours per year. Overtime shall be compensated for by extra pay, in the Act set at least at 40 per cent. The Act can permit additional overtime if it is agreed upon with a union or if the Local Labour Inspectorate gives permission. In addition to the regulations in the Act, there are often regulations in collective agreements.

The use of overtime has increased steadily in the last 10–15 years. Bosch (1997: 231) describes this as a result of “just-in-time” production and relatively inflexible working hours arrangements, making overtime the buffer in the system. Estimates of the amount of overtime worked vary with definition and sample, but the latest survey among full-time employees shows that overtime in 1996 amounted to 74 000 man-years or 6 per cent of all work in Norway. Of this, 56 per cent was paid for, 25 per cent was not paid for and 19 per cent was compensated for by taking time off. In 1993, 6.3 per cent of Norwegians had a second job (Freeman 1997: 27).

## **Leave provisions**

Norwegian labour supply appears flexible in comparison internationally, suggesting that alternative income sources and the expansion of the education system have enhanced adjustment and smoothed the flow in and out of the labour market in accordance with cyclical swings.

During the recession in the late 1980s the authorities increased the capacity in both vocational and higher education. An estimated 200 000 additional students entered or remained in the education system during this period, equal to 10 per cent of the labour force. The number of student places in higher education was expanded by 60 per cent (Dølvik et al. 1997: 60). A number of companies both in the private and public sectors designed educational leave schemes for their employees in order to temporarily reduce staff.

Other arrangements that developed were parental leave, offering parents a combined 42 weeks leave with full pay or 52 weeks leave with 80 per cent pay. Four weeks of the parental leave period are reserved for the father. The mother must use three weeks of the parental leave period before her confinement. A worker can choose more flexible leave, since it is possible to combine parental leave with reduced hours of work. The period of flexible leave must, however, be at least 12 weeks, and cannot exceed 2 years. An agreement between the worker and the employer is required. Among the unions and in the present Labour Government there is a desire to further increase the flexibility of paternity leave.

For employers the extensive schemes of temporary and partial leave for welfare reasons create staff adjustments as well as a continuous need for substitutes and the rotation of manpower. This might on the one hand enhance flexibility in labour market participation. It can on the other hand pose challenges for personnel planning. According to the employers these schemes reinforce the need for a flexible labour supply, including more liberal regulations on the use of temporary employment and private temporary help agencies.

## **Flexible retirement age**

The National Insurance Scheme provides retirement pensions for all persons who have reached the age of 67. A supplementary pension is paid to those who have been employed and accumulated pension entitlement points. An agreement-based pension (AFP) is applicable to workers between the age of 62 and 67, and is included in most private sector collective agreements and all public sector agreements. The pension under the AFP arrangement corresponds with the pension received from the National Insurance Scheme for those who have worked until the age of 67. The AFP was introduced in 1988 by LO and NHO with state support.

## 1.5 Job demarcations, externalisation etc.

Developments here are evolutionary rather than revolutionary. Conflicts between occupations are for example not an important feature of Norway's working life. The lack of specific personnel groups in the public sector does, however, trigger debates on substitution from time to time. Certain conflicts in the health service, especially between nurses and auxiliary nurses, exist. In addition, both elevator electricians and harbour personnel have succeeded in reducing employers' wish for more flexible job definitions. In the printing industry a similar dispute exists.

There is a lack of research concerning trends in functional flexibility in Norway. Company strategies are still judged to be less aggressive and more oriented towards agreed changes than in other countries. Some of the reasons for this might be found in the system of local participation in productivity work and the unions' endorsement of this.

An additional major problem in judging trends in flexibility is the rapid employment growth during the last 3–4 years. There has been an increase in both overtime use, temporary help agencies and out-sourcing. Olsen (1997) finds most support for a business cycle-trend in explaining the increase in temporary help agencies. Yet there are also indications that the use of temporary help agencies might be replacing overtime use, at least in certain occupations.

On the other hand, Nesheim (1997) argues that a more structural shift is taking place concerning out-sourcing, and that the restrictions imposed on the use of temporary work in 1995 has not lead to an increased use of permanent employment but rather an increase in the use of temporary help agencies, hired employees and out-sourcing.

### Vocational standardisation

In 1994 the upper secondary and vocational training system was reformed. The state undertook to offer every young person a course of education at upper secondary level, of which one third of each age cohort was to be offered an apprenticeship. The reform was intended to reduce the traditionally high degree of specialisation that obstructed labour market mobility and made different parts of the education and training system less interchangeable. In addition, the reform introduced new courses in cleaning, social work and health care. Regarding multiskilling both the above mentioned reform of apprenticeship, collective agreements and practice agreed at shop floor level have in many cases lead to individual workers being given a wider range of tasks and responsibilities.

### Out-sourcing

According to Bosch (1997:218), Norwegian legislation on employment protection makes it difficult for firms to isolate simple, standardised activities, allocate peripheral workers to such jobs and adjust to changing market conditions with simple numerical flexibility (hiring and firing). Such strategies prevail in Britain and Japan, for example, where firms make substantial use of peripheral workers. Many firms in these countries make little effort to integrate and train peripheral workers. Norwegian firms will, according to Bosch, have to attach much greater importance to developing functional flexibility throughout the entire workforce, rather than regarding it as a privilege for core employees.

In 1994 EC legislation on certain aspects of dismissal and business transfers was implemented in the Workers Protection Act. Although these rules were familiar to Norwegian legislation, increased rights for employees were nevertheless the result (Holo and Evju 1995). A governmental commission has elaborated on the question of employers' and employees' rights and duties in groups of undertakings, but this has not yet been handled by the Parliament.

More traditional types of out-sourcing are common and increasingly widespread. A study based on employer interviews from 1989 showed that 34 per cent of private sector companies had used temporary help agencies or hired employees in the last year, 49 per cent had used consultants and 61 per cent had contracts with other firms delivering services (accounting, cleaning etc.). The expenditure used on these types of services amounted to 6 per cent of the total wage costs of their own employees (Torp 1990). A higher proportion of private sector companies used such external manpower than did public sector ones. The exposed sectors of manufacturing used out-sourcing the most.

In a survey undertaken by Nesheim (1997), half the enterprises used sub-contractors. According to the survey, one out of six manufacturing industry enterprises out-sourced from 11 to 50 per cent of their main production. Out-sourcing of support functions is done by 70 per cent of the enterprises surveyed. About 30 per cent of these enterprises had increased out-sourcing compared with one year earlier, and 30 per cent expected increased out-sourcing in the near future. Divisionalisation is probably also a trend in Norway.

### **Inter-firm networking**

Little is known about trends, since there is little available research on these topics. To some extent networking has been practised in Norway for a long time, e.g. furniture producers have created joint sales organisations, or firms have shared technology and machinery. Networking can also be an alternative to out-sourcing. In at least one case in Norway, companies have joined in a learning network as a response to the challenges caused by globalisation and competition on the world market. In this case, the purpose of the network is to strengthen competitiveness through management training programs, top executive encounters, joint seminars and exchanges (Hanssen-Bauer and Snow 1996).

We also know that there is a clear tendency towards increased competition and company integration (“cartelisation”) in trade, both vertically (between shops) and horizontally (between the retail trade, wholesalers and even manufacturers of food and beverages). Apart from manufacturing, these are mostly low unionised areas.

## 2 The position of the social partners on flexibility

### 2.1 Government policy<sup>6</sup>

#### The “solidarity alternative”

The Labour government has been engaged in close co-operation with the labour market partners since the wage laws of 1988 and 1989. The co-operation was formalised in the “solidarity alternative” of 1992 and includes the following elements: 1) A programme for wage formation and incomes policy co-operation whereby cost competitiveness should be improved by about 10 per cent from 1993 to 1997 though securing at least 0.5% real wage growth. 2) A review of the composition of public expenditure with a view to reducing transfer payments, thus creating scope for active measures to increase employment. 3) Structural policy measures, including an examination of the regulatory framework of industrial policy, labour markets, social security and education, with the aim of reducing the equilibrium rate of unemployment. 4) Active labour market policy to reduce actual unemployment and enhance skills formation. 5) A macro-economic formula according to which monetary policy should secure a stable exchange rate, fiscal policy should stabilise demand growth, and incomes policies should control inflation. Supplementary reports argued for cuts of transfers and a strengthening of the so-called “working-line”, aimed at increasing labour market participation among receivers of social benefits.

The “solidarity alternative” did not include any job creation programmes or numerical targets for job creation in the public or private sectors. The general policy measures and mainly the improved competitiveness were to deliver the jobs. The Government has wanted to maintain or reduce the public share of GNP.

Since the policy shift in the late 1980s, the gap in relative manufacturing wage costs between Norway and its main trading partners decreased steadily from 25 per cent in 1988 to 7 per cent in 1994 (NOU 1996:4 p.44). Despite nominal wage increases being brought down from double-digit figures in the early to mid-1980s (roughly on par with inflation) to around 3 per cent in the first half of the 1990s, an even stronger drop in inflation (on average 2.5 per cent per annum since 1992) and interest rates has secured workers considerable growth in real wages. At the same time one has seen a growth in private sector employment, including for the first time in two decades a growth in manufacturing industry employment.

The Norwegian Government’s Long Term Programme 1997–2001 (Stortingsmelding nr 4, 1996–97) has proposed a continuation along the same lines. The programme states that: “To meet the challenges ahead, the Government will develop the solidarity alternative further – a policy framework which has served well in the current programme period:

- Co-operation with the social partners on incomes policies to keep nominal wage growth low and on par with trading partners
- Active labour market policies to prevent long-term or permanent unemployment
- Adult training and education to ensure a flexible labour force with updated qualifications
- Measures to increase labour market participation among groups of young people, the disabled, single parents and the elderly
- Structural policy designed to improve the growth potential of the economy and enhance the competitiveness of mainland industries.”

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<sup>6</sup> See the postscript for an update

Support for more flexible work-school arrangements, adult education programmes and educational leave provisions are also given priority by the government. A legal right to educational leave is proposed in the Labour Party's Programme of Action (1997–2000). Employees shall be able to save up rights to educational leave during ordinary work, and a fund has been proposed, financed by the social partners (as part of the bargaining rounds) and the state.

