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The Negotiated Nordic Labor Markets: From Bust to Boom

by

Jon Erik Dølvik
Visiting Scholar, Center for European Studies Harvard University/
Fafo Institute for Labour and Social Research, Oslo
c/o CES dolvik@fas.harvard.edu
Phone (617) 495-4303 ext 211

Fafo, Postboks 2147 Tøyen,N-0609 Oslo
+47 22 08 86 00
jed@fafo.no; www.fafo.no

Abstract

This paper[1] provides an overview of the negotiated Nordic labor market regimes and their various paths of adjustment from bust to boom in recent decades. Developed in small, open economies, the Nordic labor regimes are often associated with strong centralized agreements and associations, high union density, and extensive worker representation, which have been embedded in social models based on close interaction between working life policies, the welfare state and macroeconomic policies. In leaner forms these features have undoubtedly contributed to the high Nordic levels of mobility, equality and employment in recent years ("flexicurity"), but an often overlooked part of the story is the increased scope for product market competition and the supply-side reforms undertaken in the Nordic countries since the crises in the 1980-90s. Another distinction of the revitalized Nordic models is the growing importance of management-union negotiations and dialogue at the company level. A key argument in this paper is thus that the capacity for negotiated flexibility and adjustment in Nordic labor markets has been critically reliant on the multilevel, single-channel pattern of articulation between centralized coordination and decentralized negotiations linking restructuring, training, productivity and pay issues.

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1. Introduction[1]

Fifteen to twenty years ago, the Nordic countries – Denmark, Finland, Iceland, Norway and Sweden – were hit by deep economic crises, underpinning the view that the egalitarian Nordic labor regimes were neither competitive nor sustainable in a globalized economy. Today, the picture has changed considerably with the Nordic countries, like Phoenixes, rising to top international ranking lists of economic efficiency and equality. Why ?

The aim of this paper is not to give a complete answer to that question. Its goal is mainly to provide an overview of the Nordic labor regimes, their commonalities and varieties, and their main paths of adjustment in recent decades. Hopefully, such a review can be useful in the ongoing European debates over how to adjust to changing external and internal circumstances and how the variety of European social models can learn from each other.

In presentations of the Nordic models it is common to draw attention to the direct indicators of labor-market organization, typically:

- A high degree of union affiliation of workers;
- Centralized agreements and coordinated bargaining at multiple levels;
- Extensive worker representation at the company and community levels;
- Well-developed, smooth regulation of working life in legislation and agreements.

In order to understand the way the Nordic models work, it is essential to bear in mind the interaction between working-life policies and other key policy areas:

- The welfare state based on universal income security, tax financing, and the work approach in welfare policies, contributing to mobility and adjustment ("flexicurity");
- Extensive public services, education and infrastructure, providing citizens and companies favorable conditions, skills and high participation rates for both sexes;
- Active labor-market policies and training;
- The role of the state in enhancing tripartite cooperation, in which macroeconomic stabilization policies in particular are important for development in employment, social distribution and living and working conditions.

Historically, the Nordic models developed in small, open economies, highly dependent on international markets and strongly influenced by the incipient trade-union movement in continental Europe. During the early years of industrialization and economic globalization prior to World War I, the organizations in manufacturing took the lead in developing nationwide bargaining systems. During the 1930s, national patterns of coordination were developed according to which the exposed sectors set the pace in order to cope with external competition and volatility. Cooperation between international capital and the state often played a catalyzing role in the

[1]Besides Fafo and the Research Council of Norway, which have funded the work on which this paper is based and the Leiv Eriksson grant enabling my visit to Harvard 2007-08, I would like to thank the Minda de Gunzburg Center for European Studies, which has offered an excellent and inspiring work environment during my stay. Special thanks to Andrew Martin for useful comments and enthusiastic cooperation.

process of industrialization that took place in parallel with the development of the labor movement, suffrage and democratic institutions at the outset of the twentieth century.

Hence, nation building and welfare-state development did not only go hand in hand with integration in the international economy, but were important preconditions for such integration. The Nordic countries thus have recently been ranked among the most globalized economies in the world and, according to prominent international economists, the strong Nordic performance shows that well-regulated, egalitarian economies with sophisticated welfare systems are no obstacle to thriving in the global economy (Sachs 2004, Sapir 2005; 2006). On the contrary, the investments of the Nordic countries in collective goods and social capital have positioned them at the forefront, along with the United States, in terms of digital infrastructure and internet penetration (Andersen et al 2007, World Bank 2005). The same holds true for social mobility, participation of women in the labor market, and the level of formal education in the population.

Comparative research indicates that it is no coincidence that small, open economies with strong needs for coping with international market fluctuations, like the Benelux countries, Austria, Ireland, Slovenia, the Nordic and several other countries, have developed systems of governance based on tripartite concertation, social dialogue and generous welfare systems (Katzenstein 1985, Rodrik 1997, 1998).[2] By developing common social capital, such systems have often shown strong ability to utilize the labor force and human capital to strengthen competitiveness and spread risk in a way that has created trust and willingness to participate in burdensome adjustments in companies and renewal of social institutions (Iversen 2005, Campbell and Pedersen 2006).

Increased global competition and the widening scope of European integration provide reasons to assess the relevance of the Nordic experiences for other EU member states and for the broader trajectory of European development. Instead of following the Anglo-American path, Sapir (2005, 2006) thus suggests that the continental European countries should look to the Nordic model which "combines both equity and efficiency." It remains to be seen whether continental actors will find elements of the Nordic models relevant and transferrable to their contexts, but in section 2 of this paper they can find a brief overview of the broader political and institutional frameworks of the Nordic systems of labor-market governance, whereas section 3 contains a closer review of the developments and adjustments in Nordic industrial relations over the past decades. Section 4 provides a brief summary and sketches some of the future challenges facing the Nordic labor regimes.

2. The Nordic approach to social and economic governance

"The Nordic Model Never Existed, But Does it Have a Future?" was the title of an article written by a Norwegian sociologist in the early 1990s (Mjøset 1992). Tracing the vast variation

[2]According to Rodrik (1997: 6), "there is [in fact] a striking correlation between an economy's exposure to foreign trade and the size of its welfare state. It is in the most open countries, such as Sweden, Denmark and the Netherlands, that spending of income transfers has expanded most." Rodrik mentions that tax-competition and capital mobility might weaken the buffer function of the welfare state, but recent statistics indicate that the social-expenditure shares of GDP in the OECD countries actually rose faster in the 1990s than in the 1980s.

among the Nordic countries, alongside their broad similarities with other European countries, he concluded that a distinct Nordic model of society never existed, but suggested that the notion of a common Nordic approach might attain increased impact within the emerging context of European integration. And as a subgroup of the broader category of coordinated market economies (Hall and Soskice 2001) – or, even wider, the European social model – the Nordic models have certainly gained importance as a source of international political interest and domestic identification.

In the current European debates about "flexicurity," which originally was a concept invented by the Dutch (Visser and Hemerijck 1997), the Danish example, where interaction between flexible employment protection and elaborate income security has contributed to high mobility and adaptability in the labor market, is often cited. Albeit statutory employment protection plays a more salient role in the labor market in the other Nordic countries, they also show considerable mobility and adaptive capacity (Westerlund 2006; Dale-Olsen 2006, Andersen et al 2007). In accordance with their historical dependence on international markets, all the Nordic countries have in recent years – partly as an adjustment to the single-market regime – pursued significant supply-side liberalization of their economies (Dølvik 2007b,c). Many actors, both to the right and to the left of the political spectrum, have interpreted that as a farewell to the traditional Nordic models. Such interpretations tend to overlook important Nordic distinctions, namely that competition in open markets has always been a defining feature of the Nordic model and that in recent years product market deregulation has been combined with maintenance of inclusive welfare-state policies, well-regulated labor markets and strong social actors with the capacity to engage in coordinated governance. What we have seen in the Nordic countries is thus a market-driven rationalization of the production and supply side of the economies, combined with continued policy-driven redistribution and protection in the sphere of welfare and labor markets, characteristics that historically have been central ingredients in the Nordic social compromises (ibid).

2.1. Background: Community and diversity

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

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

The diverse Nordic paths of development have also influenced the national patterns of policymaking. For example, Denmark, which always had a weaker social democratic party than its neighbors, has been distinguished by a tradition of coalition governments and consensual politics, offering the social partners a pivotal role as compromise-builders in social and labor-market policies. Sweden, by contrast, has been characterized by a much more polarized pattern of class politics and power relations, with a hegemonic social democratic party in government throughout most of the postwar era. Finland, with a relatively small social democratic party and strong leftist parties, has been dominated by varying centrist coalitions. In Norway, the labor party played a dominant role in the postwar era, but the political picture in recent decades has become more similar to the Danish situation, for the first time concurrently with a center-left government in power. Whereas Denmark, Finland and Sweden currently are governed by center-right coalitions, strong right-wing populist parties have also emerged in Denmark and Norway in recent years. Clearly, the relationships between class and political behavior are changing.

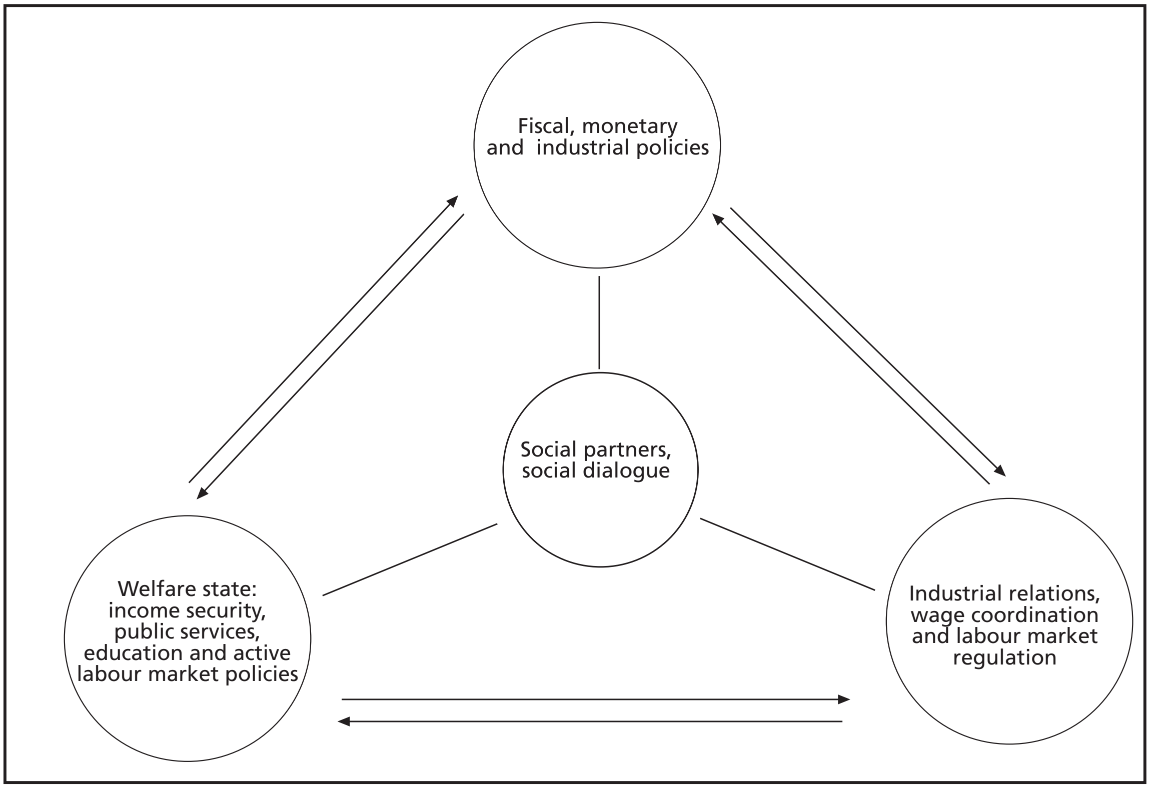
Internationally, the fall of the Berlin Wall and the new dynamics of European integration have implied profound changes for the Nordic countries. After Denmark became the first Nordic member of the European Community in 1972, the other Nordic countries remained in EFTA until Finland and Sweden entered the EU in 1995. Norway and Iceland have chosen not to join the EU, but were incorporated in the single market through the EEA agreement in 1994 and eventually also joined the Schengen agreement. Whereas Denmark in 1993 was granted a set of "opt-outs" from the Maastricht Treaty, including the euro,[3] and Sweden remains outside the euro, Finland has subscribed to the full package of EU membership. This implies that the Nordic countries today have quite diverse relationships to the political processes of integration in Europe. In economic terms, however, they are all fully incorporated in the single market, implying that domestically they are largely facing the same opportunities and constraints.

2.2. The social foundations of the Nordic models

The main common elements in the Nordic approaches are captured in the triangular figure on page 5, highlighting the interconnections between macroeconomic governance, industrial policies, collective bargaining and welfare-state policies, placing the organized social actors in the labor market in key intermediating roles.

[3]A Danish shift to the euro was rejected in referendum in 2003, but Denmark is now heading towards a new referendum over the issue, which is expected to take place in 2008-2009.

Figure 1. The social foundations of the Nordic models



•The *macroeconomic* policies of the Nordic countries in the postwar era were characterized by prudence and stabilization, based on fiscal rectitude, cautious use of monetary policies (credit control, devaluations) and close coordination with the centralized wage-setting systems. *Collective bargaining*, with the exposed sectors in the lead, was coordinated economy wide with the aim of achieving moderate real-wage growth, low inflation, international competitiveness and sufficient room for growth in investment and demand to ensure full employment.

•As regards *industrial policies*, the solidaristic wage policies were considered an important precondition for development of productivity and restructuring. By creating a proper wage floor, the interplay between market competition and egalitarian wage policies forced unprofitable firms out of business and served as a vehicle for reallocation of labor into the most productive firms and sectors (the so-called Rehn-Meidner model of "creative destruction"). In the small open economies, adjustment and mobility were acknowledged as positive "facts of life" and were enhanced by the "working line" pursued by public authorities through active labor-market policies and training aimed at facilitating employability and labor mobility. Underpinned by macroeconomic policies for full employment, such public support was also considered crucial for convincing local unions of the benefits of participating in productivity-enhancing cooperation and adjustment at the company level.

