

Session 3: Engaging with Employers and Unions

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7-minutes introductory remarks

Norway has a well-functioning and well-respected system of coordinated collective wage bargaining, and this is often one of the reasons cited for why economic growth has been able to co-exist alongside low inequality and low unemployment in Norway. However, there is some indication that this system has been coming under pressure as a result of mass immigration from new EU/EEA member states since 2004.

Within the Norwegian system of coordinated collective wage bargaining, wage growth in sectors exposed to international competition functions as a coordinating norm for collective wage negotiations in the other sectors of the economy. The level of unionization among workers is relatively high in Norway, and large unions – or conglomerations of smaller unions – represent workers across different sectors, skill levels and occupations. Hence, unions often need to balance different or even conflicting needs among their members, and this helps makes them responsive to general economic conditions across the economy. Since collective agreements cover a large share of the workforce, they also implicitly serve as a benchmark for employers and employees *not* directly subject to the collective agreements. Altogether, these institutional features create a system which fosters balanced wage growth across sectors, counteracts pressures for inequality, and allows Norwegian exporting industries to remain competitive.

There are several reasons why increased labor immigration currently poses a challenge to this system. Firstly, Norway is part of the free movement within the European Economic Area, and, given that wages in many of the newer EU/EEA member states are often only a fraction of wages in Norway, there is potential for widespread “social dumping” to threaten balanced wage growth across sectors. Secondly, since the Norwegian system in part rests on the high level of unionization in the workforce, lower levels of unionization among immigrant workers makes it difficult for unions to address social dumping at the grassroots.

Finally, competitive pressures can tempt some employers to cut corners and neglect rules and regulations on wages, working conditions and workplace safety for foreign workers. In sectors with high levels of immigrant workers, this can, in turn, force honest employers out of business. Many businesses are also interested in ensuring the *quality* of their products and services, something which can become increasingly difficult with intense competition based on low wages. We find, therefore, that calls for actions and policies to counteract social dumping come from both unions *and* employer organizations.

General applicability of collective agreements has been one of the main strategies used to address potential for harmful low wage competition from immigration. General applicability entails that at least some minimum wages, benefits or working conditions in collective agreements are made legally binding for *all* employers and employees within a certain sector and/or occupation. The system for introducing general applicability includes mechanisms to ensure an objective appraisal of need in a particular sector or occupation. A formal proposal for general applicability must be made by a union or an employer organization. Evidence must be provided that immigrant workers are indeed paid poorer wages than Norwegian workers. A committee appointed by the government and consisting of one union representative, one employer representative and three independent members considers the evidence and renders a final decision on the need for general applicability.

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Collective agreements are now generally applicable in four sectors of the economy (construction, maritime construction, agriculture and cleaning) and are under consideration for four others at the moment.

Compared to other strategies for addressing low-wage competition from immigration, such as a general minimum wage, general applicability of collective agreements has some advantages. Firstly, it still lets unions and employer organizations decide on minimum wage stipulations *in their respective sectors* and thus allows for minimum wages to vary across sectors. Secondly, general applicability responds flexibly to changing competitive conditions in much the same way as collective bargaining in general. Finally, it avoids interfering with the workings of the labor market where it is unnecessary and might do more harm than good.

Although evidence suggests that general applicability has had some effect in reducing the extent of low wages, we still face challenges in *enforcing* general applicability as well as other minimum requirements on workplace safety in sectors of the economy with high levels of immigration. Part of this challenge is due to the fact that proper enforcement often requires cooperation between different government authorities, such as the Labor Inspection Authority, tax officials, immigration authorities and the police. For this reason, the current government wants to strengthen the cooperation between these different authorities and intensify monitoring and control activities. Finally, we are also strengthening the criminal penalties associated with breaches of general applicability of collective agreements.

In general, we have experienced little conflict on these issues in Norway. The trade unions are often the most proactive with respect to social dumping, but employer organizations also see the advantage of regulation and monitoring in this area.