The government has, as mentioned above, helped to finance a more flexible (reduced) pension age through tax arrangements. But at the same time it has been stated that it is an objective of the government to increase the actual average pension age. In this respect a dilemma confronts the government (and the employers). An ad-hoc state commission with representatives from the social partners has been established to analyse the problem.

### **Regulating flexibility**

The new labour market regulation for temporary employment contracts was passed by Parliament in 1994 *against* the labour government's own proposal. The government has, however, not signalled any revision of the regulation, although a concern for labour market flexibility has been expressed in the Long Term Programme.

Until now the retail trade has been exempted from the Worker Protection Act's restrictions regarding night work and work on Sundays and public holidays. The government has put forward a new legislative proposal regarding opening hours which would become dependent on the size of the outlet. If the proposal is passed, the opening hours of many outlets will be tightened compared with today's practice, while some of the smaller outlets will be able to extend their opening hours. The proposal is controversial, and the political parties on the right believe the proposal affords too much consideration to the trade unions' points of view at the cost of the public interest and consumers. These political parties, along with the employers' organisations, would prefer to see more flexible working hours. The fate of the proposal is still not decided. An alternative regulation based on collective agreements is not realistic since so few workers are unionised in this industry.

A governmental commission has elaborated on the possibilities of using job evaluation in order to implement equal pay for equal work, especially on a gender basis. The propositions have not yet been dealt with by Parliament. The idea is especially popular among certain female dominated professions in the public sector since it might benefit them.

### **Restructuring the public sector**

Even under the Labour government the public sector has shown a desire for more flexibility in parallel with private sector employers. This is evident in the introduction of minimum wages and increased opportunities for middle managers and individual units to use wage flexibility in their recruitment policy. Another case is that of the municipal sector and some state institutions utilising opportunities for short-term contracts, part-time contracts and overtime as much as possible (and in many cases well beyond the legal framework). A third example can be seen in the ongoing restructuring and partial out-sourcing and privatisation of public institutions that have taken place over the last years. In the state sector this is the case in telecommunication, postal and railway services. In addition, the electricity sector has been totally restructured and market oriented. In the municipal sector primarily services such as garbage collection and maintenance have undergone similar changes to date. Recently some municipalities have, however, called for privatisation of part of the health services as well. In this connection conservative run municipalities tend to be more radical in their approach than those run by the Labour Party or the parties in the political middle.

### **Political differences<sup>7</sup>**

The Labour government holds only 67 of the 165 seats in Parliament, but receives support on an ad-hoc basis from left-wing parties and one or more parties in the traditional political middle (the Centre Party, the Christian Democratic Party and the Liberal Party). The breakdown of the previous conservative/liberal government (1989–90, composed of the Centre Party, the Christian Democratic Party and the Conservative Party) was partly caused by internal differences in strategy concerning the European Community. This

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<sup>7</sup> See postscript for an update.

conflict has also complicated later co-operational attempts between these parties. We are not in a position to speculate over the probability of a change of government, but the political climate and opinion polls show that such a change is possible after the General Election in September 1997.

The discussion here has been limited to a review of the main differences between the parties regarding collective bargaining and flexibility and is based on the parties' programmes of action (1997–2000) and their comments on the Government's Long Term Programme (1997–2001); it has also been limited to topics mentioned in Section 1.

- The right wing Progress Party (with currently 10 seats in Parliament) proposes abolishing all labour market regulations that are not necessary for health or safety reasons. Abolition of regulations of overtime use, simplifications of the Workers Protection Act and transformation of collective rights to individual rights are also proposed
- The Conservative Party (28 seats) proposes different forms of flexibility through deregulation of labour law. This includes eliminating constraints on the use of temporary work, private replacement services and the use of overtime, and a weakening of the sickness pay provisions
- The Christian Democratic Party (13 seats) proposes less constraints on temporary work, introduction of trial projects with reduced daily working time, job sharing and constraints on overtime are proposed in order to increase employment. In addition, a weakening of the sickness pay provisions is proposed
- The Liberal Party (1 seat) is in favour of a less strict Workers Protection Act regulation of temporary work, and a weakening of the sickness pay provisions
- The Centre Party (32 seats) proposes constraints on overtime, and trial projects on reduced working time for certain occupations. On other topics, the party agrees with the Labour Party
- The Socialist Left Party (holding 13 seats) proposes stricter regulation in favour of employees on most flexibility issues

Excessive deregulation does not seem likely in the near future. Several topics are still controversial, including temporary work, overtime, private replacement services and experiments with reduced working hours. In addition, the generous Norwegian sickness pay provisions offering 100 per cent compensation from day one has been debated. Changes here might trigger off a debate on regulation through collective agreements, compensating for the changes in legal standards. A shift from the present Socialist Left, Labour, Centre Party majority to a Liberal, Christian, Conservative and Progress Party majority in the upcoming elections could make way for the relaxation of several of the regulations in the Worker Protection Act.

## 2.2 Employers' policy

Despite some internal disagreement, NHO has held firm to the "solidarity alternative" and centralised wage bargaining during the 1990s. The employers have, however, in recent years repeatedly called for the abolition of low-wage guarantees in the sectoral collective agreements, more relaxed regulations on the disposal of labour and flexibility in working hours. These calls have proved unsuccessful.

NHO has exercised strict control over local bargaining to avoid undue wage drift, even calling for wage moderation among senior management and specialists in short supply. For local wage bargaining, the following "four criteria" are to be the basis for agreements on wage increases: The financial standing of the enterprise, productivity gains, competitiveness and future prospects.

The employers have not been too happy with a more flexible (reduced) pension age, both because of the long-term effects of such a reduction and (increasingly) because of the methods of financing the schemes.

Following the lockout in 1986 and the return to centralised bargaining and incomes policy in the late 1980s, the social partners concentrated on matters of mutual interest. Thus, a number of topics, on which the parties conflicted, were put aside. The "recovery" period from 1988 to 1993 was largely caused by factors which are not equally pressing today, and during the previous years a more offensive employer strategy has



been seen on several bargaining topics. The bargaining round in 1996 also illustrated that the trade unions are not equally able to deliver moderation now compared to during the recession.

### **New approach**

In an internal NHO memo from 1995 (NHO 1995a) prepared by a working group consisting of the heads of some of the main trade associations, a possible new long-term strategy for flexibility was drawn up. Considerably more flexibility was proposed regarding employment contracts and working hours. The paper calls for a total revision of the bargaining system, including the abandoning of central negotiations and a call for local and individual wage setting. A new proposal challenging the traditional division between blue-collar and white-collar workers has also been put forward. Today's agreements would be replaced by local vertical agreements covering all the employees in one enterprise. Hence, blue-collar workers would adopt an individual wage system similar to that of the white-collar workers.

### **Working hours**

Many of the proposals are long-term, but especially NHO's work on the arrangements for working hours has been developed lately. Traditionally, NHO has encouraged arrangements which increase operating hours, market adoption and thereby the competitiveness of the companies. This view still dominates, but in addition, employees' wishes regarding working time have been reviewed and integrated into NHO's policy. According to NHO (1995b) a demand exist among workers for more concentrated and longer leisure time combined with a willingness to work more intensely during other periods.

Overtime and weekend-work are regarded as expensive for a company, and more flexible working arrangements based on the wishes and needs of both parties could reduce such expenses. Increased part-time work is not a general unilateral strategy, at least not in manufacturing. Yet according to Isaksen and Simensen (1995:60–61), a large proportion of private sector employers have reported numerical flexibility as a reason for employing part-timers. There is probably a difference here between the traditional manufacturing sector and the growing service sector, which also reflects differences in densities and collective agreement coverage.

### **Main bargaining issues**

Because employers' demands for longer operating hours vary from industry to industry and company to company, and because employees' wishes for more flexible working time vary according to gender, family care needs, education and age, NHO proposes a decentralisation of the questions concerning work time from law and industry-wide collective agreements to local or special agreements with significant scope for individual variation. Specific goals set by NHO (1995b) are:

- local, agreement-based individual variation of working hours within the limits of the working day as defined in the Workers Protection Act (6 a.m.–9 p.m.) without compensation
- increased scope for annualisation of working hours, in return for more concentrated and longer leisure time for the employees
- increased scope for night work and weekend work in order to increase operating hours

A survey among NHO companies in 1995 showed that firms representing 50 per cent of those employed view the arrangements in the Workers Protection Act as a restriction on more flexible working hours. About 40 per cent were of the same opinion about collective agreements at industry or local level.

The NHO is, however, faced with a dilemma in their future strategy. There is not so much resistance against increased flexibility *in principle* among trade unions as there is a desire to receive cash in return for flexibility. In the present situation this could mean that pushing for more flexibility could contribute to ending the relatively modest wage increase policy through triggering off higher wage demands from the trade unions.

### **Other issues**

NHO and most other employers' organisations opposed the amendment to the Workers Protection Act concerning temporary employment. Constraints on temporary help agencies have also been attacked. The employers argue that the legislation uses an arbitrary and out-dated distinction between occupations excepted from the prohibition and occupations not, and restricts the possibilities for employees to obtain permanent

jobs in firms they might be hired out to. A ratification of the new ILO Convention 181 concerning private employment agencies has been strongly recommended by the NHO and other major employers' organisations.

## 2.3 Trade union approach

Traditionally, trade unions tend to be reluctant about the introduction of new flexibility measures, and such is the case also in Norway. The role as an institution negotiating and enforcing collective rights might seem to conflict with promoting more differentiated, local and individual arrangements. This traditional approach is clearly reflected in the Programme of Action adopted by the last LO Congress in 1997. The trade union's role is defined as safeguarding rights in an ever faster changing environment. Flexible arrangements such as temporary or hired staff that might undermine the existence of collective agreements are condemned. The normal working day from 7 a.m. to 5 p.m. must be maintained, and so on. A new approach is however developing within the trade union movement, as can be seen in LO's Programme of Action which allows opens for flexibility based on the individual preferences of the employees. In a call for shorter working hours the Secretary general of LO has stated that:

“The claims of young people are different from the claims of older people, the claims of women and men may differ, and there may be differences between the private and the public sectors. Can a new approach make it possible to combine collective agreements with individual needs? For instance, must the fifth holiday week, meaning, in practice, 30 hours, be used for a holiday – or is it possible to use these hours while taking into account the individual social situation, and thus personal needs?” (LO 1997, our translation).