•*Labor-market regulation* in the Nordic countries has built on *collective agreements* as the principal means of determining pay, working conditions and labor relations, eventually supplemented by labor legislation. Through the coordination of wage-setting and tripartite cooperation with the state in economic and social policies, the social partners conquered a central interconnecting role between different areas, levels and institutions of policy development.

- Development of *income security* provided by the evolving *welfare state* was the third foundation in the Nordic systems of interlocking policies. By contributing to socialization of the individual risks connected to restructuring, and by establishing a proper reservation wage, the tax-based income security schemes facilitated worker participation in rationalization and adjustment at the firm level, and underpinned the economy-wide, solidaristic wage policies. Hence, the welfare state was seen as a productive arrangement, enhancing the policies of growth, restructuring and human capital formation (through free public education). The financing of the welfare state, though, was reliant on the success of the overall policy approach in ensuring growth, rising employment and a widening tax base. Eventually the public services became a major arena for female employment, and, by socializing care for children and the elderly, further stimulated the growth in female participation in productive work. By redistributing economic demand via the tax system, transfers, and by offering decent service jobs, the welfare state hence came to play an important role in shaping the Nordic passage into postindustrial working life.

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

In social models based on these types of policy interaction and interdependencies, the industrial relations actors have conquered important roles as intermediaries among different levels, areas and institutions of policy development. Making the political authorities' ability to achieve their goals dependent on the cooperation of organized labor and business, this interconnecting role has provided the social actors with considerable power (and veto power) to influence the governance and functioning of the wider social fabric. Throughout the postwar era the main social actors were accordingly incorporated in a range of tripartite institutions and networks, facilitating consultation with public authorities over policymaking in a broad spectrum of economic and social issues, centrally and locally.

Table 1: Wage dispersion in 2002

Source: Earning disparities across European countries and regions, Eurostat 2006

Country	9th decil / 1st decil
United Kingdom	4,2
Spain	3,7
Germany	3,6
France	3,1
Sweden	2,8
Denmark	2,5
Norway	2,4
Finland	2,4

A consequence of this pattern of policymaking is that the Nordic countries have managed to maintain high employment rates and fairly egalitarian wage and income structures (Barth et al. 2003). Alongside the coordinated systems of collective bargaining, the public sector has played an important role in this regard.[4] Financed through general taxes, the employment-extensive public services have, in addition to reducing social differences in life chances, been marked by better wages and lower pay differentials than the services sector, for example in the UK and the U.S., where private actors play a greater role. Further, the public social security systems have underpinned the wage floor (reservation wage) that companies have to exceed if they want to attract and retain labor, preventing development of a low-wage sector of service employment (Dølvik 2001).

The Nordic countries have, as mentioned, pursued significant supply-side liberalization of their economies in recent decades. They are thus, according to OECD data, closer to the Anglo-Saxon than the continental countries in terms of product market regulation and competition (Conway, J., et al (2005), Schubert and Martens, 2005, see Appendix, Table A5).[5]

In spite of their high levels of general taxation and egalitarian income distribution, which are often claimed to weaken economic incentives and growth, the Nordic countries have in recent years climbed the global ladder of competitiveness and productivity (see Appendix, Figure 1). Contrary also to the notion that capital tends to flee high-cost/high-tax economies, the Nordic countries have over the past decade attracted considerable direct investment growth and shown better balance between outward and inward flows of FDI than the average in Western Europe (Whyte, EPC 2005).

> The experience of the EU's three Nordic members suggests that [….] there is no evidence that foundations of the Nordic welfare state are being undermined by "global competitive pressures". In all three countries, the ratio of public expenditure and tax receipts to GDP remains markedly higher than the OECD and the EU-25 overages, yet all three countries have continued to attract more than their fair share of FDI (Whyte, EPC 2005: 48).

These developments are probably important in explaining why people in the Nordic countries, according to several surveys, tend to be less anxious and more positive about globalization than the people in many other OECD and EU countries (see Andersen et al 2007: 43).

International debate about the Nordic models – be it in the 1970s or today – has often tended to focus narrowly on features where the Nordic legacy has deviated most from conven-

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[4]For some comparative indicators of employment rates, and the size and financing of public sector, see Appendix.

[5]It has thus been suggested that, e.g., Denmark represents a hybrid model between the liberal and coordinated market economies (Campbell and Pedersen 2006); while the latter refer to decentralization of the regimes of industrial relations and skill formation as examples of new liberal elements in the Danish model (Sweden could also be included in this category), I would maintain that these policy fields are still strongly coordinated in Denmark (see below). The far-reaching deregulation of product markets and strong market competition could, however, still justify labeling Denmark (and other Nordic countries) as a hybrid case, alluding to the characterization of the Nordic model as an example of "politics with markets" (Magnusson 2007) rather than "politics against markets" (Esping-Andersen 1985).

tional wisdom, that is, the redistributive realm of social and labor policies. Both the right and the left have thus often overlooked the counterbalancing and complementary legacies of the Nordic compromises, associated with the emphasis on prudence, market competition, technological modernization and productivity enhancement enshrined in social-democratic slogans such as "creating and sharing," "doing your duty and demanding your right," promoting "social justice as a force of productivity," etc. The legacy of equity and redistribution has hence been paired with a strong productivist and competitive ethos associated with respect for knowledge and science, built on the realization that success in international markets is an indispensable precondition for prosperity and justice.[6] Being influenced by the Marxian credo of developing the productive forces, the Nordic labor movements soon acknowledged that modernization of the relations of production was a necessary means to achieve that end, thus rejecting the determinism of both simple-minded liberalism and revolutionary adventurism.

While the characteristics sketched above are often attributed to the reformist Nordic labor movements (Korpi 1983; 2006), some observers point to other sources of this particular blend of prudence and egalitarianism – for example, by referring to the strong Protestant ethic marking Nordic Lutheranism; the relative absence of feudalism, serfdom and nobility; and the early establishment of universal public school systems (Andersen et al 2007). Several observers have also suggested that the religious and ethnic homogeneity of many small states such as the Nordic ones has enhanced national institution- and identity-building. Whatever the historical explanations, the Nordic countries have apparently been marked by cultures in which small social distances, autonomy and national pride have been mixed with respect for skills and knowledge and quite broad international networks and orientations. The social cohesion fostered in small, remote communities has thus been complemented by fairly instrumental attitudes to international impulses and trade. A salient feature of the Nordic countries, though, is that such expressions of economic internationalism have gone hand in hand with strong skepticism of political supranationality and opposition of attempts to cede or share sovereignty.

[6]Old trade-union banners typically expressed this belief in knowledge in slogans like "through knowledge to freedom," "enlightenment and solidarity is our strength," etc. (see e.g. Fløgstad 2006: 46).

Small, unitary states in global markets:
comparative advantages for the Nordic countries?

Inclusive welfare state policies built on the "working line"

- Universal, tax-based income security -> mobility and adjustment, "flexicurity"
- Free education -> broad, deep skill base, demanding markets (customers)
- Work-oriented welfare and childcare -> high female participation rates, talent mobilization & human capital formation
- Good public infrastructure -> efficiency and fast spread of innovations (e.g., ICT)
- Investment in R&D and industrial policies -> vital clusters of renewal
- Relatively small social differences -> trust, participation & innovative abilities

Strong social partners & multilevel bargaining systems embedded in broad framework legislation

- Local bargaining level and single-channel participation system -> productivity-oriented cooperation on work organization and training in the companies
- Tools for negotiated flexibility – semi-dispositive laws encourage local adjustments
- Compressed wage structure spurs reallocation of resources to high productive firms
- Demanding counterparts provide pressures for innovation and renewal => "high road"

3. Nordic industrial relations – continuity and change

3.1. Introduction

With strong employer associations and trade unions, high union density and extensive collective bargaining at the central and local levels, the encompassing systems of industrial relations have been cornerstones in the Nordic regimes of governance. During the economic crises in the 1980s and early 1990s, these systems were widely portrayed as sclerotic, rigid obstacles to economic change and competitiveness (see e.g. Mancur Olsen 1990). Faced with the simultaneous challenges of postindustrial modernization, European integration and globalization, many observers predicted the demise of the Nordic labor regimes. The most infamous evidence that this scenario was emerging was the withdrawal of the Swedish employer confederation (SAF) from peak-level dialogue during the crisis in 1990, in wide circles taken as the ultimate proof that centralized bargaining was incompatible with the interests of powerful international companies. In line with mainstream economic thought, convergence towards the Anglo-American trajectory of labor-market deregulation, decentralization and union decline was expected (Katz 1993). Fifteen years later, this scenario has not materialized. To the contrary, the Nordic systems of industrial relations have shown surprising resilience and adaptability.

3.2. Background and main pillars of Nordic industrial relations systems

The historical evolution of industrial relations in the small, open Nordic economies followed different routes and rhythms, but nevertheless displayed important similarities. The early formation of powerful confederations of employer associations in the Scandinavian countries (Denmark, Sweden and Norway) also encouraged the building of centralized confederations among the trade unions, which clearly was inspired by mutual exchange and learning from continental unionists at the Scandinavian Labor Congresses in the late nineteenth century. After the path-breaking Danish September Compromise in 1899, which was the first basic agreement in the world that constituted the regulatory frameworks of national collective bargaining, similar (but less encompassing) settlements followed in Norway in 1935, Sweden in 1938, and later, in the postwar era, in Finland and Iceland (Kjellberg 1992). Still, historical differences regarding the role of the state in dispute resolution and incomes policies, as well as the relationship between legislation and collective agreements in regulating employment conditions, have had a lasting impact and contributed to significant variety among the Nordic countries. Rather than one Nordic model of industrial relations and collective bargaining, it is therefore more appropriate to speak of a family of Nordic models.

The following points summarize the main features that characterize the historical evolution, structures and context of collective bargaining in the Nordic countries.[7]

- A relatively stable *balance of power* between capital and labor, which is anchored in broad class compromises that were struck during the early formative events of national industrial relations. These were subsequently codified in formalized basic agreements (1899 in Denmark; 1935 in Norway; 1938 in Saltsjøbaden, Sweden; and later in Finland during the 1970s, with predecessors in pioneer metal industry accords that occurred in 1905 in Sweden and 1907 in Norway).
- These historical settlements implied *mutual recognition* of the employers' prerogatives to manage and the unions' right to organization and negotiations. Eventually underpinned by statutory regulation and institutions of conflict and dispute management, labor peace under the duration of agreements, and membership ballots over the outcome of negotiations (still practiced in Denmark and Norway), these factors have contributed to a pattern of working-life governance in which *self-regulation* through collective agreements and *solidaristic wage* policies have played a prominent role.
- The *employers' associations* were important counterparts in the build-up of powerful central and peak level associations. With a majority of small and scattered member firms, they wished to remove conflicts over wages from the single company and they made use of massive lockouts and central conflict funds, contributing to the centralization of bargaining and power in the trade union organizations.
- A particular combination of *centralization and decentralization in a single-channel system*; the strong central tiers have their counterparts in shop-floor trade unions with significant functions in implementation of central accords, collective bargaining at the firm level under a peace clause, participation, and mobilization of membership in the workplaces. In interplay with the ballots over proposed agreements (eventually dismantled in Sweden and Finland), these factors have contributed to democratic legitimation and bottom-up anchoring of the bargaining and representation systems.
- During the postwar era, wage-setting was guided by *"pattern bargaining,"* in which the actors in export manufacturing were assigned the role as principal agents. This was institutionally formalized in national models for calculating the room for maneuver for responsible and internationally competitive wage growth.
- Except in Finland, there have been *no competing ideological and religious lines of unionism*, in contrast to in many other European countries. Combined with unemployment insur-

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

ance schemes run by the trade unions (Ghent-systems, with Norway as an exception since the late 1930s), the development of specific confederations for white-collar and professional employees (except in Norway), and the central role of trade unions in bargaining and participation in the workplace, these factors have contributed to *high union density* (70-80 percent in Sweden, Denmark, Iceland and Finland, and 50-60 percent in Norway).

- Those features have been underpinned by the *collectivist thrust of labor law*, which implies that the trade unions, and not the individual employees, are the legal subjects associated with disputes over the application and interpretation of collective agreements. Industrial conflict over interpretation of agreements is prohibited, that is, strikes are only permitted in conflicts over interests (when an agreement has expired) and are a collective right controlled by the trade unions.

- The dominant role of collective bargaining has, with Denmark as an exception, gradually been complemented by extensive *statutory regulation* of issues related to work environment, health and safety, terms and conditions regarding the employment contract, dismissals, co-decisions and work-related social security. Labor law often contains clauses that allow the social partners at the company and/or central levels to agree on exemptions (e.g., concerning working time – so-called *semidispositive legislation* – offering incentives and room for negotiated flexibility).

- There is *no legislation on minimum wages* in the Nordic countries, whereas statutory mechanisms for generalizing collective agreements exist in Finland and Iceland, and are currently adopted in Norway. Growing service mobility and labor migration has in recent years prompted new debates on how to ensure that the collective-agreement-based wage floor can be sustained in an open European labor market.

- To varying degrees, the *state has acted as an important third party* to industrial relations by nurturing social-partner involvement and cooperation in a wide range of areas and through various forms of accommodation and, sometimes, intervention in negotiations. While the principle of autonomous self-regulation of collective bargaining has been sacred in Sweden, the state and the public mediation institutions in Denmark, Norway and Finland have often played a key role in settling bargaining disputes, offering economic incentives and side-payments (incomes policies). Except in Sweden, the state has from time to time even intervened directly in bargaining stalemates and determined wage growth by statute (codified by the parliament).

- Under the postwar Bretton-Woods regime with fixed exchange rates against the U.S. dollar, the solidaristic wage policies were one of the cornerstones in *macroeconomic policies* aimed at full employment. Politically determined low interest rates contributed to high levels of investment and, to varying degrees, state regulation of the credit supply helped stabilize the demand, while fiscal policies usually conformed to the legacy of prudence and balanced budgets. The wage floors created by solidaristic pay policies were seen as an important element in the promotion of industrial restructuring, encouraging reallocation of labor from low-productive to more efficient firms.

- Due to financial globalization and credit-market liberalization in recent years, the *interplay between collective bargaining and monetary policies* has undergone important changes. As part of the euro-club, Finnish collective bargainers have responded by revitalizing centralized incomes policies, which have also been seen in Norway and Iceland, where shifts to floating currency regimes were undertaken. Sweden as well has introduced a floating regime based on an inflation target, whereas the Danish Krona is linked to the euro, but in both countries the interaction with monetary policies has been taken into account through strengthened coordination of collective bargaining at the sectoral level. The role of the central confederations thus changed in different directions in the Nordic countries in the 1990s due to recentralization of collective bargaining coordination in Finland, Norway and Iceland and a certain decentralization in Sweden and Denmark.

The micro-foundations of Nordic industrial relations

As indicated above, an often overlooked feature of Nordic industrial relations is the strong tier of unionism and bargaining at the enterprise levels, which is complemented by unitary systems of consultation and codetermination in which the unions, in contrast to in the dual continental systems, play a leading role. From early in the postwar period, bodies for local union participation and cooperation, related to productivity development and improvement of work organization, were established in the 1970s, supplemented by systems for labor representation at the board and group levels. Through strong ties of vertical and horizontal coordination, these elements have formed the basis for development of highly integrated and articulated systems of collective bargaining (Kjellberg 1992, 1998). This particular combination of centralized and decentralized structures has made room for considerable flexibility regarding the way and level at which different issues are dealt with, also offering a framework for centrally controlled decentralization in recent years. Framed by labor law and institutions for mediation and settlement of disputes, which ensure labor peace, these features have facilitated a legacy of partnership, responsibility and self-regulation at the company level as well (Bruun 1990, Stokke 1998, Elvander 2002).

Compared to the Anglo-American legacy, in which powerful local unions in settings of adversarial industrial relations and weak central coordination have been denounced for resisting and obstructing change, the strong tier of company unionism and bargaining in the Nordic countries has seemed more conducive to restructuring and negotiated adjustment. Whereas in single-tier systems the entire package of industrial relations issues has to be resolved at the company level – including distributional conflicts over wages, profits and jobs – the centralized determination of the main frameworks and distributional issues which used to be the case in the Nordic models implied that company bargaining conducted under the peace duty mainly concerned adjustment of wages in accordance with centrally agreed criteria of productivity and profitability. As a consequence, the industrial relations agenda at the company level has tended to be more governable and more strongly oriented towards cooperation regarding supply-side issues, typically concerning productivity, skill formation, and reorganization of work and production, than in more adversarial single-tier systems. Contrary to expectations, the collective regulations of management-employee relations have thus apparently not hindered the introduction of more individualized HRM-approaches but rather facilitated such developments by mustering participation and legitimacy (Strøby Jensen 2007, Olberg and Trygstad 2007).

It also seems that the nexus between representative participation and local bargaining anchored in central framework agreements in the Nordic models has provided tools for more coherent and differentiated actor strategies than often has been the case in dual continental systems. The tradition for company bargaining with strong shop-floor unions further implies that management has not only been faced with demanding counterparts, but they have had partners with whom they could strike reliable "deals," legitimized by higher-level actors if conditions got rough. As a result, restructuring has tended to become less prone to resistance and conflict, and associated with broader labor involvement, than often has been the case in less articulated systems of industrial relations.

In addition the so-called semi-dispositive clauses in labor law have encouraged company actors to negotiate adjustments in national requirements, providing incentives for negotiated flexibility, whereas the centrally agreed procedures for company bargaining and wage-setting have spurred unions to engage in profit-enhancing change and restructuring. Especially in Sweden and Denmark, the legacy of local negotiations and cooperation has in recent years paved the way for quite far-reaching decentralization, including core issues such as pay and working time, further increasing the leeway for local bargains on adjustment and flexibility without injecting the risk of labor conflict/unrest at the company level (Stokke/Thörnquist 2001). Within centrally agreed-upon procedures and fall-back options, this has in fact led to a substantial individualization of actual pay setting (Stokke 2008). A fresh comparative study of variable pay systems in Austria, England, Spain and Norway – which represent the main West European models of industrial relations – also suggests that the two-tiered, single-channel Nordic systems are more conducive to cooperative development of variable pay and individual performance related pay than the less integrated and articulated systems in the other countries (Nergaard et al 2008, Traxler et al 2008).

This decentralized tier of industrial relations has been underpinned by local public authorities who offer training, labor-market programs, temporary lay-off schemes and social-policy measures in situations of company restructuring or downsizing. Especially in Denmark, such public safety nets for companies and workers have in recent years been supervised by tripartite bodies at the subregional level, also providing impetus for social dialogue on adjustments at the decentralized community level.

Multilevel linkages and articulation

The critical link between the decentralized level of industrial relations and the confederal peak level has always been the national federations at the industry level. These have both historically been and are today the crucial bargaining agents in the Nordic countries, facilitating coherence among local action, industrial/sectoral agreements and macroeconomic coordination. In line with the historical role of the federations as vanguards in industrial pattern-bargaining, the 1990s showed an interesting development towards stronger bargaining coordination[8] and even organizational amalgamations at the sectoral level in the Nordic countries.

The legacy of collective bargaining coordination and social partnership in the Nordic countries is, in other words, not simply a reflection of peak-level compromises and top-down policies, which would indeed represent a fragile and volatile basis for enduring cooperation. Through the micro-foundations of the models, the tradition for negotiated adjustment and compromise has attained a solid local anchoring, which involves broad societal forces at the com-

[8]Important examples were the formation of the Danish Industry and the cartel of LO-unions in manufacturing, CO-Industry, in 1991, which bargains for the entire Danish manufacturing sector, and the Swedish Industry Agreement from 1997, which sets the frameworks for bargaining in all manufacturing branches and embraces actors from all the confederations at both sides.

munity level and enables bottom-up articulation and coordination of views and interests. A two-way pattern of dialogue and interest aggregation has thereby been facilitated in which the intermediate industry level has played a key role, allowing for bottom-up and top-down interaction in accordance with changing circumstances and needs.

The multilevel character of the collective bargaining systems has hence provided possibilities for moving the level at which bargaining over different issues is conducted up and down, allowing decoupling of issues and levels and leeway for differentiated adjustment in the degree of decentralization and recentralization. Even though the locus of initiative and power may shift in accordance with economic and political cycles, this kind of triangular anchoring does indeed mean that the balance of power is less sensitive to popular shifts in political climate and governments than in centralized single-tier systems. This has made the legacy of social partnership more robust and entrenched than in many other European countries – cf. the thesis that votes count, but resources (and members) decide (Rokkan, 1967) – reflecting the complex set of checks and balances the political actors at all levels are faced with. Such mechanisms clearly favor continuity and step-wise, negotiated adjustment rather than sweeping change.

3.3 Crisis and renewal of Nordic industrial relations in the 1980-1990s

During the 1980s and early 1990s the Nordic countries in different phases ran into severe economic crises, associated with deregulation of credit and capital markets, soaring inflation, wage drift and rising unemployment, frequently countered by devaluations and state interventions in collective bargaining. After a long period of welfare state expansion, strong job growth, labor reform and rising union density under social democratic hegemony in the 1960s and 1970s, the Nordic "third way" seemed to be crumbling – symbolized by the vast capital flight from Sweden in 1990, the collapse of the Krona, and the withdrawal of the employer confederation (SAF) from all central social dialogue, calling for market-based wage-setting. To calm the situation the Swedish government broke ranks with its Nordic compatriots (Finland, Iceland and Norway), who were proceeding along the EEA-track, and announced that it would apply for EC membership. At the time many observers saw these events as the ultimate proof that the egalitarian Nordic regimes were not sustainable in the new context of intensified global and European market competition.

A common feature of the Nordic crises in the late 1970s and early 1980s was the breakdown of the interplay between macroeconomic policies and collective bargaining. The internationally driven deregulation of credit and capital markets brought easier access to credit which, combined with the expansion of the public sector, contributed to demand-driven inflation, wage growth, imbalances in current accounts and state budgets, and depreciation of the currencies. Furthermore, shifts in the relative weight and balance of power among unions in the private and public sectors had weakened the coordination of wage-setting. In the original Nordic models, bargainers in the traded goods sectors were vanguards in national pattern bargaining. During the 1970s and 1980s, the pacesetting role of the exposed sectors came under pressure from actors in the growing public sectors, growing demands for wage equalization, leapfrogging, and inter-union struggles over relative wages. The breakdown of coordinated wage restraint in interaction with expansive fiscal policies implied a deviation from the legacy of prudence and moderation marking wage-setting and economic policies in the traditional Nordic models. The consequence was deteriorating competitiveness and recurrent devaluations, which in combination with the domestic credit booms led to hard landings when the bubbles burst. As a result, all the Nordic countries eventually experienced falling production, accelerating unemployment and stagnating real wages. The situation was most grave in Finland, where unemployment in the early 1990s soared well above 20 percent, but in Sweden and Norway too effective unemployment approached 10 percent, whereas Denmark had struggled with double-digit unemployment since the late 1970s.

Contrary to perceptions at the time that the economic bust was a result of tougher international competition, the Nordic crises in the 1980s-1990s can to a large extent be attributed to domestic policy failures associated with the transition to deregulated credit markets[9] – and the subsequent rigorous use of monetary policies and other austerity measures to rebalance the economy and squeeze out inflationary expectations – interacting with inherent changes in the collective bargaining systems. Thus, rather than an inevitable result of internationalization and adjustment to the EC, the crises were strongly influenced by domestic dynamics and flawed policies both on the part of the social partners and the governments, crossing the thin line between success and failure. Those flaws were by no means coincidental. The social actors' inability to curb the nominal wage race was a result of structural changes in the pattern of employment and inter-union power relations – notably the shift from industry to services – revealing weaknesses in the mode of associational coordination. And the failure to adjust economic policies was largely a consequence of misperceptions of the external shift in the conditions for monetary policies and inability to adjust public budgets. In other words, the Nordic countries were struggling with a double crisis of adjustment – reflecting simultaneous pressures to accommodate postindustrial shifts in the labor market and the international shifts in finance markets.

Subsequently these developments paved the way for significant shifts in the regimes of monetary policies and adjustments in the systems of collective bargaining (Iversen et al. 2000). With the Danes in the lead, all the Nordic countries shifted around 1990 to "hard-currency" regimes based on pegging to the ECU and vigorous use of the interest-rate weapon to discipline wage-setting. The implication was that, if wage inflation rose above German levels, the unions would be penalized by the increasingly independent central banks raising interest rates, thus representing an important instance of Europeanization of economic governance. Amid those turbulent years, discussions about implications of the single market, membership in the EEA and eventually in the EC/EU, stirred further controversy. While the employer side saw the new pace of European integration as a welcome opportunity to eliminate domestic obstacles, wide circles in the trade unions feared that that the free flow in the single market and the economic regime in the EC/EU, combined with EU minimum legislation in the labor market, would represent a further blow to the crisis-ridden Nordic models. In the following sections, we will briefly review the main lines of adjustment in the Nordic systems of industrial relations since the 1980s.

Denmark: Organized decentralization

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[9]Finland, in addition, experienced a collapse in the trade with the Soviet Union, but according to Pekkarinen and Vartiainen (2001), this event was less important than the domestic credit crunch.

The Danish system of industrial relations has been marked by a legacy of voluntarism. Most issues have been regulated by collective agreements and statutory rights have played a very limited role, compared to the other Nordic and European countries. Another feature has been a consensual tradition, according to which the state should not interfere in labor-market issues without the consent of the social partners. The Social Democratic Party has always been weaker than those in Sweden and Norway, and Danish governments have usually been run by center-left or center-right coalitions. During the 1960s-1970s, Danish collective bargaining underwent strong centralization, wage equalization and income policies at the peak level became standard routine, often brokered by the powerful public mediator, who even commanded the right to couple ballot votes across bargaining areas to obtain the majority for the proposed settlements.

After the 1973 oil-shock, Denmark like other EC countries, was hit by stagflation, that is, strong inflation, stagnating production and unemployment rapidly rising to two-digit levels. After a series of attempts by Anker Jørgensen's social democratic government to broker centralized crisis deals had failed, a conservative coalition led by Poul Schlüter took over in 1982. This initiated a decade of profound changes in Danish economic governance. By pegging the Krona to the German Mark in 1982, liberalizing credit and capital markets, undertaking harsh austerity measures and pursuing rough state intervention in wage-setting – the so-called Potato-cure, leading to large-scale conflict in the mid-1980s – the impenetrable system of centralized, income political infighting was gradually dismantled.

The employers in private manufacturing, followed by their union counterparts, played a key role in this process of adjustment and decentralization. In 1987, the social partners entered a four-year moderate settlement and agreed on the aims and principles for competitive, responsible wage growth in the new international environment of low inflation (Due and Madsen 1994; Scheuer 1992, 1998). In hindsight resembling the impact of the Dutch Wassenaar Accord of 1985, the institutionalization of the new framework prompted significant reforms in the mode and structure of collective bargaining. After a number of employers' associations in private manufacturing in 1991 merged under the umbrella of the Danish Industry (DI) – representing more than 50 percent of membership in the employer confederation DA – the manufacturing unions in LO established a corresponding bargaining cartel (CO-Industry). Together, they reconquered their former leading bargaining role and defined the scope and pace for a new regime of more decentralized bargaining coordination at sector level, granting increasingly wider room for negotiations of pay and working time at the company level. With similar shifts following in other sectors, these reforms constituted an instance of what Danish analysts have coined "centralized decentralization" (Due and Madsen 1994) – or organized decentralization (Traxler et al 2001) – combining coordination through framework-oriented pattern-bargaining at sector level, with significant decentralization to the company level.[10]

[10]In the 2004-2006 collective agreement, local negotiators were even allowed to deviate down from the pay norms of the sector agreements – resembling the German "opening clauses" – provided the deviations resulted from negotiations (providing unions a veto) and the signatory parties were informed (Visser 2005: 298).