Such flexible arrangements should, according to LO, be based on local or national collective agreements. Some critics have argued that LO is thus only avoiding the decisions since it is unable to prioritise between the various claims from the different groups of members. But the programme does seem to provide for a debate on flexibility and how to combine flexible arrangements with a traditional system of collective agreements. It also reflects an open attitude on the part of the members of LO and the workers in general to more individually based arrangements for working-hours. LO is also concerned about flexibility in relation to the retirement age:

“Should there be flexibility with regard to retirement age for people between 60 and 70? We will have a number of occasions to continue our work on these ideas. The government has announced that a committee shall be set up to scrutinise different forms of flexible early retirement arrangements. As a follow-up to this year's intermediate bargaining round, LO together with the employers' organisation NHO, will discuss measures to design the best possible conditions for older workers in the process of winding up their working life. Not least look will we into service pension arrangements which today may be characterised by their unjust distribution, and how these create problems in relation to the employment of people and their changing jobs.” (LO 1997, our translation).

In addition, LO called for opportunities for workers to undergo training, retraining and adult education. LO favours a higher education level in the work-force in general, and in particular of those elder workers who have never had the possibility to complete any vocational or higher education.

The educational reform is also seen as a tool for enhancing productivity and flexibility. LO has proposed a tripartite financial system where employers, employees (individually or collectively) and the state contribute to financing the reform. The reform should be designed as a right of the individual worker. This will arguably limit the employers' influence on how the education fund is spent.

Like LO YS does emphasise its role in protecting the workers, and lists as its first point in its Declaration of Principals (1995) that workers should enjoy strong protection against redundancy. Two areas

of flexibility have nevertheless been focused on, namely a call for legal rights to educational leave and greater flexibility in combining family and work.

In their Strategic Plan AF, more than LO and YS, calls for increased flexibility both in public and private sectors. This includes greater wage flexibility and the decentralisation of wage negotiations. Professionals feel that they are the losers under the present negotiation regime dominated by the blue-collar unions in LO. More innovative and production-oriented remuneration systems are also seen as desirable. Yet workers need increased protection according to AF.

Several reforms for increased individual flexibility have been listed. AF would like a negotiated agreement on educational leave, and not via legislation, as does YS. According to AF, such an agreement should include the right to three years paid education for each employee during his or her carrier. More flexible retirement age, including the right to work until the age of 70, and flexibility in combining family and work are two further reforms listed.

### **Conflicts and differences among workers**

The low nominal wage demands and the “solidarity alternative” did meet some opposition in the trade union movement at the time of introduction, but gained wide support after some time. Even the wage laws in the late 1980s gained popular support, and in recent surveys around 80 per cent have expressed support for continued wage moderation (Arbeiderbladet 28.12.1996). Contrary to what might be expected, the level of unlawful conflicts in Norway in this period has also been low in a comparative perspective.

Conflicts about equal wage policies have nevertheless been present in Norway, both within the LO and between the main organisations (especially LO and AF). A strike among AF-unions both in the state and municipal sectors in 1995 can be interpreted as growing militancy among the well-educated, but also as a reaction against the compression of wages especially in the public sector during the 1990s (cf. Barth and Kongsgården 1996).

The most obvious split between the national policy of the trade unions and local actions are probably to be found over the overtime issue. LO has called for a reduced use of overtime, but this has not necessarily been followed up by the local branches. Reduction of overtime can probably be viewed as a collective action problem. Although it may be beneficial to all to convert overtime into more jobs, it can be rational for individual workers to increase their earnings by working more. According to NHO (1995b), the general reduction in working hours in 1987 (agreed upon in 1986) and reduced marginal tax are additional reasons for individual willingness to work overtime.

## 3 The sources of flexibility

### 3.1 Institutional sources

During the period of reconstruction from 1988 to 1993 the bargaining rounds were highly centralised and coordinated, leaving little room for revision of each single collective agreement. Revisions of labour law were also few until the major revision of the Workers Protection Act in 1994 (with effect from 1.2.1995). From 1994 onwards, a more offensive employers' strategy seems to have emerged. Examples of innovation in the law or collective agreement regulation are still few, however.

The introduction of flexibility through individual contracts or employers' unilateral actions is probably most frequent in areas with low coverage of collective agreements. Nevertheless, labour law restricts developments on certain topics.

### 3.2 Individual and collective regulations

#### Individual labour law

Employment relationships in the private sector and in the local government (municipal) sector are covered by the 1977 Worker Protection and Working Environment Act. The Act contains provisions for health, safety, preventive measures, health and safety personnel, maternity leave, the employment of children and young persons, hours of work, appointment, notice, dismissal, rights in the event of transfer of the business, supervision and disciplinary measures (Holo and Evju 1995). The Civil Service Employee Act of 1938 covers the state sector and differs from the Workers Protection Act on certain issues (not discussed here).

#### Collective labour law

As in all Nordic and most European countries, the distinction between disputes over rights and disputes over interests is applied in Norway (cf. ILO 1980:6–9). A collective agreement imposes a peace duty on the parties. Disputes over the interpretation of an agreement or “new” subjects not regulated by a valid agreement are to be settled through negotiation, arbitration or by the Labour Court as a last instance. Revisions of collective agreements are subject to compulsory mediation if negotiations fail and a work stoppage is notified. Both the Labour Court and the mediation institute had already been established already in the first Labour Disputes Act of 1915 (major revision in 1927). After the advent of the Public Sector Labour Disputes Act of 1958 the two institutions cover the whole labour market (Evju 1991:128).

With the purpose of inhibiting 'social dumping' by foreign companies, an act enabling the imposed extension of collective agreements was adopted in 1993. It allows the signatories to an agreement to claim that all employees within a certain area or industry should be covered by its minimum terms (Holo and Dølvik 1994:430). A Collective Agreement Board appointed by the Government takes the final decision. So far the provisions have not been tested in practice.

Although neither a statutory minimum wage nor *'erga omnes'* procedures for the extension of collective agreements are applied to Norwegian labour relations, private employers are bound to apply the terms of a collective agreement also to their unorganised employees (Evju 1991:57–58). It is also generally assumed that employers *not* bound by any collective agreements implement the terms defined by an appropriate settlement, although little research has been conducted into the subject.

## Collective agreements

In the state sector the terms of collective agreements cover all employees in accordance with parliamentary decisions, while in the municipal sector norms for equal treatment imply that derogations from collective bargaining outcomes are unacceptable. In the private sector no such legal or normative mechanisms exist, leaving the coverage of collective agreements to the bargaining parties. Survey data among employees in the private sector indicate that 50 to 55 per cent are covered by collective agreements. Coverage is substantially higher in private manufacturing than in private services.<sup>8</sup>

In order to illustrate the structure of collective agreements in the private sector, we can take NHO as an example. The main counterpart of NHO is LO, with which it re-negotiates the Basic Agreement every four years.<sup>9</sup> In addition, the NHO negotiates 150 collective agreements with LO and LO-unions. They range from fixed-term agreements to minimum wage agreements with significant scope for local bargaining and adjustments. About 70 per cent of the collective agreements contain some sort of option for local wage formation. Many of these agreements also allow local partners to bargain over other issues such as working hours, and can provide procedures for such bargaining.

The Confederation of Vocational Organisations (YS) has also concluded a basic agreement with NHO. In addition there are approximately 40 collective agreements concluded by YS-unions. Many of these are “copies” of agreements between NHO and LO. Thus, many YS-unions are not in a position to act independently of settlements between NHO and LO or LO-unions. NHO is also party to 40 collective agreements with either independent unions or AF unions (AF does not have any formal relationship with NHO). The agreements between AF unions and NHO are often scanty, leaving considerable scope for workplace decisions and individual solutions.

The Basic Agreements in the main sectors complement legislation by defining overall aims, principles and procedural rules. This includes the regulation of sympathy action, a reiteration and amplification of the peace duty, and regulation of a broad set of issues such as the rights of shop-stewards, working hours, work organisation, employee participation, information and consultation, introduction of new technology and training. The agreements often substantiate minimum standards set by legislation.

Most collective agreements in Norway last 2 years, with the exception of basic agreements which usually last 4 years. Furthermore, while most collective agreements expire during the spring, basic agreements tend to follow the calendar year. The implication of this is that disagreements regarding revisions of basic agreements are usually not drawn into the bargaining rounds.

## Industrial relations in the workplace

In the Norwegian system of collective bargaining strong central power is combined with significantly decentralised trade union functions. The local or firm level bargaining does not only include wage negotiations and other types of remuneration but also occupational health and safety, work organisation, the development of company organisational structure and the introduction of new technology.<sup>10</sup>

There is in this respect a long tradition of negotiating productivity agreements locally. After the Second World War production committees were set up. In 1966 they were renamed Works Councils and became part of the Basic Agreement between LO and NHO through an amendment called the Co-operation Agreement. These Works Councils are bipartite bodies composed of an equal number of employee and employer

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<sup>8</sup> Survey results have for example been reported in Traxler (1994, 1997). The surveys, however, are not representative of the whole labour market, mainly because groups of part-time workers have been excluded. While these surveys indicate a coverage rate for collective agreements of around 60 per cent, a qualification of the results based on additional surveys and alternative data sources indicates a coverage level closer to 50 per cent in the private sector (Stokke 1996a).

<sup>9</sup> There are a number of basic agreements in all sectors in Norway. Between LO and NHO there are actually *two* basic agreements, one for blue-collar and one for white-collar workers, of which the former both historically (concluded in 1935) and in coverage is the more important.