Embedded in an institutional setting with a powerful Central Bank, and a strong state mediator facilitating coordination,[11] these domestic changes had contributed to renewed economic stability and responsiveness in Danish wage-setting when the single market came into operation in the early 1990s. While the adjustments of the Danish system have implied a certain convergence towards continental modes of interaction between independent central banks and wage-setters at the industry level (Iversen 1999), the main pillars of the industrial-relations regime remain stable and intact. Trade-union density remains at a high level, despite a drop in recent years, and collective bargaining coverage actually increased during the 1990s (Madsen and Scheuer 2000).

Eventually this regime worked quite well. Supported by fiscal stimulus and activation-oriented reforms in labor-market policies, unemployment schemes and social policies, recent years have brought down unemployment (reaching 3.3 percent mid-2007, the lowest level in thirty years) and improved growth and employment records (European Commission 2007, Jørgensen 2006). Development of a system of occupational pension funds run by the bargaining partners has also eased pension reform, offered new tradeoffs between wage growth and savings, and provided the social partners new instruments in developing supplementary social benefits (Due & Madsen 2004). In the latest bargaining rounds significant reforms have been agreed upon, improving the resources and situation of the elected trade union representatives at firm level, and on setting up funds for training and skill development (Strøby Jensen 2007).

Besides the social partners' dominant role in labor-market regulation and lax protection against dismissals, other features of what EU circles came to regard as the "Danish Miracle" have been the fairly generous system of income security financed by general taxation rather than employer levies. The generosity of social and unemployment benefits has arguably been tightened over the past fifteen years, probably contributing to the positive labor-market developments in recent years associated with the Danish brand of "flexicurity," combining high (voluntary) labor-market mobility and flexibility with social security (Kongshøj Madsen 2006).

Sweden: Back to basics

After the main frameworks of Swedish industrial relations were codified in the Saltsjöbaden Pact of 1938, during the postwar era collective bargaining was conducted at the industry level, increasingly coordinated through central framework agreements between the peak associations. During the 1950s, Swedish trade unions were guided by the so-called Rehn-Meidner model, which recommended prudent fiscal policies and solidaristic wage policies, underpinned by skill- and mobility-enhancing public measures in order to stimulate reallocation of labor and investment towards the most productive industries and companies (Dølvik and Vartiainen 2002). The employers' associations also supported centralization of bargaining in order to ensure a domestic "level playing field." In the 1960s-1970s, radicalization of the trade unions brought about a significant equalization of wages, which in turn prompted compensatory claims by better-paid groups, and inflation accelerated. The legacy of self-regulation in the labor

[11]Besides the authority to couple votes across bargaining areas in the ballots ratifying or rejecting proposed agreements, the Danish mediator can also pass on settlement proposals, or forward his own proposal of a compromise to the Parliament (Folketinget) in the case of a stalemate (Stokke 1998).

market was also challenged by far-reaching enactment of statutory workers rights, culminating in LO's (the main blue-collar union confederation) demand for wage-earner funds envisaged to boost workers' economic influence through direct ownership of capital (Vartiainen 1998).

In this climate of political polarization, the golden era of the Swedish Third Way started crumbling. In 1983, the engineering employers' association (VF), followed by the metal workers, withdrew from centralized coordination, initiating a period of turbulence and rivalry in Swedish collective bargaining (Martin 2000). Rising inflation, competitive wage claims and aggressive devaluations – depreciating the Swedish currency by 35 percent during the period from 1976 to 1993 (Calmfors 1993) – brought minimal growth in real wages, but the mixture of low interest rates, liberalization of credit markets, international recovery and expanding public budgets kept the economy growing throughout the 1980s. In 1989-1990 nominal wages increased by 10 percent, whereas unemployment had fallen to 1.5 percent (Feldt 1991).

The bubble burst in 1990, when capital flew out of the country, the Krona began a free fall and interest rates skyrocketed. In response to the crisis, the government declared it would apply for membership in the EU, bewildering their Nordic compatriots with whom, as was earlier mentioned, they had agreed to proceed along the EEA track. Prime Minister Ingvar Carlsson also proposed a wage freeze – like the one introduced in Norway in 1988 (see below) – but fundamentally breaking with the Swedish legacy of self-determination, the proposal was resolutely rejected by the social partners. The employers' confederation, SAF, hence heralded their definitive farewell to centralized bargaining and the stranded Swedish model. Ingvar Carlsson had to leave office, and in 1991 a Conservative government headed by Carl Bildt took over.

The first part of the 1990s brought accelerating unemployment, severe cuts in public budgets, tightening of various social benefits, reforms in public services, including broader use of private contractors and a contentious search for greater labor-market flexibility (e.g., by legalizing broader use of temporary workers, stricter rules for sick leave). Unlike the Danes, who had introduced a hard-currency regime based on active use of the interest-rate weapon before credit markets were liberalized in full, a major factor behind the "bubbles" in Sweden (as well as Finland and Norway) was that the sequence of adjustment came in reverse order. In 1991, the Swedish Krona was pegged to the ECU, but the "peg" soon proved undefendable. During the currency turmoil in 1993 the Krona again sank like a stone, and the mandate of Riksbanken was amended, installing a regime aimed at price stability (though with significantly laxer margins than the European Central Bank) with a floating exchange rate, that is, different from the continued linking of the Danish Krona to the ECU and subsequently to the euro.

Without subscribing to first-round entry into the EMU[12] and the associated convergence programs when joining the EU in 1995, the Swedes pursued significant belt-tightening and stability oriented changes in the rules and procedures of fiscal and monetary policies (Calmfors 2002). Within this changing macroeconomic framework, the Swedish system of wage-setting went through a protracted process of transformation. After a period of crisis management by

[12]The Swedes unilaterally made clear when negotiating their terms of EU membership that the issue of ceding the Krona and entering the EMU/Euro was a sovereign decision, which at any rate would have to be taken by the Riksdag (Parliament) at a later stage. In spite of broad support among the Swedish elites, a proposed shift to the euro was rejected again in the 2003 referendum.

means of arms-length, centralized coordination orchestrated by an independent mediator under the auspices of the Rehnberg Commission, important reforms in the system of bargaining and mediation were undertaken during the mid/late 1990s. In contrast to the radical decentralization at the company level called for by SAF in 1990, all trade unions and employer associations in the manufacturing sector in 1997 signed a path-breaking *Industry Agreement.* This agreement defined the frameworks, aims and procedures of collective bargaining as well as the role of an independent mediator in governing the pay rounds in the manufacturing industries. Encompassing trade unions from all three confederations (LO, TCO and SACO), the Industry Agreement went even further than its Danish counterparts in institutionalizing sector-wide coordination across the entire range of bargaining areas, increasing the duration of agreements to three years and opening for significant decentralization to the company level.[13] Pay raises can be entirely agreed at the company level and even individually, but if the local actors do not reach agreement, a minimum increment negotiated centrally applies (Stokke 2008).

Followed by similar agreements in other sectors, including the municipal and state sectors, and the establishment of a new state mediation institute, an economy-wide system of sector based coordination was emerging. According to key observers, these changes amounted to a regime shift of similar significance to the Saltsjøbaden Pact of 1938 (Elvander 2002). The levels of organization remain high but, besides a certain downward trend among LO unions, reforms undertaken by the center-right government elected in 2006 have prompted a sharp drop in union membership (see section 3.4 below). Yet, collective agreements do, without any kind of legal extension mechanisms, cover almost the entire labor market – including even substantial parts of the ICT sector. Recently, the peak-level associations have embarked anew on negotiating relations by signing framework agreements on how to deal with foreign subcontractors, on implementation of EU framework agreements, and consulting on other issues. And the social actors are facing challenges.[14] Although the Swedish economy has showed strong growth in recent years, the fall in unemployment has been slower than expected and the inactivity rate remains high in Swedish terms. In line with the "make work pay" credo of the OECD , the new center-right government has thus tried to strengthen work incentives by tightening unemployment benefits and offering in-work tax credits and reduced social contributions for private firms recruiting young people.

Finland: Revival of centralized incomes policies

Marked by the deep social and ideological divisions from the interwar period, Finland was a latecomer into the Nordic group of cooperative industrial relations. Unionization rose fast since the 1960s, but the legacy of corporatist state governance was resilient and the split between communist and social-democratic-oriented trade unions was not bridged until the early

[13] Under the umbrella of the Industry Agreement, the various parties continued bargaining in their respective domains, but important mergers have evolved (e.g., among two of the leading manufacturing unions in LO, Swedish Metal and the Industry Union).

[14] A current case is the highly contested European Court of Justice judgment in the so-called Laval case (C-341/05), in which the Court deemed the Swedish manner of letting trade unions use industrial action to force foreign service providers to apply Swedish with wage levels in breach with EU principles of free movement (see section 4, Dølvik 2008a).

1970s (Lilja 1992). Economically, Finland was until recently heavily dependent on forestry and a few large corporations in the paper and pulp industry and metal industry. Social democracy never enjoyed a similar role as in the other Nordic countries, and politics have been dominated by centrist coalitions. The state has played a dominant role in the governance of the economy and the labor markets, with cyclical devaluations, income policies and statutory regulation as central ingredients (Pekkarinen and Vartiainen 2001). Union density has traditionally been high (approximately 80 percent), but has shown a certain decline in recent years (see section 3.4). In the 1970s, a mechanism for generalizing collective agreements with at least 50 percent coverage was enacted, whereas the decentralized tier of industrial relations has been less developed than in other Nordic countries.

Against this backdrop, the rise of the "Finnish Tiger" economy is puzzling, especially in view of the deep depression that hit Finland in the early 1990s. In the international press, the Finnish crisis and recovery is often associated with the collapse of trade with the Soviet Union and the subsequent entrance into the EU. A closer look, however, shows that domestic factors, including changes in industrial relations, played an essential role (ibid.). As in Sweden, the failure to adjust monetary policies when the credit markets were liberalized in the 1980s led to severe overheating of the Finnish economy, reinforced by booming global export markets in the late 1980s.

When the crisis hit in the early 1990s, the combined effects of domestic credit crunch, contracting exports and the collapse of the Soviet trade – aggravated by draconian monetary policies aimed at keeping the Markka pegged to ECU – sent the Finnish economy into the deepest depression of any industrialized country in modern times (Pekkarinen and Vartiainen 2001). The GDP fell by 15 percentage points and the employment rate fell by 14 percentage points in 1990-1994, while unemployment reached unprecedented levels (17 percent). When the currency peg was given up in 1991, the Markka was devalued by 30 percent and, after a floating currency regime was established in 1992, the economy slowly started picking up from 1994 onward.

In contrast to Denmark and Sweden, Finland tried to overcome the labor-market crisis by restoring centralized collective bargaining within a framework of tripartite income policies, anchored in a Social Pact in 1995 orchestrated by the new "Rainbow" coalition government headed by Paavo Lipponen. During the depression, the liberal government and the employers had pledged wage cuts, labor market deregulation and decentralization, and the pay rounds were marked by conflict, distrust and renewed wage drift after the bottom was passed. In order to bring down unemployment and prepare for early entrance into the EMU, the incoming Rainbow coalition in 1995 thus invited the social partners to discuss a broad package of labor-market and social-policy reforms alongside development of new mechanisms to raise labor-cost flexibility. Under EMU, adjustment of the exchange rate and national interest rates would no longer be at hand for domestic stabilization purposes. The social partners and the state therefore agreed that enhanced flexibility of labor costs and labor markets was required as "shock absorbers" in order to cushion the periodically large cyclical fluctuations in the export-dependent Finnish economy, where paper and timber industries are still vital. Besides returning to the tradition of centralized income policies, the partners agreed to develop so-called "buffer-funds." By adjusting employer contributions to unemployment and social security funds across economic cycles, the aim was to avoid pro-cyclical nominal wage cuts in situations with economic demand shocks (Bolt 1999).

Since the mid-1990s, the Finnish economy has shown a remarkable recovery, with solid GDP growth, declining unemployment and stable macroeconomic performance. The transition to the EMU and the euro has been considered a success, sheltering the economy against the monetary volatility of the past, but also disciplining domestic wage-setting and macroeconomic policies. Combined with active state policies to promote research, industrial development and skill formation, the Finnish economy has undergone rapid restructuring and modernization, symbolized by the spectacular transformation of Nokia from a producer of Wellingtons to a leading global ICT player. No wonder labels like the "Finnish Tiger" and "Finnish Miracle" flourish in EU benchmarking reports. Yet, with growing labor shortages due to aging and rapid restructuring of the Finnish economy, accompanied by growing productivity differentials across sectors and industries, the centralized Finnish model of labor-market governance is bound to face demanding internal adjustment in the years ahead (Andersen et al 2007).

Norway: Recentralization and consolidation

Norwegian industrial relations have been marked by a strong state presence in wage-setting, mediation and settlement of disputes as well as statutory regulation of workers' rights. Collective bargaining has been highly centralized with the peak associations being signatory parties to all agreements, but is complemented by a strong decentralized tier of industrial relations. Organization rates are relatively moderate by Nordic standards, but union density is high in European terms (approximately 53 percent) – especially in view of the fact that the trade unions play no role in the unemployment insurance system (Nergaard and Stokke 2007). Over the past decades, the large fluctuations in the Norwegian economy – reflecting the central role of oil, gas and other natural resources – have given rise to large swings in the pattern of wage-setting. In the 1970s, 1980s and late 1990s, periods of strong growth ended in hard landings with rigorous state intervention in wage-setting.

In the 1980s, the Norwegian economy underwent a similar "boom and bust" cycle associated with the liberalization of credit markets and the subsequent monetary tightening as in Sweden and Finland. In order to overcome the crisis, the state and the social partners agreed to pursue a Solidarity Alternative according to which centralized income policies should aim at lowering unit costs by 10 percent compared to the trading partners (NOU 1992: 26). Underpinned by counter-cyclical fiscal policies and strict monetary policies based on a stable exchange rate, circumscribed by active labor-market and training policies, the aim was to bring down unemployment. As part of the pact, the trade unions obtained the safeguarding of key welfare rights, such as the sick pay scheme (100 percent compensation), and the introduction of a generous early retirement scheme (eventually from the age of 62), later on complemented by extended rights to lifelong learning (Dølvik and Stokke 1998).

Norway did not follow Sweden and Finland into the EU in 1995. The tight 1994 referendum, where the previous narrow vote of the LO Congress against EU membership presumably was decisive for the outcome, implied that Norway's relationship to the EU would rely on the EEA Agreement. Through the EEA Agreement, Norway, together with Iceland and Liechtenstein, gained access to – and is obliged to comply with the rules of – the EU single market, including the EU labor-market regulations, but is not part of the EU rule-making processes.

Since the economic crisis of 1988 to 1993, the Norwegian economy has, like its Nordic EU neighbors, fared well in the single market. After an attempt to peg the Krona to the ECU collapsed in 1992, a monetary regime with a floating currency and stability-oriented policies was gradually introduced and eventually formalized in 2001. Huge investments in the offshore sector had contributed to a strong recovery from the mid-1990s and unemployment sank again to low levels while productivity improved significantly.

The Solidarity Alternative soon evaporated under the upswing, and profits, bonuses and wage drift have proliferated among those in the upper rungs. Nevertheless, a stepwise consolidation and adjustment of the bargaining system evolved, partly spurred by an interest-rate hike in 2002, which sent the Krona sky-high and put 25,000 manufacturing workers on the dole. After that rude lesson and new rounds of tripartite crisis management, in which confederations of white-collar employees have also been included, a cautious return to industry-level pattern bargaining has been undertaken and a new formula for calculating the latitude for public wage increases has been agreed on (based on both blue -and white-collar pay raises in private manufacturing) (Nergaard and Stokke 2007b). Combined with comprehensive pension reform aimed at prolonged participation in work, in the context of which the social partners just renegotiated the terms of their collective early retirement scheme with the (co-funding) state, the Norwegian labor regime has gone through a period of significant stabilization and adjustment.

Compared to Sweden and Denmark, the recasting and decentralization of the Norwegian system of bargaining system have been limited. The peak level actors (LO and NHO) have thus retained greater authority than their Scandinavian counterparts and have in interaction with the new role of the central bank – using the interest-rate weapon as a stick – so far contributed to discipline and stability in wage-setting. Yet, facilitated by the global reduction in import prices and inflation, real wages have soared during economic boom of the last five years. Open unemployment has been falling below 3 percent and labor shortages are growing in many sectors. With all-time-high oil prices, rising interest rates, a strong and volatile petro-currency and a renewed investment boom in the offshore sector, it thus seems like the Norwegian model is heading for another tough test of its adaptive capacity.

Employers and the center-right parties have long pleaded for liberalization of labor markets, especially concerning temporary contracts, but the red-green government elected in 2005 swiftly withdrew proposed reforms in this realm. With a solid economy, growing labor scarcities and concern over increasing shares of the adult population leaving the labor force because of retirement, sickness, disability, aging or other reasons, a major challenge for the Norwegian model, like its Nordic counterparts, is to mobilize more labor and promote inclusion of immigrants and other vulnerable groups in the labor market. In this context, the handling of rising labor and service mobility from the new EU member states has become a contentious issue, catalyzing cross-cutting tensions among the social actors (see section 4, and Dølvik and Eldring 2008).

Summarizing reflections

As was pointed out, the social actors in the Nordic countries responded to the crises of the 1980s with quite different institutional adjustments. While Finland and Norway (and Iceland) recentralized, according to their tradition of tripartite concertation, Denmark and Sweden decentralized and established new forms of coordination at the sector level. In all the countries, wage growth among the main trading partners and discussions about European norms and criteria for wage coordination received growing attention in union pay policies. In several areas, the duration of agreements has been increased to three years and in some instances even four years, and significant reforms have been undertaken in organizational structures, including numerous amalgamations and realignments (Waddington ed. 2003). Further worth noting is that the state played an active role – directly or indirectly – in facilitating changes in bargaining practices during the crises in all the Nordic countries. In addition, most pronouncedly in Denmark, stronger emphasis on activation policies, stricter availability requirements and shorter duration of benefits for the unemployed played a central part in the turn-around in the labor market in recent years, complemented by cost-saving and activation-oriented pension reforms.

These processes of change implied considerable cuts, sacrifices and power struggles. In hindsight, however, it can be noted that the shift to anti-inflationary regimes with stronger central banks and more prudent fiscal policies did not, as many skeptics warned, lock the Nordic countries into a low-growth/high-unemployment trap. On the contrary, the changes enabled the Nordic models to resurface in "leaner but stronger and more flexible" competitive versions than before the crises. During the 1990s, growth picked up, real wages increased more than in the 1980s, the labor market recovered and unemployment fell, albeit not as fast as many would have hoped, whereas the organizational foundations remained intact.

The divergent patterns of adjustment in the Nordic countries underscore that the industrial relations consequences of contemporary processes of international and national restructuring are far from unequivocal. The national adjustments were not simply reflections of global, European or technological exigencies, but were conditioned by institutional particularities, experiences and power relations, partly shaping responses in accordance with national path dependencies. Whereas the conventional assumption has been that globalization and European integration require decentralized, flexible wage-setting, the Nordic pattern of adjustment points to the contradictory imperatives of globalization (Hyman 1994). Besides pressures for micro-flexibility, the wider opening of the economies and the constraints on monetary policies have reinforced the need to ensure macroeconomic adjustment capacity through coordination of aggregate wage growth and fiscal policies (Dølvik 2004).

Apparently, the two-tiered Nordic bargaining systems have managed to accommodate these contradictory pressures fairly well in recent years, While Nordic employers sacrificed their declared goal of increased micro-flexibility and labor-market deregulation for the immediate aim of regaining control over aggregate wage determination through coordinated bargaining in the 1990s, they seem eventually to have discovered that the collective frameworks, criteria and the piece-duty laid down in sectoral agreements provide a favorable environment for development of individual, variable pay and other elements of Human Research Management in the companies. The calls for radical change or dismantling of the coordinated Nordic regimes have thus become weaker (typically, the incoming center-left coalition in Sweden in 2006 had also scrapped its former claims for deregulation of the Swedish labor-market model). The strategic implication is that efficient coordination and articulation serve as a preferred functional alternative to labor-market deregulation (Lindgren 2006), which for the employers still is the preferred alternative and threat if the unions do not deliver. A key question for all parties is thus how far the social partners can go in granting bargaining merits and freedom to local actors without, at some point, losing their governance capacity as regards development in aggregate labor costs.

While arguing that the domestic actors in the 1980s lost sight of important preconditions for keeping the Nordic models on track, I have suggested that the external pressures associated with European integration and globalization actually were helpful in catalysing domestic reforms and adjustment. The institutional frameworks in Nordic working life seem, *vice versa,* to have served as productive constraints, inhibiting quick fixes along the low road to competitiveness and maintaining incentives for negotiated change along the high road. While the account of the Nordic sequence of crisis and recovery thus lends support to the thesis of Katzenstein (1985) that inclusive welfare states and corporatist systems of labor-market governance can provide important sources of adjustment for small, open economies, it also reminds us that this is not necessarily always so, and that the external pressures from international markets are crucial to prevent such systems from derailing and veering into domestic rent-seeking games (Rodrik 1998, Visser 1998).

3.4 Collective bargaining coverage, employer and union density

The capacity for labor-market regulation through coordinated collective bargaining is indeed highly dependent on the coverage of collective agreements. In most European countries, the coverage of collective bargaining is a function of the organization's rate of employer associations, which is usually significantly higher than the density of trade unions, and the widespread use of mechanisms for extension of collective agreements (erga omnes). In the Nordic countries, this relationship is different. As seen in Table 2 and Figure 2, the density among private-sector employers in the Nordic countries is quite average. The high coverage of collective bargaining is hence a reflection of high union density, of large public sectors, of rules ensuring that collective agreements are applied to all employees in the private companies covered, and of union efforts to strike application agreements with unorganized companies. In Finland and Iceland, extension mechanisms introduced in the 1970s and 1980s, respectively, have further contributed to the broad coverage of collective agreements.

Whereas the coverage of collective agreements has persistently been high in Sweden, Finland and Iceland, the private sectors in Denmark, and especially in Norway, have shown somewhat lower coverage rates. According to Madsen and Scheuer (2000), the Danish rate has risen in recent years, while the coverage rate in the Norwegian private sector has been fairly stable and in 2004 was estimated at approximately 55 percent (Nergaard and Stokke 2006). As a result of the extensive peace obligation and strict regulations concerning the use of industrial action, the level of conflict in the Nordic countries has been relatively low and mainly associated with short-term, but sometimes large-scale, strikes during renegotiations of agreements. Measured in the number of strikes per year, the Nordic countries therefore tend to rank low in European comparisons (Stokke and Thörnquist 2001). The predictable pattern and overall moderate level of industrial conflicts are indeed also part of the explanation why Nordic employers have been reluctant to fight for full decentralization of collective bargaining, which would probably have implied a more unpredictable pattern and much higher level of conflict at the workplace.

Figure 2: Private sector employer density in the European Union – estimates made by the European Commission

Source: Industrial Relations in Europe 2006, Figure 1.2

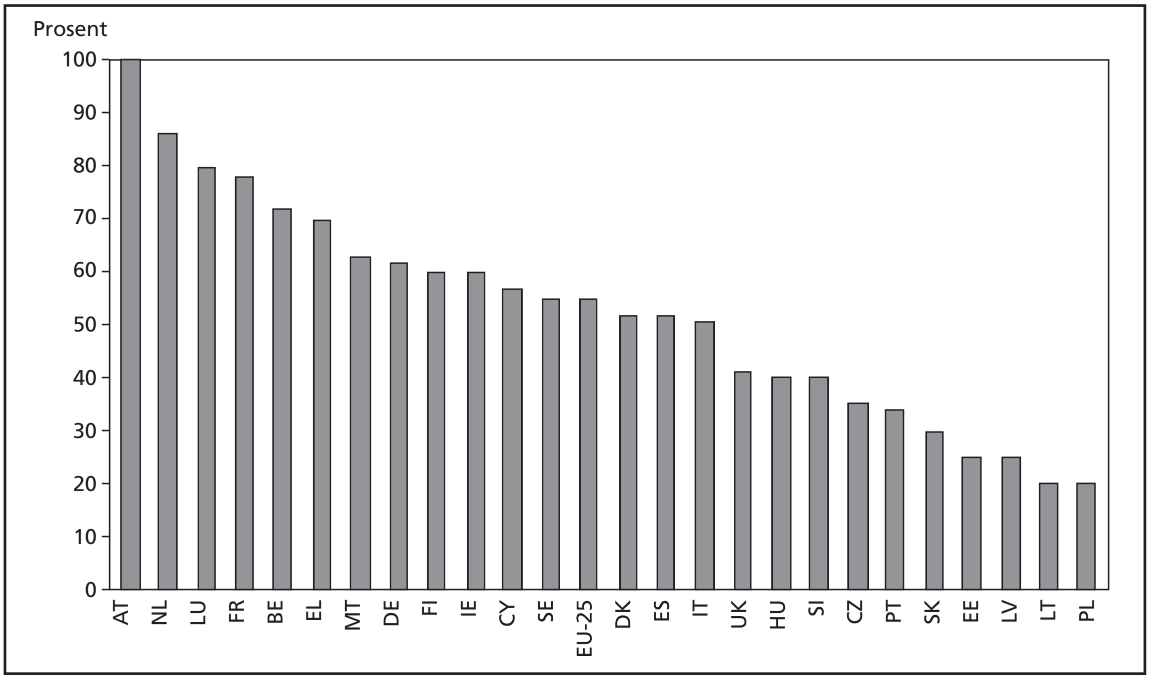


Table 2: Collective bargaining coverage in selected countries

	U.S.	**Japan**	**Canada**	**Austria**	**Germany**	**Norway**	**Denmark***
Year	2004	2003	2004	2004	1997	1998	2000
Coverage	13.8	23.5	32.4	50	63	77	80
	Spain	**Netherlands**	**Iceland****	**Sweden**	**Finland**	**France**	**Austria**
Year	1997	2001	2000	1997	2001	2003	1998
Coverage	81	82	90	92	95	95	99

Source: Visser 2006; *Denmark Source Scheuer/Madsen 2000, included by author
**Iceland Source ASI 2004, included by author

Trends in union membership

Several institutional factors have contributed to maintain high levels of union membership and density (70-80 percent) in the Nordic countries even after the postwar rise in unionization in Europe culminated in the 1970s (Visser and Ebbinghaus 2000). First, the presence and wide-ranging functions of unions in the workplace have facilitated acceptance and support of unions as a matter of fact in Nordic working lives (Kjellberg 2003, 2006). Second, together with Belgium, which has also shown high and stable union density (55 percent), all the Nordic countries except Norway (53 percent) have run unemployment benefit systems administered by the trade unions (the Ghent system). Albeit there is no compulsory link between membership in an unemployment benefit scheme and union membership, and the state is carrying most of the financing, comparative studies indicate that the incentive effects of the Ghent system on employee and union behavior contribute to 20-30 percent higher rates of unionization than in other systems (Visser 2006). The third, common feature of Nordic trade unionism is their strong, independent confederations for white-collar and professional employees. Combined with the high employment share in public services, the role of the white-collar confederations has implied that the transition to postindustrial labor markets has had less negative effect on union membership than in most other countries. Nonetheless, the restructuring of work and labor markets as well as changes in lifestyles and political attitudes have also affected union membership in the Nordic countries in recent years, causing stagnation and, most pronouncedly in Sweden, a decline in density especially among younger employees.