<sup>10</sup> Strictly speaking, a dual system of workers' representation may be said to exist at enterprise level (Evju 1991:50-1). Some bodies are provided for by statute, others by agreements. However, both traditions and legal options for mixing and simplifying these channels are widespread.

representatives. In sectors not covered by the LO-NHO Basic Agreement, other similar agreements have been concluded. Later, structures for consultations in groups of undertakings were established alongside joint management-labour programmes for industrial and company restructuring (Bosch 1997). Board-level participation securing employees one third of the seats, was established under the Joint Stock Company Act of 1973. The Work Environment Act of 1977 extended existing schemes of employee participation through environment committees and safety delegates. Norwegian unions have, however, not given priority to economic democracy through worker ownership or wage-earner funds.

The microstructure of the trade unions is relatively complicated and can sometimes seem outdated leading to strong sector interests and inter-union rivalry over membership, even if it does not have all the negative consequences that can be observed in similar situations. Proposals for flattening company management structure have met resistance from middle management unions because it would lead to job losses (Bosch 1997).

### 3.3 Hierarchical order

The relationship between labour law, collective agreements and unilateral action vary according to subject matter. All material provisions consist of collective agreements and legislation. Some of the legislation is indispensable. When the legislation lays down minimum rights (for example period of notice) or maximum standards (for example weekly working hours), the parties are free to agree better rights for employees. In some areas, different arrangements may still be agreed to the detriment of employees, but only within certain parameters (Holo and Evju 1995).

Concerning termination of employment on the initiative of the employer, legislation is the general and basic source in Norway (Evju 1991:5). The main source for regulating employment contracts is also individual labour law. Many collective agreements reiterate labour law, and some agreements may provide statements on avoiding or promoting certain types of employment contracts (in favour of the employees).

Legislation defines the maximum working time (40 hours per week). Night work and work on Sundays and public holidays is strictly regulated. Work during the day can be placed freely between 6 a.m. and 9 p.m. Overtime is defined as work exceeding 8 hours per day or 40 hours per week. The total amount of overtime allowed per day, per week and per year is also defined. In addition, extra pay for overtime work is set to at least 40 per cent. Pay for (other) unsocial working hours is regulated in the collective agreements.

The interplay between labour law and collective agreements concerning work time is complex, and varies considerably with industry and status. The examples given here relate to the situation among blue-collar workers in manufacturing. Following the reduction of working hours in the 1986 bargaining round, collective agreements usually set this at 37,5 hours per week.<sup>11</sup> Many collective agreements (or local agreements) define the working day more strictly than labour law, usually between 6 or 7 a.m. and 4, 5 or 6 p.m. In addition, extra pay for overtime work is usually set higher than by law. The Workers Protection Act allows for extended overtime by agreement with elected union representatives, or with the permission of the Labour Inspectorate. According to NHO (1995a), the first type of exception is preferred, also because there may be variations in the criteria for and speed of treatment.

The differences in the definitions of the working day and the working week between labour law and collective agreements cause much confusion and also lead to different definitions of overtime.

In addition to regulating the working day and the working week more strictly than labour law many collective agreements include procedures for bargaining over changes. In one of the most important collective agreements in manufacturing, the “Verkstedoverenskomsten” (regulating the manufacturing of metal and metal products) detailed procedural rules are given for bargaining over the precise placing of the working day, and for the introduction of shift work. If an understanding is not reached by the local partners, the agreement allows for unilateral action by the employer but within *stricter* limits than the starting point for local bargaining.

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<sup>11</sup> This part of the act was not amended following the reduction in working week in 1986/87.

### 3.4 Government encouragement

Government encouragement must be seen in the overall setting of Norwegian industrial relations. Collective bargaining traditions have created a division of labour between the government and the social partners, and the “solidarity alternative” can be viewed as increased encouragement for the social partners to deal with wage developments and working conditions.

The government has recently supported more flexible work-school arrangements, adult education programmes and educational leave provisions. One proposition relating to collective bargaining is a fund financed by the bargaining partners (as part of the bargaining rounds) and the state. Although the introduction of a more flexible (reduced) retirement age has not been directly encouraged by the government, support has been given through co-financing and tax reductions.

Following the amendment of the Workers Protection Act concerning temporary employment, the government proposed to change the rules regarding certain types of artistic and scientific work. It is left to nation-wide unions to agree on specific exceptions in agreements with each single employer or with an employers’ organisation. The amendment was adopted in Parliament. This *method* of delegating exceptions to labour law to trade unions and employers, although not new, is probably spreading in Norway. Similar arrangements were also included in the amendment to the Workers Protection Act in 1994, when the right to agree on exceptions to overtime restrictions was transferred from the formally established working environment committees to the local partners.

With regard to other relevant topics, our impression is that the government has given little encouragement, and proposed few changes. One exception is the European Works Council Directive, where legislation was based on an inclusion of the directive in the Basic Agreement between LO and NHO.

### 3.5 Attitudes and (dis-)agreements between the parties

The major driving force behind NHO’s policy on flexibility is the competitiveness of Norwegian companies. In a situation where wage moderation seems to have exhausted some of its previous role, flexibility in working hours in order to increase operational hours and improve adaption to demand is regarded as a central area. NHO’s policy is not an aggressive deregulation of standards, but rather a plea for decentralisation and larger scope for local and individual solutions.

Previously, production for stock has been a method of meeting variations in demand. When flexibility is achieved through specialisation and “just-in-time” production instead, NHO argues that more flexible arrangements are needed for working hours. In addition, the spread of various leave schemes has made flexibility even more pressing. It has also been argued that the variations in union density and collective agreements coverage in the private sector cause imbalances insofar as well organised manufacturing industry faces more restrictions than large parts of the private service sector.

On the employee side, the main emphasis has been on the well-being of the worker and increased individual choice. The trade union side does not have a negative attitude to discussing, for example, flexibility in working hours, but compensation in pay is often central. Most collective agreements in, for example, manufacturing allow for local negotiations and adjustments to working hours, which has been regarded by the unions as sufficient in the latest bargaining rounds. Demands for the introduction of shift-work or annualisation without compensation is often regarded as a demand for wage cuts.

The government has primarily been engaged in questions of employment contracts, educational reforms and other leave schemes. Other subjects are left to the parties in accordance with Norwegian traditions.

The strict regulations on the hiring out of labour and the use of commercial employment agencies have received much attention recently. These regulations are due to the ILO-Convention No. 96 (Torp 1995:37). The Norwegian delegates to the General Conference of ILO in June 1997 voted in favour of the new ILO-Convention No 181 on private employment agencies. Signals from both the LO and the government indicate

that the new convention is not regarded as “relevant” to the Norwegian situation. NHO on the other hand, favours ratification (Aftenposten 1.8.1997).

Due to shortages of health personnel (especially doctors and nurses), there has also been a debate on including these on the list of occupations that are excepted from the restrictions in the Employment Act. A decision to allow commercial employment agencies to hire out doctors has recently been taken (Aftenposten 16.8.1997). The Ministry of Labour has not yet made its final decision concerning the hiring out of health personnel.

The hiring of workers between two production companies can be a method of avoiding both lay-offs and a spread of temporary contracts. In the industry-wide collective agreements for the metal industry the parties have committed themselves to restrict the use of hired labour even when it is legal. An opposite example is found in the electrical installation industry, where the hiring of labour between two companies seems to be preferred to temporary work both the union and by the employers (Gloppen 1994).



## 4 The process of collective bargaining

As we have described earlier, the period from 1988 to 1993 marked a return to centralised bargaining and incomes policy. The social partners concentrated on matters of mutual interest, leaving aside a number of traditionally conflicting topics. The bargaining rounds were highly centralised and co-ordinated during these years, leaving little room for the revision of each single collective agreement.

From 1994 onwards, the factors which had caused the highly centralised bargaining were not so pressing. In that year's industry level bargaining round, examples of propositions for more flexible working time can be found. A more offensive employer strategy seems to have emerged, and this also characterised the 1996 bargaining round. We will discuss some changes in local bargaining. At the central and industry levels, examples of innovation are still rare.

In addition, we will review other types of co-operative arrangements apart from bargaining over wages, working hours etc.

### 4.1 Levels of collective bargaining

Put simply, there are three levels of collective bargaining in Norway. The central negotiations are either on an industry or on an inter-sectoral (centrally co-ordinated) level.<sup>12</sup> During the main biannual bargaining rounds, the whole of a collective agreement is open to revision. In the private sector, if the negotiations are conducted at industry level, the LO union in and the employers' branch organisation in NHO do indeed bargain over each single collective agreement. If the inter-sectoral level is applied, the bargaining takes place between the peak organisations and cover more general topics. In addition, combinations of inter-sectoral and industry level bargaining have taken place. The intermediate or mid-term bargaining rounds are always centrally co-ordinated, and the parties focus on pay. An additional difference of importance is the procedure for ratification: In a main bargaining round the results are usually voted on in a ballot by all the union members covered by the collective agreements, whereas the results of the intermediate bargaining rounds are decided upon in LO's general council.

Many collective agreements allow for local bargaining in addition to central bargaining. A distinction between blue collar minimum wage agreements and fixed-term agreements is applied. Most white-collar agreements leave considerable scope for local bargaining. They often restrict the central level to bargaining over *procedures* for wage-setting.

There is a correlation between the type of agreement and what could be regarded as the particular industry's need for flexibility and its ability to pay. Fixed-term agreements are found especially in transport, and hotels and restaurants. In oil production fixed term agreements were established in the early 1980s in order to control spill-over of wages to the mainland economy. The oil industry is based on the exploitation of natural resources, and both the main social partners and the government judged that market-based wage-setting was not suitable.

Some collective agreements include quite complex procedures for local bargaining, depending for example on the local parties' ability to agree. Local bargaining, resulting in a local or special agreement, can usually only modify standards in favour of the workers if nothing else is stated. One may nevertheless agree to reduce earlier locally agreed benefits. Local bargaining can be structured or restricted by central negotiations or the law as was the case with the wage laws in 1988 and 1989.

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<sup>12</sup> In addition, a sectoral level reflecting the cartelisation of the LO is under development.

## 4.2 Centralised bargaining

Table 3 gives an overview of the bargaining rounds between LO and N.A.F./NHO since 1986. The revision at industry level in 1986 resulted in a defeat for the employers' side, after the first major lockout since 1931. The mid-term revision in 1987 resulted in no centrally agreed wage increases. The results of the 1988 and 1989 bargaining rounds were transformed into wage laws with only moderate central wage increases and bans on local bargaining.