The organizational capacities of unions are a function of membership size and development, determining available financial and human resources and the potential for mobilization. As seen in Table 3, union membership in the EC peaked in 1980 and has decreased ever since, falling from almost 44 million in 1980 to 36 million in 2003, that is a 16.5 percent decrease (Visser 2006).

With almost 7.5 million union members in 2003, including Iceland, the Nordic countries accounted for more than 20 percent of union members in the "old" EU/EEA area, and today number more members than each of the big three – the UK, Germany and Italy.

The drop in union membership since 1980 has been most dramatic in the UK (with a loss of five million members, approximately 45 percent), but has been significant in the majority of European countries except Ireland, Belgium, Spain, Denmark, Finland, Iceland and Norway. Since 1990, the only European countries that in 2003 had displayed real growth in union membership were Ireland (+74,000/17 percent), the Netherlands (+227,000/17 percent), Belgium (+204,000/12,4 percent), Spain (+1000,300/84 percent), Iceland and Norway (+75,000/7 percent). The other continental countries had experienced a loss of membership of around 10-20 percent and the UK even higher (27 percent), whereas the decline in the other Nordic countries was between 2 and 8 percent. But, as shown below, changes in the Ghent systems of unemployment insurance in the past couple of years have triggered a sharp drop in membership in Sweden, Finland and Denmark.

Table 3 Union membership in the EU and Norway 1970-2003.
Thousands and percentage change

	Absolute members in thousands				Change			
					Absolute	Absolute	Percent	Percent
	1970	1980	1990	2003	1970-03	1990-03	1970-03	1990-03
EU	**33939**	**43663**	**39261**	**36261**	**2321**	**-3033**	**6,80%**	**(-)7,60%**
Germany	6965	8153	8103	7120	154	-893	2,20%	(-)11,20%
France	3348	3282	1968	1830	-1628	-138	-47,10%	(-)7,00%
Italy	4736	7189	5872	5327	591.5	(-) 544.7	12,50%	-9,30%
UK	10068	11652	8952	6524	-3544	-2428	-35,20%	-27,10%
Ireland	382	491	442	516	134	74	35,20%	16,90%
Finland	828	1332	1527	1495	667	-31,8	80,50%	-2,10%
Sweden	2325	3039	3260	2984	659	-276	28,30%	-8,50%
Norway	683	938	1034	1109	426	75	62,30%	7,30%
Denmark	1108	1604	1756	1711	603	-45	54,40%	-2,60%
Iceland*			102	117		15		15%
Netherland	1430	1517	1348	1575	145,3	227,4	10,20%	16,90%
Belgium	1231	1651	1645	1850	619	204	50,30%	12,40%
Spain		1030	1193	2197	1167	1003	113,30%	84,10%
Switzerl	760	853	820	643	-117	-178	-15,40%	-21,70%
Austria	1355	1444	1375	1151	-204	-223	-15,10%	-16,10%

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

Trends in union density

As regards the number of union members relative to the size of the employed workforce (net union density), the Belgian and Nordic trade unions have been faring markedly better than the other European trade unions. As a whole, the trade union density in the EU15 fell from almost 40 percent in 1980 to 26.3 percent in 2002 (Visser 2006).

If we look closer at the past decade, we see that all the Nordic countries except Finland experienced a decline in density in the period 1995-2003 – approximately 7 percentage points in Denmark, six percentage points in Finland, five percentage points in Sweden, and four percentage points in Norway. To some extent this decline can be attributed to the fact that density in the Nordic countries, in contrast to most other countries, tends to rise in times of growing unemployment and fall when employment is increasing and the likelihood of job loss is reduced (Booth et al 2001, Kjellberg 2006), but other factors are definitely also at work. Compared to the main European trend, the Nordic decreases are still fairly moderate and at a much higher level than the others.

In consequence, we have been witnessing a combination of European convergence and divergence in union density, according to which the general decline from varying levels of density has proceeded at different paces and given rise to a pattern where union density in recent years has been:

- high and relatively stable in Belgium and the Nordic countries (50-78 percent), though with a certain decline in the latter;
- medium-high but steadily falling in Austria, UK, Ireland and Italy (30–35 percent);
- low but rising in Spain and the Netherlands (16–22 percent);
- low and declining in France, Switzerland and Germany (8–23 percent).

Table 4 Union density in selected EU15 countries, Switzerland and Norway since 1970

Year	EU	Ger	Fra	Italy	UK	Irland	Fl	Sw	N	Dk	Isl*	Nl	Be	Sp	Swi	Au
1970	37,8	32,0	21,7	37	44,8	53,2	51,3	67,7	56,8	60,3	-	36,5	42,1	-	28,9	62,8
1980	39,7	34,9	18,3	49,6	50,7	57,1	69,4	78	58,3	78,6	-	34,8	54,1	12,9	31,1	56,7
1990	33,1	31,2	10,1	38,8	39,3	51,1	72,5	80,8	58,5	75,3	88,8	24,3	53,9	12,5	24,3	46,9
1995	30,4	29,2	9	38,1	32,6	45,8	80,4	83,1	57,3	77	86	25,7	55,7	16,3	22,8	41,1
2000	27,3	25	8,2	34,9	29,7		75	79,1	53,7	73,3	83,9	23,1	55,6	16,1	19,4	36,5
2001	26,6	23,5	8,1	34,8	29,3	36,6	74,5	78	52,8	72,5	85,1	22,5		16,1	17,8	35,7
2002	26,3	23,2	8,3	34	29,2	36,3	74,8	78	53		85,4	22,4	55,4	16,2		35,4
2003		22,6	8,3	33,7	29,3	35,3	74,1	78	53,3	70,4	85,1	22,3		16,3		

Source: Jelle Visser (2006), "Union membership statistics in 24 countries," *Monthly Labor Review*: 38-49. http://digitalcommons.ilr.cornell.edu/key_workplace/273/

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

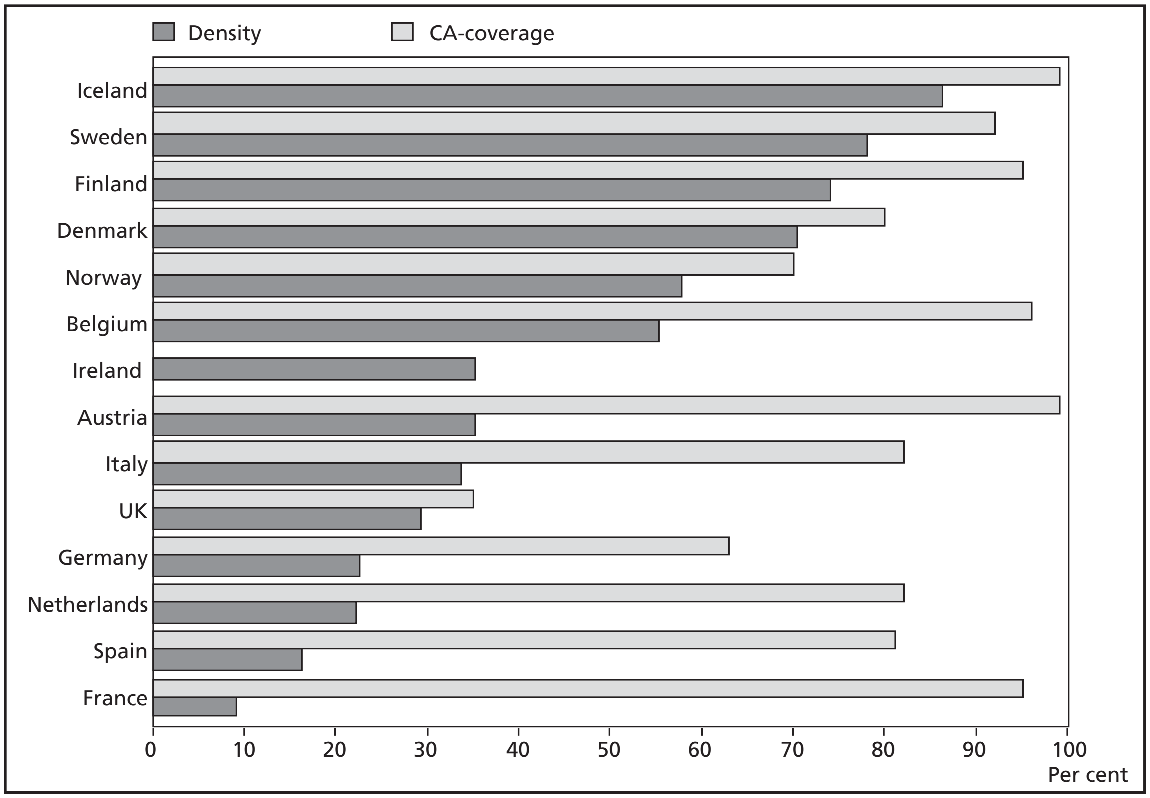
**Comparable administrative data was not available for Portugal and Greece, where density usually is assumed to be low to medium high (Traxler et al. 2001)

Weakening of the Ghent system in the Nordic countries

The most robust result in comparative studies of union density is the persistently higher level found in countries where trade unions administer the unemployment insurance schemes (Ghent systems). This indicates more than a sheer "free-rider benefit" for the unions. The responsibility for support, guidance and follow-up of employees provides opportunities for building contact and trust, especially among groups in vulnerable positions in the labor market, implying a state-sponsored institutionalization of unions as an important and accepted part of the society's social structure.

In the past years, the role of the union-run unemployment funds as a vehicle for unionization has been weakened in Nordic countries, contributing to the decline in union density in Denmark, Finland and Sweden (Lind 2004, Jokivuori 2006, Kjellberg 2006). Both the introduction of independent unemployment funds, with rising numbers of members especially among white-collar employees, and a marked rise in non-unionized members of union-run funds have implied that approximately 15-16 percent of the workforce in these countries is part of unemployment funds without being union members. In Finland, where the independent fund also offers lower fees, this has according to survey data contributed to a drop in density of approximately ten percentage points from 1995 to 2005 (Jokivuori 2006).

Figure 3 Union density rates and bargaining coverage in fourteen West European countries



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

In Denmark, the center-right government elected in 2001 launched reforms that implied "free choice" of unemployment funds and (price) competition among the funds, including growing numbers of independent funds, which have weakened the links between the unemployment funds and union recruitment (Lind 2004). The fall in density in Denmark has thus accelerated in the past years, mainly affecting the unions in the blue-collar confederation LO, but showed signs of stabilization in 2007. In Sweden, the main negative effect on density has stemmed from the fact that growing numbers of (especially younger white-collar) employees have chosen to be members of the union-run unemployment funds without joining the union (Kjellberg 2006). The "alliance" government elected in 2006 further introduced reforms that propelled a substantial decline in union membership in 2006-07. By heightening individual contributions to unemployment funds and making them compulsory, cutting the benefits significantly, and reducing the tax deduction for membership in the funds and in the unions, the individual net costs of membership in funds as well as in the unions rose significantly (as much as six times according to LO estimates, Kjellberg 2006). The result has been that the Swedish unions lost more than 180,000 members in 2007, with the blue-collar LO unions accounting for more than two-thirds of the loss (*Dagens Nyheter,* March 4, 2008). While LO unions lost some 7-8 percent of membership, the overall fall in unionization implied, according to Anders Kjellberg, a decline in union density of four percentage points, from 77 percent in 2006 to 73 percent in 2007 (ibid).

Such shifts do indeed imply deep cuts in the budgets of many unions, such as the Horeca union, which lost 19 percent of its membership in one year.

When assessing the potential magnitude of future losses, it is worth noting that Norwegian unions, without a Ghent system, over the past thirty-five years have maintained a fairly stable density level (currently 53 percent), in spite of the shifts in the labor market. As seen in Table 5, the density rate among full-time/standard employees is actually higher today (62 percent) than the overall density was in 1970, when the part-time rate was much lower than today (Nergaard and Stokke 2007a). The area that seems most sensitive to future falls in density is, according to Table 5, private-sector services, where the current density in Norway is much lower than in the other Nordic countries.

The most striking feature in Table 5 is that density among women has become equal to (in the UK and Ireland) or even higher than (in Sweden, Norway, Finland) male unionization rates (Visser 2006: 46) which, according to other studies, is also valid for Denmark and Iceland. The strong influx of women into Nordic unions surely reflects their high participation rates and small differences between part-time and full-time employees, but is particularly enhanced by the high density in the public sector, where a vast majority in the segregated Nordic labor markets are women. The rising level of education in the workforce has also influenced density positively, as the propensity to unionize actually is highest among well-educated groups in the Nordic countries. Nonetheless, a marked drop in unionization can be observed among young employees; in Sweden the density among the 16-29 age group dropped 16 percentage points from 1993 to 2004 and by six percentage points among the 30-44-year-olds (Kjellberg 2006). It is still not entirely clear, however, to what extent these changes imply that the younger generations as such are less apt to unionize and to what extent the drop is influenced factors such as the delayed entry into stable employment and adult life, and the rise in atypical work in recent years. Yet, even among employees that are under thirty years of age, the rate of unionization in Denmark, Finland and Sweden is as high as 55-61 percent, according to survey data presented in the *Industrial Relations in Europe 2006* (European Commission 2006).

Table 5. Union density rates among different categories of employees in selected countries, survey data

	Survey data							
Category	**U.S.**	**Can-ada**	**Austra-lia**	**U.K.**	**Ire-land**	**Nether-lands**	**Sweden**	**Norway**
	2004	2004	2004	2004	2003	2001	1997	1998
Total	12.5	30.3	22.7	28.8	37.7	25.0	82.2	55.5
Men	13.8	30.6	25.9	28.5	38.0	29.0	83.2	55.0
Women	11.1	30.3	21.7	29.1	37.4	19.0	89.5	60.0
16-24	4.7	–	–	9.7	27.8	11.0	45.0	25.0
Full-time	13.9	32.0	25.0	31.5	39.6	27.0	90.0	62.0
Part-time	6.4	23.6	17.0	21.1	29.2	19.0	83.0	57.0
Standard	–	–	136.0	29.5	40.8	26.0	–	61.0
Casual	–	–	113.8	17.2	22.1	10.0	–	35.0
Private	7.9	17.8	17.4	17.2	30.4	22.4	77.0	43.0
Public	36.4	72.3	46.4	58.8	68.0	38.8	93.0	83..0
Manufacturing	12.9	30.5	235.0	24.6	40.0	28.0	95.0	54.0
Coverage	13.8	32.4	50.0	35.0	–	82.0	92.0	77.0

	Administrative data					
Category	**Finland**	**France**	**Spain**	**Austria**	**Germany**	**Japan**
	2001	2003	1997	1998	1997	2003
Total	71.2	8.2	15.7	38.4	27.0	19.6
Men	66.8	9.0	–	44.0	29.8	22.0
Women	75.6	7.5	–	26.8	17.0	17.0
16-24	453.5	–	–	–	–	–
Full-time	–	–	–	–	–	–
Part-time	49.1	–	–	–	–	–
Standard	–	–	–	–	–	–
Casual	–	–	–	–	–	–
Private	555.3	5.2	14.5	29.8	21.9	17.9
Public	86.3	15.3	32.0	68.5	56.3	58.1
Manufacturing	683.8	67.5	24.0	57.0	45.0	27.0
Coverage	95.0	95.0	81.0	99.0	63.0	23.5

Source: Visser 2006 p. 46

4. Concluding remarks and future challenges

The main conclusion of this review is that the Nordic regimes of labor-market governance, contrary to expectations and trends in many other countries, have shown remarkable resilience and capacity for adjustment since the crisis in the 1980s and entrance into the EU single market in the early 1990s. In spite of rapid industrial restructuring and growing pressures from without and within, the main pillars of the systems remain intact while significant changes have taken place in the modes of bargaining coordination and interaction with macroeconomic policies. Especially the Danish and Swedish shifts towards decentralization and sector-based coordination of wage-setting, interacting with strong independent central banks that aim at low inflation, imply a certain convergence towards broader European patterns and the former German model in particular. At the same time the contrast between organized decentralization in Denmark and Sweden, and recentralization in Finland, Iceland and Norway – which have also adopted continental style extension of collective agreements – has implied increased diversity among the Nordic models of industrial relations. Yet, in all the Nordic countries important elements of peak-level coordination, formal or informal, have persisted. In Finland, Iceland and, to a large extent, also in Norway, such features have been reinforced in response to the external changes and the shifts in monetary policies. Tripartite concertation has also been important for the continuation and adjustments in labor-market policies and the social security systems – implying a stronger emphasis on activation and work – which have helped to bring down unemployment and trimmed the welfare states for future aging waves. In contrast to predictions that the egalitarian and generous Nordic labor-and-welfare regimes were incompatible with globalization and European integration, they have in leaner versions eventually turned out as winners in the globalization race, at least thus far.

Collective bargaining coverage still remains high and relatively stable, implying that collective bargaining still plays a key role in regulating wages and employment conditions. Considerable adjustments have been made in the organizational patterns of unionism and employer associations, but the overall structures with encompassing peak organizations and strong associations at industry and sector levels, linked with vital tiers of unionism and bargaining at the company levels, are maintained. These foundations have formed the basis for continuity and renewal of the Nordic systems of single-channel, multilevel governance of industrial relations, in which the capacity for coordination and articulation among actors at different levels has been conducive to considerable decentralization and individualization of pay and human resource management (Nergaard et al 2008). Albeit the social actors have followed different national paths of adjustment, the Nordic unions have managed to retain strong influence on overall wage developments and, in spite of growing differentiation, have kept alive a legacy of egalitarianism and solidarity in working-life policies.

With reduced nation-state capacity to control and influence economic and social developments in ever more open economies, this means that governments and nationally based employers have become more dependent on their trade union counterparts in fulfilling central objectives in the fields of macroeconomic and industrial policy, competitiveness, and development of productive social capital. The Nordic trade unions have certainly also experienced losses of tools, members and muscle, but they still seem to control sufficient power and clout to influence collective goods of such vital interest to their counterparts – as well as the capacity to deliver and ensure membership compliance – that their attractiveness as partners of political exchange and governance has been retained, and in several areas even strengthened in recent decades. The latter is especially true in the field of social policy and inclusion policies, in which the social partners have come to play an increasingly pivotal role in tripartite measures to reform pension systems and spur participation and working-life inclusion among the elderly, immigrants, the disabled and other vulnerable groups (Fløtten et al 2007, Strøby Jensen 2007).

In important respects the adjustments undertaken during the past decades can be interpreted as a return to basic deeds in the Nordic models. Occupational welfare schemes and emphasis on the "working line" in social policy are ingredients dating back to the early days of the Nordic models. Coordinated wage moderation and prudent fiscal policies, aimed at retaining competitiveness in international markets and low inflation, were key features of the Nordic models of development in the 1950s and 1960s. In such a perspective, the expansionism observed in the 1970s – associated with organized labor's ambitious agendas for strengthening workers' rights through statutory reform, further wage compression, welfare state expansion and economic democracy – in many respects represented a breach with the traditional Nordic legacy, contributing decisively to the economic and political crises of the 1980s. Organized labor used its strengthened power in the 1970s to challenge the social compromises and balances of power underlying the cooperative Nordic models of industrial relations, provoking confrontation and retaliation when the economic fortunes and the political climate turned during the 1980s.

The double-adjustment crisis in the Nordic countries, associated with the international shift in financial markets and the postindustrial shift in labor markets, came together with profound changes in political power relations and constellations. The trade unions in particular had to accommodate to a situation in which the hegemony of the social democrats was crumbling and they were forced to learn how to operate in a more volatile, conflict-ridden and unpredictable political context of shifting governments and coalitions. The social actors also had to adapt to a context in which the domestic economic structures underwent significant change; all the Nordic countries did, partly as an element of adjustment to the single-market regime, pursue significant supply-side liberalization of their economies. While many actors – both to the right and to the left of the political spectrum – interpreted these changes as a farewell to the Nordic models, such interpretations overlook an important distinction of the refurbished Nordic models, namely that extensive product-market deregulation has been combined with maintenance of egalitarian/inclusive welfare-state policies and well-regulated labor markets. What we have seen in the Nordic countries over the past decades is thus a market-driven rationalization of production and the supply side of the economies, where public investment in human and social capital and infrastructure has been combined with policy-driven redistribution and protection in the sphere of welfare and labor markets (Dølvik 2007b). This particular blend of market-based economic policies, reflecting the small, open Nordic economies' dependence on international markets, and a strong egalitarian legacy in social and labor-market policies, has historically always been a central ingredient in the Nordic social compromises and could be characterized as "politics with markets." In addition, contrary to predictions, in the meeting with Europe, the Nordics have seemingly rediscovered their common historical roots and traditions, prompting renewed interest and pride in the Nordic models (see, e.g., Nordic Council of Ministers 2006).

Each national system of industrial relations is shaped by unique historical and institutional ramifications. Attempts to import or copy practices from other countries therefore rarely succeed. The crux of the analysis presented here is that the relatively successful adjustment and performance of the Nordic countries cannot be attributed to single factors or particular policy choices but reflect that the institutionalized interplay between strong social actors – business, unions and governments – has enabled step-wise development of relatively coherent, balanced and inclusive policy approaches and reform coalitions, also providing sufficient legitimacy and support to undertake painful adjustment. Virtuous reform circles of that kind may be easier to obtain in small, unitary states than larger countries with greater political, religious and ethnic diversity, but in many respects the Nordic countries have pursued fairly mainstream policies advocated by international agencies, and display many of the same institutional traits and trends as many other coordinated market economies in Europe (see e.g. Moreno 2008). The key to the recent progress should probably therefore not so much be sought in special elements of Nordic policies or institutions, but in the fact that the particular linkages, conditions for articulation and balances of power between the key social actors and policy areas – perhaps by luck, but probably more by policy learning through trial, error and correction – have facilitated achievement of a mix, sequence, and consistency of adjustment measures that as a whole has amounted to a viable bridge from crisis to renewal.

Future challenges

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

At the dawn of a new century, the Nordic industrial-relations regimes are meeting new challenges, both from within and without. While changes in the composition of employment continue to challenge established patterns of power-relations, organization and bargaining from within, accelerating globalization, low-cost competition and European integration place the regulatory systems in the Nordic countries under strain from without. At the same time, aging of the workforce and exclusion – or lack of inclusion – of vulnerable groups from the labor market draws attention to the flip side of the high demands for productivity and performance in the high-wage Nordic economies. Comparatively high shares of the Nordic labor forces are out of work because of sick leave, rehabilitation, disability pension and, especially, among ethnic minority groups, because they never managed to get a foothold in the labor market. Whether such examples of social exclusion reflect the intensification of working life, or are unintended consequences of the Nordic high-road approach with high skill requirements and minimum wages, coping with increasing diversity will clearly become a pressing issue in the egalitarian Nordic labor markets. The Nordic countries are thus set for difficult choices over how to bridge between the contradictory objectives of improving international competitiveness by moving upwards in the production chains and countering internal labor shortages and growing welfare-state expenditures by increasing the age of retirement, labor immigration, and including more vulnerable social groups in the labor market (see Gupta 2008, Brochmann and Hagelund 2008).

A central issue is to what extent employers are prepared to continue playing their traditional roles in the Nordic models. The basic deal underpinning the Nordic labor regimes has been premised on a social-exchange relation according to which workers and unions have offered restraint, labor peace and cooperation in productivity development, whereas employers have provided national investment, jobs and renewal in return. With the growing impact of international financial markets and institutional investors on corporate governance, internationalization of production chains and tempting sources of labor and investment opportunities in low-cost havens, the enhanced "exit options" and willingness to use them do indeed raise questions about the class of employers' future commitment to the deal.

First, a notable feature in all the Nordic countries is that the tiny but growing circle of corporate owners and leaders have offered themselves benefits, bonuses and shareholder option programs that challenge the legacy of social justice, prudence and trust underpinning the models. Albeit wage distributions are largely stable, the extremely skewed distribution of capital income in recent years signifies new and conspicuous kinds of inequality (Christensen et al 2007). This reflects the fact that the Nordic models, after the havoc over wage earner funds in the 1980s, have never developed mechanisms that can ensure a fair and productive distribution of the societally generated surpluses that the models, so to speak, are designed to maximize. Without development of viable responses to this challenge, it is hard to envisage that ordinary employees and unions will continue along the path of moderation and prudence for the sake of the collective good that has marked the Nordic social contracts.

Second, apart from the distributional aspect of the issue, uncertainties have indeed arisen as to employers' commitment to continue investing in the jobs, skills, institutions and social relations of the home base. While relocation of manual and low-skilled jobs in the traded-goods sector has been an issue since the 1970s, offshoring in ICT-related and high-skilled services is on the rise. Although the Nordic countries emerged on the winning side of the 1990s wave of internationalization, the enlargement of the EU and the rise of China and India definitely imply a new twist in the global race of competition, restructuring and relocation of production and services, which it remains to be seen how the Nordic labor relations regimes can weather.

EU enlargement, removing the barriers to free movement between the Nordic countries and the neighboring low-cost economies across the Baltic Sea, has created new opportunities as well as new challenges for the Nordic countries. Increased supply of labor and subcontractors has definitely helped grease bottlenecks in the national labor markets, boosted growth, and curbed inflation and interest rates during a period of sustained bonanza in the Nordic economies. With some 250,000 Nordic work permits offered to individual labor migrants from EU 8+2 in 2004-2007, of which Norway accounted for more than 60 percent, and a considerable number of posted workers and self-employed arriving, new patterns of low-cost production and subcontracting have become part of domestic competition in several Nordic industries, exerting pressures on regulations and terms of employment. This is especially a challenge in construction, where "regime competition" on the spot is challenging the principle of equal pay for equal work, but is also becoming widespread in parts of manufacturing, where, e.g., Norwegian shipyards have vacuum cleaned Polish yards of skilled labor, who are hired by Polish subcontractors to conduct work at Norwegian sites for much lower wage costs than the local subcontractor (Dølvik and Eldring 2008).

In this way the shift from a predominantly national/Nordic to an open European labor market implies that workers and companies governed by different labor regimes are pitted against each other, testing the boundaries of solidarity and the robustness of the national regulatory regimes. All the Nordic countries stipulate accordance with the Posted Workers Directive (96/71EC) wherein posted workers are to be paid and treated according to core host-country conditions, but in practice the application of that principle is not always easy to ensure in fluid contract markets with long and complex chains of subcontractors. The Nordic countries have chosen very different strategies to implement the host-country principle in the Directive, which was aimed at preventing distortion of competition and unequal treatment of posted workers in the context of service mobility. Finland, Iceland and, to increasing extent, Norway have – in line with continental tradition – made use of legislation and generalization of collective agreements in order to enforce minimum standards and create opportunities for public control.

In Denmark and Sweden the social partners have been strongly opposed to state interference in wage issues. The task of ensuring equal pay in the workplace has thus been left to the trade unions, if necessary by means of boycott and sympathy action, as in the labor dispute in Vaxholm outside Stockholm in 2005, where the Latvian firm *Laval un Partnei* became subject to industrial action because it paid the workers considerably below Swedish wages. Laval claimed that this constituted a breach in its freedom to provide services in the EU and brought the case to the Labor Court, which sent it to the European Court of Justice (ECJ), where Laval recently won a conspicuous victory. The decision in the Laval case (C-341/05, December 18, 2007) deemed the actions of the Swedish building unions unlawful and criticized Sweden's way of implementing the Posting of Workers directive. The court decision has caused consternation in the Nordic countries and concern also in the European circuits of labor-market policies.[15] Pitting East against West and the principles of free movement against fundamental rights enshrined in the EU Charter – such as the right to strike – the Laval case has not only become a contentious issue in the process of integration across the Baltic Sea, but also a defining moment in the struggle for a social dimension to the single European market.