Table 3. Characteristics of bargaining rounds between LO and N.A.F./NHO from 1986 to 1997

Year	Type	Level	Flexibility topics	Outcome	Other
1986	Major revision	Industry	Reduction of working time, abolition of low wage guarantees	Major conflict, defeat for employers	
1987	Mid-term	Centrally co-ordinated		No centrally agreed wage increase	
1988	Major revision	Centrally co-ordinated	Pension reform introduced		Moderation followed up by wage laws
1989	Mid-term	Centrally co-ordinated			Moderation followed up by wage laws
1990	Major revision	Centrally co-ordinated (some industry)			"Normalisation" after period with wage laws
1991	Mid-term	Centrally co-ordinated			
1992	Major revision	Centrally co-ordinated	Pension reform expanded, statement on reduction in overtime use		
1993	Mid-term	Centrally co-ordinated	Pension reform expanded, statement on reduction in overtime use		
1994	Major revision	Industry	Working time flexibility, pension reform expanded	Strike in transport, no change in working hours	
1995	Mid-term	Centrally co-ordinated	Statement on reduction in overtime use		
1996	Major revision	Industry	Work time flexibility, pension reform expanded. Statement on reduction in overtime use	Several strikes, no change in working hours	
1997	Mid-term	Centrally co-ordinated	Pension reform expanded		

Source: Stokke, unpublished material

The highly centralised bargaining rounds between LO and NHO from 1990 to 1993 focused on pay, criteria for local bargaining and expansion of the early retirement scheme. Verbal statements on job creation and reduction in the use of overtime, were included in several of these settlements. The formulations committed individual companies to review their use of overtime, and to consider, amongst other things, job creation as an alternative. These verbal statements were given much attention in the media, but the use of overtime remained high and even increased. The effects of the statements are therefore not regarded as a major success.

Work time arrangements seem first to have been brought in as a topic in the 1994 industry level bargaining round. As usual the iron- and metal industry with its "Verkstedsoverenskomsten" (regulating the manufacturing of metal and metal products) was to set the pace. More proposals for flexible working hours were raised by the employers. NHO and the branch organisations demanded expansion and flexibility in

operating hours within the limits set by the Workers Protection Act (6 a.m.–9 p.m.). This demand illustrates that the employers' side is primarily concerned with the regulations in collective agreements and not with the legal provisions. The union claimed that the agreement already included sufficient openings for local flexibility. Amendments in favour of the employers were thus rejected.

Instead, a major conflict in transport concerning agreements on the forwarding of goods, was to bring working hours arrangements in focus. The LO union demanded a reduction in part-time and temporary employment, and in arrangements where work was divided into two short spells per day without extra compensation. The strike lasted for two weeks, and resulted in a new agreement restricting the use of part-time, temporary contracts and shift work. The employers claimed that the new agreement placed unfavourable restrictions on the employers and made an opening for less serious firms and activities not organised nor covered by the agreement.

In the aftermath of the 1994 bargaining round NHO decided to modify their strategies concerning working hours. Since 1995 was a mid-term year, the preparations were aimed at the 1996 industry level bargaining round. More concern was to be given to the wishes and needs of the workers, and the opinions of the unions were to be collected and analysed. A need for strong co-ordination was stressed. It should, however, be possible to offer more pay in areas where substantial changes could be expected.

The same demand for the expansion of operating hours within the limits set by the Workers Protection Act (6 a.m.–9 p.m.) was raised by the employers in the 1996 revision of the agreement covering the manufacturing of metal and metal products. But both during the preparations and in the actual bargaining rounds, questions regarding the early retirement scheme and the needs for and documentation of adult education/leave provisions dominated. Demands for more flexible working hours were rejected, and the settlement only contained minor adjustments concerning working hours for large construction projects. The rest of the 1996 bargaining round was marked by several conflicts concerning issues other than working time. In addition, the mediator's proposal for a new mechanical industry agreement was voted down by the workers, and after a strike the parties agreed on minor changes.

So far as wages were concerned, some flexibility was introduced into the inter-sectoral or co-ordinated central negotiations, taking account of the different options for local wage formation. In 1991, centrally agreed wage increases were differentiated according to the level of earnings and the opportunities for local bargaining. Similar differentiations were also agreed upon in 1990, 1992, 1993, 1995 and 1997.

## **Other areas**

The newly deregulated private banking system was brought to the verge of collapse around 1990, and massive lay-offs threatened a highly unionised area previously characterised by peace and growth. Procedures for downsizing were suddenly of major interest for the union. New procedures that involved the shop stewards in the early stages were included and a period of notice was established through an amendment of the collective agreement in 1990. In addition, severance pay was recommended. Many banks also established separate entities for "superfluous" staff, and other offers including educational grants were agreed upon. These measures are said to have eased the process for many of those who were laid off (Jensen 1997).

A similar example can be found in the Norwegian telecommunication market that has undergone fundamental structural changes over the last decade as in other European markets. The Norwegian Telecommunication Company has gone from being a state monopoly to becoming one of several enterprises in the market. In order to handle the reconstruction and lay-off of staff, a separate entity was created to which all "superfluous" staff were transferred. Of 4 700 employees who were transferred to this entity during the reconstruction years 1993 to 1996, 2 000 were transferred back into line functions. The entity has been replaced by a formalised internal labour market covering the different enterprises in the company. The remuneration structure has also been changed into a two-part (basis and individual) pay pack for all workers. (Interview with Personell Manager, Telenor).

An amendment to the most important collective agreement in the wholesale and retail trade between The Norwegian Union of Commercial and Office Employees (LO) and HSH (The Federation of Norwegian Commercial and Service Enterprises) can illustrate an innovative solution to flexibility in work contracts. Temporary employees covered by this agreement have traditionally not been entitled to extra pay for unsocial working hours. In 1994 this was changed so that those temporary employees who worked more than 12 hours a week were entitled to such pay. In addition, permanently employed part-timers are given precedence as to

extra time. These amendments have probably reduced the incentives to use temporary contracts in the wholesale and retail trade. In exchange, the employers gained a major simplification of the previously complex rules regulating pay for unsocial working hours.

Although LO and NHO have been loyal to the “solidarity alternative”, objections from other groups have gained ground. In 1995, the public sector unions in AF went on strike. They were met with state intervention and compulsory arbitration, and only achieved the same results as the LO and YS-unions. There is also a concern in NHO that the pay policy during the last decade together with the compression of wages may affect individual incentives for education. The rise in unemployment starting in the late 1980s was met with an expansion of higher education and a significant rise in the number of students, so there has been no clear evidence of incentive problems yet. The reduced return from education might nevertheless have more serious long-term effects.

### **Industrial action**

Traditionally Norwegian industrial relations have not been characterised by high levels of industrial action. Among the few conflicts relating to flexibility issues, the strike in the transport sector in 1994 is probably the most important incident at national level. A strike in the electrical installation sector in 1996 and a strike among elevator electricians the same year could also be mentioned. The first concerned the rights to further education and training, whereas the other conflict concerned job demarcation.

As mentioned, flexibility in arrangements for working hours in order to increase operating hours ranks as one of the most important demands from private sector employers. The NHO does not, however, regard this topic as suitable for offensive industrial action by employers (NHO 1995b).

## **4.3 Local bargaining**

As previously mentioned, both industry level and inter-sector level negotiations are often followed by local negotiations. In the 1970s and 1980s, wage drift following on from local negotiations often exceeded centrally agreed wage increases. In 1988 and 1989 local bargaining was restricted, and in the 1990s the parties have agreed on new criteria for local bargaining. Both parties seem more satisfied with these criteria than with the less strict local bargaining in previous decades.

There are also examples of local bargaining concerning issues other than pay. Within the construction and engineering industries, examples of new ways of organising the working week can be found. In the construction industry a considerable proportion of the workforce does not live and work in the same area. A number of construction workers are also recruited within the common Nordic labour market (from Sweden, Finland and Denmark). Several enterprises have introduced a system where working twelve hours a day for twelve days is compensated with nine days off. These arrangements have been supported by the trade unions. Within the engineering industry some enterprises have adopted so-called “offshore” shifts, a system copied from the petroleum platforms in the North Sea. This implies a reduction of the working week from the standard 37,5 to 30 hours. The working week then starts on Thursday with three days of ten hours, then Sunday off and then another three days of ten hours each. After this, the worker has one week off. The hourly wages are increased so that the monthly salary remains the same as for those working 37,5 hours per week. Additional staff had to be recruited. The factory operation time is increased from 37,5 to 60 hours a week, sufficient to finance the hourly wage increase and additional staff (Interview with a manager in Industriteknikk).

The largest national private sector union, Fellesforbundet (The Norwegian United Federation of Trade Unions), organising mainly blue-collar manufacturing and construction workers, seems to have a relatively pragmatic attitude towards flexibility. Within the legal and agreed framework, negotiations are left to the local parties at each enterprise. The industry-wide national agreement in the manufacturing industry allows for both fixed hourly wages and production-based wages. In the 1970s and the beginning of the 1980s there was a strong local drive within the union preferring fixed hourly wages. But the last decade has seen a new tendency to accept or agree on a production bonus as part of the remuneration. At the national level Fellesforbundet is not too happy with this new development but says that as long as the production bonuses do not make up

more than approximately 10 per cent of the total pay package they will not be regarded as a problem. Furthermore, it is assumed there has been an increased use of year-end bonuses because of the strict control NHO tries to exercise over local wage negotiations through its wage moderation line in the “solidarity alternative”. Downward wage flexibility in enterprises facing difficulties is also known, but this is not accepted if the average wage level in the firm ends up being less than the minimum wage guarantee of 87 per cent of the average wage level in the respective industry.<sup>13</sup> Fellesforbundet accepts the NHO guidelines for local wage negotiations, where agreements should reflect the situation in the firm and not be tied to outside measures as long as they are within the minimum wage guarantee. The overall attitude concerning flexibility in arrangements for working hours is that this is acceptable, but only in exchange for higher wages. (Interview with the Chief Negotiator, Fellesforbundet)

A trial project within the municipal sector with a six hours daily working time has been undertaken in the local health sector and care for the elderly in Oslo. Here 100 employees were offered six-hour working day, 30 hours a week, at the same monthly wage as for the normal 37,5 hours working week. It was the unions in the health care sector that initiated the trial project. Both the Municipal Workers Union (LO) and the Health and Social Workers Union (YS) have adopted six hours working day as a long-term goal. The Nurses’ Union (AF) had previously supported six hours in a normal working day and was also positive about a trial project. The employers’ side in Oslo and the Municipal Employers’ Associations (of which Oslo municipality negotiates independently), both refused to link this project to any long-term objective of generally reduced working hours. The objective of the project was therefore formulated as a time limited one to help reduce both long- and short-term absence caused by sick leave among the staff. A relatively high level of sick leave has been registered in this sector. Since the overwhelming number of employees in the sector and in the project were female, the gender aspect was also highlighted. Among other things it would enable women who today work part-time to get a full-time job. Seventeen new employees were recruited in order to compensate for the reduced work time. The employment effects have, however, not been made a central issue of the project, given the severe shortage of nurses and other health care personnel that exist throughout Norway. The trial project was negotiated in a local agreement in Oslo. It has since been stated by the Municipal Employers Associations that they do not endorse such an agreement because it violates the wage level already agreed upon in the nation-wide agreements. The unions, on the other hand, claim it is possible for the local parties to initiate this type of project to reduce sick leave. The trial project ended 1 April 1997 and is now being evaluated. (Source: Torkel Bjørnskau, researcher at Fafo).

The wage setting and wage negotiation in both the state and municipal sectors in Norway are highly centralised (omitted here). In the early 1990s new elements of flexibility were introduced in public sector wage setting. A fixed wage for each position was replaced with a wage-band. In 1996 the municipal sector went further and introduced a minimum wage system for each position. These new elements have not changed the basic structure, but have made way for some more flexibility. The local negotiations in both the state and the municipal sectors can however only take place within a financial framework included in the nation-wide agreements. Hence the major change was to define a wage band instead of an exact wage level for each different position and to allocate a sum in the centralised wage agreements to be negotiated locally in each municipality or state entity.

Thus, in recent years an increasing number of public sector workers have acquired the right to local wage negotiations. In the last settlement about 20 per cent of the agreed package was set aside for local negotiations. LO and YS-unions in both the state and the municipal sectors have been reluctant to develop more flexible locally based wage and working systems, whereas AF-unions have been more positive.

In a survey of the results of the extended flexibility on wage setting in the public sector Nebben (1996) found that both management and trade union representatives at the local level tend to look for more formal criteria for wage setting than had perhaps been intended when the new arrangements were introduced. The local management’s new opportunity to offer individuals better pay packages seems to be most widely used when recruiting new staff and less in connection with existing staff members.

It should, however, be mentioned that the reform did not alter the fact that wage determination in the public sector in Norway is highly centralised.

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<sup>13</sup> The minimum wage guarantee in the agreement covering the manufacturing of metal and metal products is older and somewhat different from many low wage guarantees.

## 4.4 Other co-operative arrangements

The foundation of local co-operative labour relations is important, especially in private industry. At the local level pragmatic collaboration has facilitated large-scale restructuring. Yet, recent studies suggest that workers' participation has contributed more by avoiding and containing conflicts than by influencing the content of change, which appears to be management driven (Hammer et al. 1994 cited in Dølvik et al. 1997: 86). In the public sector, and in local government in particular, workplace co-operation has proved more difficult because of the complex, politicised employer structure (Dølvik et al. 1997: 86).

Direct contact between management and the workers and direct participation in new management instruments are mostly considered within the tradition of co-determination and to be a supplement to, not a replacement of, representative participation. Bosch (1997: 222) writes that it strikes a German observer how much the trade unions encourage direct participation in the workplace. By contrast, German unions have to date been very suspicious and rather tended to focus on representative structures. It can be inferred from this that the unions in Norway enjoy a high degree of institutional security and that there is a great deal of mutual trust that prevents trade union structures being annulled.

The structure of works councils, working environment committees, multiple shop floor unions, etc. might seem complex and can create problems. Simplification is allowed and is probably widespread; both by custom and formal arrangement the shop steward is acknowledged as the most important representative of the workers in the enterprise. This helps reduce some of the potential friction between the different bodies. Another effect seems to be that a large number of workers are involved in one way or another in the representation of the workers' interest. For example, surveys show that 14 per cent of the workforce have been representatives in work environment committees (Bosch 1997: 223).

Under the Basic Agreement, LO and NHO have developed several funds or programs for enterprise development. One such is a programme called BU 2000 which aims at increasing the number of Norwegian enterprises in the forefront of international competition, in order to increase production and secure employment. This will be achieved by developing knowledge about strategies, methods, working methods and infrastructure needed to enhance organisational and inter-organisational developing processes.

One part of this programme has been the development of more flexible working hours through local negotiations and agreements. Different types of individual "time accounts" have been established to replace the working day. The account is to be settled by the end of the year, keeping the monthly wage the same throughout the year. Fafo has undertaken the study of one such programme designed to enhance the process of more flexible working hours at the food company, Leif Vidar Ltd. (Karlsen 1997). Facing seasonal demands the enterprise was interested in more flexible working time during the annual cycle in order to reduce the use of overtime. In return the enterprise was able and willing to offer the employees a fifth holiday week in the low season. The employees also showed significant interest in exchanging a more flexible working schedule for an extra holiday week, even if this meant that most of the extra overtime payments would disappear. In an evaluation of the reform one found that the majority of the employees were satisfied with being able to concentrate their work in order to get larger blocks of spare time, such as holiday weeks and long weekends. Both the employees and the employer found that a more flexible working schedule could meet both the employer's need for more efficient production and the employees' welfare needs.

In the 1994 revision of the Basic Agreement, a paragraph requiring companies to relate future goals to existing levels of training among the employees was included. This amendment is part of the current increasing focus on education and training in Norway.

## 5 Prospects

In this assessment of collective bargaining and flexibility we have first described the general features of the Norwegian labour market regulations. The macro regulations and negotiation structure may at first glance seem quite inflexible, but measured by some of the classical flexibility standards one finds both relatively high labour mobility and high productivity. The explanations given by labour market researchers is that different elements in the system seem to balance out each other. Universal social security systems seem to enhance labour mobility. The relatively centralised bargaining system is coupled to local bargaining which within the nationally decided limits is based on an enterprise's performance. The Norwegian experience shows that a more traditional deregulation policy is not the only path to labour market mobility and growth.

The present re-centralised bargaining regime came about as a result of an economic crisis in the late 1980s with a drop in GDP and declining employment. The overall objective was to regain stability and competitiveness, and this was achieved by macro regulations. Under this regime the unions have accepted a wage moderation provided that it is followed throughout the labour market. The price of this overall focus on wage moderation has been the suppression of other questions such as flexibility arrangements which is particularly the case for flexibility measures that imply a wider wage gap.

### 5.1 Trade-offs

The main trade-off in collective bargaining has been within the framework of the “solidarity alternative”. One might say that the “solidarity alternative” is a trade-off in itself between wage moderation on the union side and increased recruitment from the employers side. At least it is the case that during the last couple of years Norway has not seen the kind of “jobless” growth experienced in earlier periods. By contrast there has been a stronger increase in the demand for labour than many had foreseen.

At the local level Bosch (1997: 225) states that it may well be that the close co-operation between employees and management in Norway is one of the country's most important sources of flexibility. With regard to trade-offs some examples of local arrangements are described above, but one has not seen any large-scale agreements. Two circumstances can explain this. The first is the fact that the “solidarity alternative” and the present negotiation regime have not had room for any such trade-offs. The second is the fact that labour shortages rather than unemployment have been the case in most sectors in recent years. Trade-offs between jobs and flexibility have therefore not been at the agenda.

The Norwegian economy has changed rapidly over the last decade and is at present characterised by high economic growth and falling unemployment rates. This puts the present negotiation regime under severe pressure, since it was established under contrasting economic conditions. The return to industry-level negotiations in 1994 and 1996 allowed for flexibility issues such as working time, operating hours and wage incentives. These negotiations were still highly co-ordinated by the peak organisations, and the first revisions to the agreements played a major role.

In the future we expect to see attempts by the employers to carry out more industry-wide differentiation in agreements. In that case, a challenge will face the peak organisations. Unions entering into collective bargaining at a later stage might have problems in accepting a lower wage rise than that in agreements where trade-offs have been made. Instead, unions can take previously agreed wage increases for granted and demand extra money. Combined with the Norwegian tradition of ratifying revised agreements through ballots among affected workers, industry-wide differentiation has always been difficult in Norway. Rejection of a mediator's proposals has actually been a problem, especially in manufacturing. Thus the willingness of a union to trade flexibility in, for example, working time for leave provisions or wages, is not

enough. Differentiation seems to demand discipline from all parties; unions must be willing to accept trade-offs between other parties, and employers might be faced with an increase in industrial action.

As both the employers and the unions have put flexibility on the agenda, one can thus expect trade-offs in the future. At the moment both LO and NHO are undertaking internal discussions on flexibility measures, and it is the belief of the authors of this report, supported by the collection of information from the social partners, that at least working hours and leave provisions in connection with further education will be dealt with through negotiations.

On one side this would include the unions' demand for increased opportunities for adult education and training and reduced work time through individual flexible agreements. On the other hand, it would include the employers' demands for increased operating hours, the possibility of using temporary staff and more flexible working arrangements making it possible to increase production at peak periods.

A possible change of government to a centre or centre-right one could imply a less active incomes policy and some changes in the regulations for work contracts including temporary workers and hired staff. The latter can also happen with a swing towards the right in the upcoming General Election regardless of a change in government. Still, excessive weakening of the labour code, including most of the regulations in the Workers Protection Act, is not judged as particularly likely.<sup>14</sup>

## 5.2 Commitments

Several options seem open to Norwegian employers for obtaining increased flexibility. One initial option could be to unilaterally withdraw from collective bargaining. At present, when the bargaining system holds back on wages rather than helping to increase them, this would be a very high price to pay for increased flexibility. A second option could be to approach white-collar unions outside LO, for example, in order to reach acceptance of more individual agreements. Yet again this would threaten the "solidarity alternative". In addition LO-unions are also influential among white-collar workers in most of the private sector except among the professionals and in the finance sector.