Beyond doubt, the Nordic labor regimes have come under double pressure in the enlarged European labor market, first from market-driven regime competition on the ground and, second, from legal and political requirements from European institutions. The Swedish social partners and government are now searching for ways to adjust their regulatory regime in a manner acceptable to domestic actors, the ECJ and the European Commission, which is watching zealously. Whatever outcome, it remains to be seen whether the unions will prove robust enough to ensure orderly and equal conditions, for posted workers as well, in accordance with the Scandinavian legacy of autonomous self-regulation. If not, the alternative would be to find

[15]This was accentuated by a subsequent judgment by the ECJ, in which the demand by a German state that foreign subcontractors should comply with local wage agreements in March 2008 was deemed in contradiction with the Posting of Workers directive (the so-called Rüffert case). The demand for *Tarif-Lohn* as supposed to be in accordance with EU *social aquis,* and ILO convention 94, which is ratified by ten EU member states, as well as with the EU directive on public tenders, but according to the Court, to demand wages in line with local collective agreements represented an unproportional restriction in the freedom to provide services insofar as Germany had implemented a nation-wide minimum wage for foreign construction workers by means of an *erga omnes* procedure in line with the so-called *Arbeitsnehmerentsendegesetz* (ECJ Case C-346/06).

ways of combining collective agreements with statutory means of generalizing minimum conditions in the collective agreements, as witnessed in Finland and Iceland, which would indeed involve contested debates of principle and strategy among the Swedish and Danish social partners.

Thus the eastward enlargement – establishing a common labor and service market among high-cost and low-cost countries in Europe – has become a defining moment for Nordic industrial relations actors. Besides the employers' import of willing and often cheap labor, a significant flow of West European and Nordic companies have been establishing production in the new member states, where taxes and labor costs are lower. The possible impact of such a dynamic of "regime-shopping" has most clearly been demonstrated in Germany, where the threat of relocation to the East has forced workers and unions in important national companies to accept prolonged working hours, reduced hourly pay and other concessions in order to safeguard jobs. It remains to be seen, though, whether such dynamics will gain broader momentum in Northern Europe and, if so, to what extent they will 1) unleash a downward competitive spiral, 2) put a chill on improvements in labor standards until the new member states have caught up, or 3) merely sharpen internal inequalities and tendencies of polarization in the national labor markets. A likely scenario for the Nordic countries is that the various tendencies will be played out in different segments of the labor markets, implying that workers with complementary skills to the Eastern low-cost operators will gain, while those with competing skills risk losing out. In such a scenario, regulatory policies in the labor market would mainly be preoccupied with preserving existing norms/standards and preventing the gains in foreign labor supply from implying a reduction of domestic labor supply and increased social expenditures to vulnerable social groups losing out in fiercer competition in the lower end of the internationalised markets for labor.

It is is too early to tell how Nordic actors will handle pressures in this direction , but it takes little fantasy to realize that concession bargaining on rolling back inherited labor standards would represent a significant break with the legacy and rationale of Nordic industrial relations. So far, the main public response to the external liberalization of the Nordic labor markets has not been to close the markets, but to forge ahead with internal re-regulation and tightening of national control regimes to ensure equal treatment and competitive conditions (Dølvik and Eldring 2008). Yet it is no secret that many companies and consumers have had difficulties resisting the temptation to take advantage of the new supply of foreign labor. Examples of social dumping and circumvention of rules and social protections have been proliferating and may, if not contained, prompt erosion of standards and polarization of the Nordic labor regimes from below – suggesting a growing cleavage between insiders and outsiders in the labor markets.

Irrespective of national adjustments, the Laval case has made clear that the days when Swedish and other Nordic actors believed they could ignore what was going on at the European level are over, possibly indicating a turning point in Nordic coalition building and engagement in the political struggle over re-regulation of the labor market at the European level. As mentioned, the Nordic pattern of adjustment has so far largely conformed with the pattern of competitive solidarity (Streeck 1999) or renationalized corporatism (Dølvik 1992). That is, policy aims and means have been marked by a strong national orientation, in which improvement of national competitiveness and protection of national sovereignty, institutions and values have played an important role in politics as well as in industrial relations. European ideas and solutions have played a lesser role, even though the shift in monetary policies and the implementation of the single market rules served as significant catalysts for change, representing an important instance of Europeanization of Nordic governance. Further, the EU regulations of minimum labor standards have implied fewer challenges to the Nordic models than feared by many skeptics, and have in several fields strengthened the rights of workers and brought about new forms of interplay between legislative and negotiated regulation (Andersen et al. 2003, Bruun and Malmberg 2005).

Hence, many of the Nordic social actors have in recent years become more engaged in European policies and in their European organizations.[16] Though, in line with their pragmatic approaches, this engagement has been premised on a clear notion that the locus and core issues of industrial relations even in the future will and should be handled at the national levels (Dølvik 1998; 2005). While employers mainly have been interested in the EU social dimension as a means to obtain more liberal regulations than they could do nationally (Rudberg 2005), Nordic trade unions have formerly often seen their EU engagement as an expression of solidarity with weaker brothers and sisters in other countries.

Enlargement and the Laval case have shown that European issues have come to affect the self-interests of Nordic workers in very concrete and directly felt ways, however. To what extent this moment of truth will prompt more Nordic trade unionist to turn their backs on Europe and dive into the national trenches, and to what extent it will serve as a "kick in the ass" and forge them to muster the strength and clout they have built up nationally in joint political efforts to influence/recast the path of European labor market integration, is a bit early to tell.[17] Recent developments in the EU have hardly strengthened the enthusiasm for the European project among the Nordic public, but they have surely also calmed Nordic fears for federalization/ supranationalization of the EU. What the continental countries can learn from the Nordic models is a matter for discussion. Yet, the Nordic experience with policy coordination and social partnership in articulated, multilayered systems of governance, could, if applied at the European level, fit well into a trajectory of European integration based on strengthened interaction and collaboration between autonomous, but ever more interdependent, actors at national, as well as sub- and supra-national levels.

[16]In 2007, the female leader of the Swedish LO, Wanja Lundby Wedin, thus became President of the European Trade Union Confederation (ETUC).

[17]Unions are reactive actors that, as once stated by a prominent German and European union leader, Heinz-Oscar Vetter, are usually best when they are boxed into a corner and have to fight their way out. As always when it comes to European issues, however, the inclinations of the leadership are not necessarily indicative of where the membership is heading.

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Appendix

Figure A1 'World Competitiveness' 2007-8 (World Economic Forum)
Global Competitiveness Index 2007-2008

Country/Economy	Rank	Score
United States	1	5.67
Switzerland	2	5.62
Denmark	3	5.55
Sweden	4	5.54
Germany	5	5.51
Finland	6	5.49
Singapore	7	5.45
Japan	8	5.43
United Kingdom	9	5.41
Netherlands	10	5.40
Korea, Rep.	11	5.40
Hong Kong SAR	12	5.37
Canada	13	5.34
Taiwan, China	14	5.25
Austria	15	5.23
Norway	16	5.20
Israel	17	5.20
France	18	5.18
Australia	19	5.17
Belgium	20	5.10

Figure A2 Tax burden of OECD Countries in 2006

From: OECD Revenue Statistics 2007, copied from *The Nordic Model*, Andersen et al. (2007), Figure 4.2)

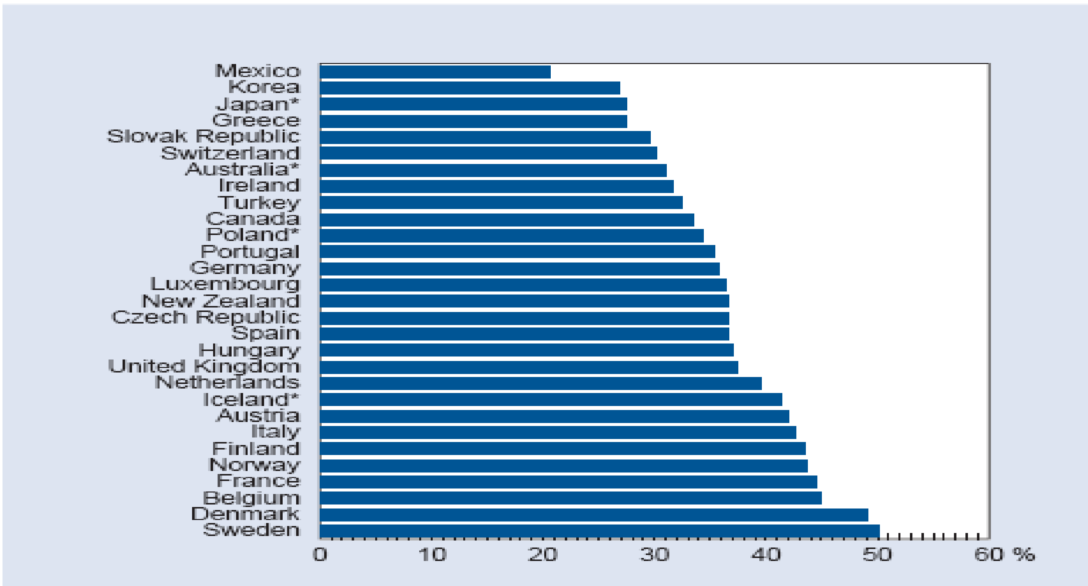

Table A1 GDP per capita in 2000-prices corrected for differences in price levels (Purchasing power parities)

	1998	1999	2000	2001	2002	2003	2004
Norway	149	147	146	149	149	148	147
Norway corrected for oil*	140	134	119	124	129	128	124
Denmark	116	116	116	116	115	114	114
Finland	102	102	104	105	106	107	108
Iceland	114	114	115	117	114	116	118
Sweden	106	108	109	110	111	111	112
France	104	104	105	106	106	105	104
Italy	102	101	101	102	101	100	99
Netherlands	114	115	115	115	114	112	110
Poland	40	41	42	42	42	44	45
Spain	83	84	85	87	87	87	86
UK	102	102	103	105	106	106	107
Switzerland	124	122	122	122	120	118	116
Germany	104	103	103	104	103	101	100
Australia	112	112	110	112	113	115	114
Canada	109	111	113	113	115	114	114
Mexico	36	36	37	36	36	35	35
USA	139	140	139	138	138	139	140
Japan	109	106	105	104	103	103	103

*Adjusted for oil revenues, mainland GDP in Norway in 2005 was estimated at approximately 85 percent of GDP.

Table A2 Taxes and social, spending in EU15 countries
(Source: Copied from Andersen et al 2007, Figure 2.1, p.41)

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	Tax burden in 2006, % of GDP [a]	Total expenditure in 2006, % of GDP [b]	Social expenditure in 2003, % of GDP [c]	Child care and early education in 2003, % of GDP [d]	Average net unemployment benefit replacement rate [e]	Gross replacement rate in pensions [f]	Progressivity index of pensions [g]
Denmark	49.0	51.1	23.8	1.6	78	83.6	59.3
Sweden	50.1	55.5	29.2	1.3	73	63.7	12.9
Finland	43.5	48.5	22.7	1.4	73	63.4	7.6
Germany	35.7	45.6	29.5	0.4	73	39.9	26.7
France	44.5	53.7	29.8	1.2	62	51.2	24.6
Austria	41.9	49.1	23.9	0.6	64	80.1	30.4
Belgium	44.8	49.0	26.0	0.8	62	40.7	58.8
Netherlands	39.5	46.7	20.6	0.5	73	81.7	0.0
Luxembourg	36.3	40.4	-	0.9	71	90.3	18.6
Italy	42.7	50.1	25.3	0.6	5	67.9	3.1
Spain	36.7	38.5	19.6	0.5	50	81.2	18.8
Greece	27.4	36.7	-	0.4	25	95.7	2.6
Portugal	35.4	46.1	23.2	0.8	63	54.3	18.8
United Kingdom	37.4	45.1	22.8	0.6	63	34.4	81.1
Ireland	31.7	34.0	15.6	0.2	70	38.2	100.0

[a] The sum of taxes on income and wealth, capital taxes, social security contributions and indirect taxes, from OECD Revenue Statistics 1965–2006.

[b] OECD Economic Outlook (2007), General government total outlays, Annex Table 25.

[c] Net publicly mandated social expenditure, see Adema & Ladaique (2005).

[d] OECD (2007), Social Expenditure database 1980–2003.

[e] Average net replacement rates in per cent over a period of 60 months of unemployment in 2004, one earner at average wage, married couple, with social assistance. OECD (2007), Benefits and Wages, Paris (www.oecd.org/els/social/workincentives).

[f] OECD (2007), Pensions at a Glance.

[g] OECD (2007), Pensions at a Glance.

Table A3 Employment rates 2005 – employed persons aged 15-64 years, as share of total population in the same age group (Source: Eurostat 2006)

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

Table A4 Gross taxes as percentage of GDP

DK	SF	IS	N	S	EU 15	USA	Ja
48,3	44,8	39,8	43,8	50,6	40,5	25,6	25,3

(Source: OECD Fact Book 2006)

Table A5 Product market regulation index in four different European models (Source: Schubert and Martens ECP 2005, based on OECD data)

	Anglo-Saxon	Nordic	Continental
Product market regulation (2003)	0.8–0.85	1.0–1.4	1.5–1.6

Table A6 Foreign direct investment stock as percentage of GDP 19995-2004 (Source: Whyte ECP 2005, p. 47)

	1998	1999	2000	2001	2002	2003	2004
Denmark	18.0	23.8	42.0	41.4	43.0	36.1	32.8
Finland	12.6	14.3	20.2	19.8	25.6	28.5	30.0
Sweden	21.7	27.1	32.2	41.7	48.7	50.3	43.3
EU25 average	18.8	21.3	27.3	28.9	32.1	30.2	28.0

Table A7 Attitudes to markets and social welfare in different European models (Source: Schubert and Martens EPC 2005; p.22

	Anglo-Saxon	Nordic	Continental
Attitude to markets	Liberal	Liberal	Interventionist
Attitude to social welfare	Low emphasis	High emphasis	High emphasis