One possibility is that the unorganised sectors, to a greater degree than the organised part of the private sector, introduce innovative arrangements. Certain forms of flexibility, for example temporary and part time work, are already more widespread in the service sector than in manufacturing. Variations in the coverage of collective agreements in the private sector have always existed. However, with increased networking, transactions between firms and attention paid to the whole value chain, this can cause imbalances in so far as the well organised manufacturing sector faces more restrictions than do large parts of the private service sector. The method of delegating exceptions to labour law to trade unions and employers is one way of encouraging negotiated flexibility. This is probably spreading in Norway, and could, if actually used, put relatively more constraints on firms not covered by agreements.

Although this paper has focused primarily on the private sector, it should not be forgotten that the public sector, and the local government sector in particular, is a high frequency user of flexibility in working time and temporary contracts. This could also be addressed more seriously by the relevant bargaining partners.

In summary one can say that the Norwegian model, with its social partners reaching nationwide agreements and thus setting the scene for the entire labour market, will most probably remain in place. The willingness of the parties to develop the Norwegian tradition of negotiating seems strong. No likely political constellation would interfere too much in the area normally left to the social partners, such as wages and working hours.

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<sup>14</sup> See postscript for an update.



# Postscript, December 1997

The material in this report was compiled in August/September 1997. Since then, two major incidents have occurred. First, the election in September resulted in a new Government. Second, several large trade unions disassociated themselves from the Federation of Norwegian Professional Associations (AF) in October, and established a new confederation for academically qualified staff.

## New government

The General Election in Norway in September resulted in a retreat of the Labour Government, and a new Government from the political centre took power on 17 October 1997. The new Government is a minority administration which aims at co-operating with political parties both to the right and to the left of centre on a case-by-case basis.

In their political programmes and in earlier political debates, the three parties - the Christian Democratic (Kristelig Folkeparti), Centre (Senterpartiet) and Liberal (Venstre) parties – have had diverging points of view on several labour related issues. This was the case with regard to amending the sick pay scheme so as to make it less generous, and introducing a greater degree of deregulation so that the rules relating to temporary employment and private temporary help agencies become less restrictive. But the joint statement, which sums up the joint position which the three government parties have agreed upon, indicates that the new Government will only introduce minor changes to labour legislation.

The joint statement does not contain any proposals to amend the controversial clause in the Worker Protection and Working Environment Act which regulates temporary employment, but the new Government wishes to draw up guidelines as to how the clause is to be understood. Regarding hiring out of labour and commercial employment agencies, the new Government will "look at the structure", but has not indicated whether or not it intends to change the present legislation.

As far as incomes policy is concerned, the new Government has continued a co-operative line and seems to regard the "solidarity alternative" as a central element in the macroeconomic policy. The Government also seems willing to take part in discussions concerning the main bargaining round in 1998, and the proposed reform regarding further education.

## New confederation

In October 1997, four trade unions disassociated themselves from the Federation of Norwegian Professional Associations (Akademikernes Fellesorganisasjon, AF). Along with the Norwegian Medical Association (the union federation for doctors), which had already disassociated itself from AF, these four unions established a new confederation for academically qualified staff. They have recently been joined by three additional unions.

The trade unions have not been excluded by the board in AF, and because of the by-laws regulating membership in AF the disassociation may not become effective until 1 January 1999. At present, a debate over negotiation rights in both the state and local government sector is taking place. The eight unions have altogether approximately 85 000 members, or one third of AF's membership. The creation of the new confederation means that Norway now has four different trade union confederations.

The fragmentation of AF may in part be explained by internal disagreement over the confederation's wage policy, both with regard to its content and the priority accorded to its bargaining demands. AF has traditionally encompassed a wide spectrum of unions, and the main criteria has been higher education. The unions which have disassociated from AF represent professions where university or higher degrees are prerequisites, and a substantial number of their members are employed in the private sector. These unions have been dissatisfied with their members' wage levels in the public sector, and would like to see a clearer wage profile which is more favourable to higher income groups. It should include a greater emphasis on local bargaining, and more individually determined pay reflecting labour market considerations. On the other hand, AF also encompasses large unions which mainly organise occupational groups and professions within the public sector, which seek to raise pay for the lowest paid groups with higher education (e.g. nurses) through centralised wage bargaining.

The effects of a change in government have not so far altered our views concerning the future of labour market flexibility and collective bargaining in Norway. The declaration from the new Government contained none of the more controversial issues from the election campaign, such as less constraints on temporary work and use of overtime, and weakening of the sickness pay.

The comments from the labour market organisations LO and NHO, so far indicate that they are willing to continue the current moderate wage policy combined with social reforms. Still, the level of bargaining may become crucial in 1998. The obligation towards continued wage moderation is not only shaped by the political situation, but also by the current economic outlooks and the shortage of manpower in several sectors. Thus, this obligation may be weaker among and within LO unions when bargaining independently than when acting on a centrally co-ordinated level.

The long term effects of the creation of a new confederation for academically-qualified staff are not easy to assess. A fourth bargaining agent on the union side in both state and local government sectors may cause severe problems, both because of the increase in the number of actors and because academically qualified staff now seem to be very impatient with the compressed wage structure in the public sector.

# Abbreviations

AF	<i>Akademikernes Fellesorganisasjon</i> – The Federation of Norwegian Professional Associations
HSH	<i>Handels- og Servicenæringens Hovedorganisasjon</i> – The Federation of Norwegian Commercial and Service Enterprises
KS	<i>Kommunenes Sentralforbund</i> – The Norwegian Association of Local Authorities
LO	<i>Landsorganisasjonen i Norge</i> – The Norwegian Confederation of Trade Unions
NHO	<i>Næringslivets Hovedorganisasjon</i> – The Confederation of Norwegian Business and Industry
YS	<i>Yrkesorganisasjonenes Sentralforbund</i> – The Confederation of Vocational Unions

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# Appendix

## Collective bargaining and flexibility (Outline)

### Introduction

The competitiveness of an enterprise or economy in today's globalized market depends largely on its ability to adapt itself quickly to changes taking place in the market as well as changes in customers' needs. The enhancement of this ability requires increases in flexibility in many aspects of the labour market. Employment contracts, wages, working hours and work organization are among the aspects that have strong impact upon this ability. Consequently, how to make them more flexible has become a major issue in labour relations throughout the world. Flexibility in these areas is being introduced through various means, such as legislation, collective bargaining, work rules, individual contracts or employer's unilateral action. A key study on the issue, the OECD report on labour market flexibility (the Dahrendorf report) in 1986, underlined the need for flexibility to be negotiated. However, collective bargaining today is not playing the major role in introducing flexibility in these areas in many countries. This project will therefore endeavour to investigate how collective bargaining can be made more instrumental in the introduction of such flexibility.

### Objectives

This project will seek to:

- (i) assess the respective importance of the role of legislation, collective bargaining, work rules, individual contracts and employer's unilateral action, in the introduction of flexibility in the labour market: (For the purpose of this project, the term "flexibility in the labour market" is understood to mean "flexibility in **employment contracts, wages, working hours and work organization**".);
- (ii) review recent experience in the ILO member States with the "negotiated" (in its wide meaning) introduction of flexibility (including legislation based on agreement between employers' and workers' organizations);
- (iii) find out whether there are any trends towards sectoral convergence in bargaining practices on flexibility;
- (iv) identify the factors that enhance the **instrumentality of collective bargaining** in introducing flexibility in ways beneficial both to the enterprise and its employees;
- (v) identify the elements which are deemed to be the major obstacles to increased flexibility;
- (vi) develop **reference materials** for use by employers and trade unions contemplating the introduction, through negotiations, of changes aimed at increasing flexibility in the labour market.

The "reference materials", referred to in (iv) above, will take the form of a publication and a database. The information collected in the process of the preparation of the publication will be stored electronically as part of the database in an Industrial Relations Information Network to be created in the Labour Law and Labour Relations Branch of the ILO.

## **Publication on collective bargaining and flexibility**

### **1. The outline of the publication**

#### *Chapter One: The types of flexibility introduced*

An international overview of the changes recently introduced with a view to enhancing flexibility. This chapter will seek to highlight the inter-country, or inter-region, and sectoral differences in focus in the flexibility debate with respect to the following issues:

- 1) employment contracts;
- 2) wages;
- 3) working hours;
- 4) work organization;

#### *Chapter Two: The positions of the social partners on flexibility*

- 1) the government policies;
- 2) the positions of employers;
- 3) the positions of workers' organizations, and positions of individual workers vs. work collective;

#### *Chapter Three: The sources of flexibility*

- 1) the respective role of legislation, collective bargaining and employers' unilateral action as means of introducing flexibility;
- 2) the relationship (and articulation) between the different sources of flexibility;
- 3) the factors affecting the importance of the role of collective bargaining as a means of introducing flexibility:
  - (i) legal constraints or encouragement;
  - (ii) the prevailing concepts of managerial prerogatives;
  - (iii) the structural and functional characteristics of workers' and employers' organizations;

#### *Chapter Four: The process of collective bargaining on flexibility*

- 1) the level of collective bargaining (national, regional, sectoral, enterprise or plant level);
- 2) the relationship among different levels of collective bargaining (*e.g.* Can local agreements introduce flexibility in derogation to national or industry-wide collective agreements?);
- 3) formal collective bargaining leading to the conclusion of a collective agreement (at national, regional, sectoral, enterprise or plant level), or informal bargaining



- between management and unions or other workers' representatives, or a combination of both;
- 4) articulation between collective bargaining and consultative or participative processes in labour-management interaction on flexibility (including the respective role of collective bargaining and codetermination as well as the respective role of unions and other workers' representatives in flexibility negotiations);
  - 5) collective vs. individual agreements and arrangements at the workplace.

*Chapter Five: The outcome of collective bargaining on flexibility*

- 1) Trade-offs involved in flexibility bargaining (e.g. the issues on which flexibility was negotiated and the different costs and benefits for employers and workers); this should be analyzed with respect to both representative and innovative cases.);
- 2) the comparison of the parties' initial positions and the outcome of collective bargaining (including analysis of representative and innovative cases.);
- 3) the effects of the outcome of collective bargaining on employment conditions and enterprise efficiency, including examples of collective agreements with enabled local negotiations on flexibility.

*Conclusions*

- 1) the effectiveness of collective bargaining as a means of facilitating the introduction of flexibility;
  - 2) the conditions to be met for the development of effective collective bargaining on flexibility.
2. The methods of work

This project will consist of the following three main types of activities:

*1) Collection of information through daily work*

The first task will be an overview (bibliographical survey) of existing publications and studies over the past few years (including OECD, ETUI, ITSs, UNICE and IOE) and establishing a substantive sample of innovative collective agreements and plant agreements in selected countries.

The project will also rely on inputs made by all LEG/REL staff (as well as the relevant MDT members) through their daily work. Reading of technical reviews and publications, missions, participation in various meetings, as well as contacts with constituents and experts, will all constitute opportunities for gathering information. For this purpose, a check-list will be developed to guide LEG/REL staff in collecting data, and a report format will be available on their computers. The report format will be filled in by them as soon as they obtain relevant information, and forwarded to the project manager (Muneto Ozaki) for perusal

and transmission to the documentalist. The data thus stored will be available to all LEG/REL staff.

2) *Preparation of analytical reports by LEG/REL staff and researchers from selected countries*

As a means of collecting analytical information on the subject of this project, a series of analytical reports will be prepared by LEG/REL staff and researchers from selected countries, in accordance with the above outline. The reports will cover specified geographical areas and selected sectors (or industries).

3) *Synthesis of information and analytical reports*

The information collected under 1) and the analytical reports prepared under 2) will be synthesized into a coherent publication by Muneto Ozaki and Alfred Pankert.

3. Timetable

<i>10 January 1997:</i>	Completion of a check-list and a report format;
<i>January–December 1997:</i>	Collection of information through daily work (as under 2.1) above);
<i>End July 1997:</i>	Completion of all analytical reports;
<i>End November 1997:</i>	Submission of a synthesis report for publication.

**Database on collective bargaining and flexibility**

Once the publication is out, the data collected in the course of its preparation, and stored in the computer, will be screened and disseminated through the Industrial Relations Information Network (IRNET) referred to above.

## **Collective bargaining and flexibility**

*(Check-list for the collection of information and the preparation of analytical reports)*

This is an indicative list of questions to be looked into in each analytical report, and on which information should be collected. The authors of the reports and the collectors of information can, and are even encouraged, to analyze other issues which are relevant to this project. Wherever possible, both representative practices and innovative cases should be analyzed.

### **Chapter One: The types of flexibility introduced**

1.1 In the country (or countries) concerned, what are the main forms of flexibility (among employment contracts, wages, working time and work organization) being introduced (or considered for introduction) into employment conditions or work arrangements? Are there forms other than these four that are more widespread? In the affirmative, please describe them.

1.2 What are the main types of flexibility being introduced into employment contracts? Highlight changes that have recently taken place in dismissal or redundancy procedures and practices, as well as in the use of part-time work, contract labour, temporary work and any other atypical employment relationships. Evaluate trends and the relative importance of each.

1.3 What are the main types of flexibility being introduced into the pay determination procedures and systems? Highlight changes, if any, that have recently taken place in (i) wage protection provisions such as minimum wages, and means of maintaining the purchasing of pay (*e.g.* wage indexation ...); (ii) decentralization of pay determination; (iii) pay, grade and skill structures, including job evaluation and pay-for-knowledge schemes; (iv) pay linked to performance, including financial participation and gain-sharing and special bonus schemes *e.g.* linked to attendance or multi-skilling; (v) rationalization of the various elements of total remuneration.

1.4 What are the main types of flexibility being introduced into working time? Have there been trends towards the calculation of working hours in reference to a longer period (*e.g.* a month or a year) than before? Have arrangements for 6- or 7-day working week, shift-work, night work, or flexible working hours spread? Have there been changes in rest periods and breaks? Explain representative and innovative arrangements.

1.5 Have there been (i) greater standardization or diversification of work, or (ii) more rigid or flexible job definitions and demarcations? Has there been (i) greater internalization or externalization (*i.e.* out-sourcing) of company operations, or (ii) a spread of inter-firm networking? Has there been a spread of teamwork? In the affirmative, explain the types of teamwork (*e.g.* its composition, the degree of team autonomy). Has there been a clearer separation of planning and execution? Have there been trends towards greater multiskilling?

## **Chapter Two: The positions of the social partners on flexibility**

2.1 *Recent trends in the government policies towards flexibility and the factors underlying the trends.* Are there differences according to the ideological orientation of the government?

2.2 *Recent trends in the positions of employers towards flexibility and the factors underlying the trends.* Both the positions of employers' organizations and those of individual employers should be analyzed. With respect to the latter, are there differences in sectors, ownership patterns and the sizes of the enterprises?

2.3 *Recent trends in the positions of workers' organizations towards flexibility and the factors underlying the trends.* Are there any notable differences in the positions between the central organizations and lower-level organization, and between unions organizing different sectors or different categories of workers? Are there differences between the positions of trade unions and those of Works Councils?

2.4 Highlight the points on which the positions of the social partners differ and conflict notably.

## **Chapter Three: The sources of flexibility**

3.1 To what extent has flexibility been introduced through legislation, collective agreements, informal agreements, work rules, individual contracts or employer's unilateral action? Are some of these instruments used more specifically for certain types of flexibility?

3.2 What is the hierarchical order (or more generally the relationship) existing among these methods of regulating flexibility? Can a lower-level source modify a higher-level source? For example, can a collective agreement modify legislation, or can an individual contract modify a collective agreement or legislation? In the affirmative, under what circumstances can this be done? Have there been any changes in this respect recently?

3.3 Are there any legislative provisions constraining or facilitating collective bargaining and informal negotiations on flexibility?

3.4 Is there any governmental encouragement given to negotiations on flexibility? In the affirmative, what form does it take and how effective is it? Is legislation on flexibility sometimes based on previous negotiations between the parties? In more general terms, is there an increasing interaction between government and the social partners in order to bring about increased flexibility?

3.5 What are the (representative and innovative) employers' attitudes towards negotiations on flexibility? What are the factors affecting the degree of willingness or unwillingness of employers to negotiate on flexibility? Do employers' attitudes vary with sectors (branches of activities), ownership patterns or sizes of enterprises?

3.6 What are the structural and functional characteristics of workers' and employers' organizations which impede or facilitate negotiations on flexibility?

3.7 Are there disagreements or debates among the three parties (*i.e.* the government, employers' or their organizations, and workers' organizations) over the role which legislation, collective agreements, informal agreements, works rules, individual contracts and employer's unilateral action should play respectively in introducing flexibility? In the affirmative, describe them.

#### **Chapter Four: The process of collective bargaining on flexibility**

4.1 At what level (national, regional, sectoral, enterprise or plant level), does collective bargaining on flexibility take place? Does it take place at one level only, or at several levels? Have there been any changes in the level of collective bargaining? Are there sectoral differences?

4.2 If collective bargaining takes place at several levels, what are the relationships between different levels of collective bargaining? For example, can collective bargaining at the enterprise level modify collective agreements concluded at the industry level? Can informal agreements (*e.g.* those signed by works councils) modify formal collective agreements? Have there recently been any changes in this respect?

4.3 What is the respective role of formal collective bargaining and informal negotiations (including those carried out by works councils or other workers' representatives) in introducing flexibility? Have there been any changes recently in this regard?

4.4 *The duration of negotiations and the frequency of negotiating sessions needed before reaching agreements.* Have there recently been any changes? Have the results of negotiations been submitted to ratification by union members?

4.5 What was the role of the State, if any, in negotiations on flexibility?

4.6 Have negotiations on flexibility involved any recourse to industrial action? In the affirmative, describe the course of events.

#### **Chapter Five: The outcome of collective bargaining on flexibility**

5.1 Describe the trade-offs involved in flexibility bargaining (*e.g.* the benefits conceded by employers to workers in return for the latter's cooperation in introducing greater flexibility). For example, have there been reductions in working hours in return for greater flexibility in arrangements for working hours? Has the employer pledged not to dismiss workers in return for the latter's acceptance of wage freeze or wage cuts? Have there been precise commitments on the part of the employer to create new jobs? Analyze in detail the contents of the trade-offs in both representative and innovative cases. Has there been any sectoral variation in the contents of trade-offs?

5.2 Are there differences as regards the trade-offs according to the level of bargaining (*e.g.* more precise employers' commitments in enterprise bargaining?)

5.3 In selected representative and innovative cases, compare the parties' initial positions with the final results of negotiations.

5.4 What are the observed and expected effects of the outcome of negotiations on employment conditions and enterprise efficiency?

5.5 *Workers' and employers' perception of the merits or demerits of the outcome of negotiations on flexibility in selected representative and innovative cases.*

5.6 Have there been any difficulties in implementing the results of negotiations? In affirmative, describe them, and discuss how the difficulties have been eventually overcome.

### **Conclusions**

C.1 What are the advantages or disadvantages of the negotiated introduction of flexibility over its introduction through other methods (e.g. employer's unilateral action)? Discuss the views of workers (and their organizations), employers (and their organizations), governments, international financial institutions and other experts and institutions.

C.2 What are the conditions to be met for the development of effective negotiations on flexibility?



# Collective bargaining and labour market flexibility in Norway

Employment contracts, wages, working hours and work organisation are all aspects that have strong impact on both the competitiveness of an enterprise or even the working of the economy in general, as well as on the well-being of employees. Collective bargaining today, however, is not playing a major role in introducing flexibility in these areas in many countries. In order to make collective bargaining more instrumental in the introduction of such flexibility, the International Labour Organisation (ILO) has started a project where country reports form an important part of the analytical basis. This paper presents the Norwegian experience.



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