NHO | LO Norway

SOCIAL DIALOGUE
THE BIG PICTURE

How social dialogue improves our world of work

Everyone benefits

Through effective and open social dialogue, employers and employees can work together to promote decent working conditions, resolve conflicts, and contribute to sustainable economic growth – all of which benefits both workers, employers and society at large.

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Norwegian Model milestones

Rome was not built in a day, neither was the Norwegian Model. For more than a century the model has evolved through conflict, progress, unity, backlashes, breakthroughs, social dialogue and cooperation. Here are some highlights.

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A system for conflict resolution

Norway's institutional structure around the labour market is built to prevent and handle disagreements in an effective and constructive way, contributing to a stable and productive work life and is designed to resolve conflicts without resorting to the courts.

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Tips on **social dialogue** from Nina Melsom and Steinar Krogstad

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The key to fair wages and competitiveness

Few things are more important to employees than fair wages. In Norway, wage setting is institutionalised and coordinated, resulting in fair wages, equal pay for equal work, low levels of inequality, and last, but not least, effectiveness for economic policy to fight unemployment.

The stakeholders in the world of work

The three parties involved in a social dialogue are the state, the unions and the employers' associations. To be a credible partner, legitimacy is important. Both employee and employers' organisations should have a democratic structure and truly work in their members' interests. Clear rules for how to handle disputes, both in interest and legal disagreements, help to mitigate conflicts.

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Tripartite dialogue
Our everyday tool

Over the past 100 years, "social contracts" and "dialogue" have become frequent calls around the world. In Norway tripartite cooperation is considered crucial for the management of welfare, the labour market, and our economy.

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Social Dialogue
Your key to shaping a prosperous future

As representatives of employers' and employees' organisations, you hold a pivotal role in driving sustainable economic growth and social progress. One of the most potent tools at your disposal is social dialogue - a process of negotiation, consultation, and information exchange between you as social partners, and between you and the government.

Social dialogue goes beyond mere discussions. It's a structured approach to collaborative decision-making that has transformed societies worldwide. From South Africa's transition toward the end of apartheid to the economic resilience of Nordic countries, social dialogue has been instrumental in crafting effective policies and fostering social cohesion.

The benefits of engaging in social dialogue are substantial. Research consistently shows that it leads to:

1. Fairer wage-setting and reduced inequality
2. Improved working conditions and labour rights
3. Enhanced economic stability and competitiveness
4. More effective crisis management and recovery
5. Increased trust between social partners and the government
6. Lower unemployment and higher economic growth

By participating in social dialogue, you gain a direct voice in shaping policies that affect your workplace, your organisation and your community. This ensures that reforms and economic strategies are not only more balanced but also more likely to succeed due to broader buy-in.

However, effective social dialogue doesn't happen automatically. It requires:

1. Strong, independent, and representative organisations - that's you
2. Respect for freedom of association and collective bargaining rights
3. Political will and commitment from all parties
4. Access to relevant and accurate information
5. Trust and well-developed negotiation skills

Your role in this process is crucial. Your insights are invaluable in crafting policies that balance economic growth with social justice.

Social dialogue is not about winning or losing. It's about finding mutually beneficial solutions. It's about growing the economic pie while ensuring a fair distribution. Everyone should get a fair chunk of that pie! As you engage in this process, you're not just representing your members – you're helping to build a more resilient, equitable, and dynamic society for all.

In this pamphlet, we hope to equip you with insights and knowledge, some concrete tools and also inspiration as to how you and your organisation can build trust and strengthen social dialogue with your partners.

Your active participation in social dialogue is more than a responsibility – it's an opportunity to leave a lasting, positive impact on your nation's economic and social landscape.

Everyone benefits

Through effective and open social dialogue, employers and employees can work together to promote decent working conditions, resolve conflicts, and contribute to sustainable economic growth – all of which benefits both workers, employers and society at large.

Social dialogue works differently across countries, reflecting diverse national traditions and contexts. There is no universal blueprint for organising and enhancing social dialogue. However, certain key conditions are essential for its effectiveness. Social dialogue goes beyond civil dialogue. Organisations, trade unions and governments are important pre-conditions for social dialogue to work properly and produce results. Trust is built from the ground up. Social dialogue starts at the micro-level, at the workplace. An organisation's job is to empower its members.

While the specific mechanisms may vary, these fundamental principles remain constant in fostering meaningful engagement and collaborative problem-solving in labour relations.

FACTS
SOCIAL DIALOGUE

Social dialogue, as defined by the ILO, includes all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. Social dialogue can be bipartite, between representatives of workers' and employers, and it can be tripartite, where the government comes in as the third party.

Social dialogue in the Nordics

Social dialogue is a core feature in the Nordic countries: Norway, Sweden, Denmark, Finland, and Iceland, and is often referred to as the Nordic Model. It is characterised by a successful blend of capitalism and social welfare. A fundamental feature of the model is the strong and autonomous position of each social partner, i.e. the employers' and employees' organisations. The Nordic Model is credited with ensuring these countries consistently rank among the world's best places to live, showcasing high living standards, efficient economies, strong labour markets, gender equality, and a high degree of income equity. In Norway, the model is built on three fundamental pillars: economic governance (an economic policy based on sound public finances and control of macroeconomic development), organised work (strong labour unions and employer organisations), and public welfare (comprehensive social safety nets and public services).

A strong and safe work life allows the state to collect enough taxes and fees to keep the wheels turning.

This, in turn, allows for better economic growth, which evens out differences and allows for safer working conditions. These two pillars make room for the last pillar cheap and accessible public welfare that provide the population with a safety net in their everyday life.

The Three Anchors in the Economic Policy

Wage formation

Strong, responsible trade unions and employers' organisations, coordinated wage setting.

Monetary policy

The national bank is responsible for promoting economic stability through monetary policy, managing Norway's foreign exchange reserves, and overseeing the Norwegian financial system.

Fiscal and welfare policy

Demand control through fiscal policy. Taxation, income security net, free or cheap public services and education, active labour market policy, gender policies and a welfare system enabling gender equality.

FACTS
TRIPARTITE COOPERATION

Tripartite cooperation is a system of economic and labour relations involving three parties: the government, employers (or employer organisations), and workers (typically represented by trade unions). This approach is used to develop and implement labour and social policies through cooperation, negotiation and social dialogue between these three groups.

Benefits of social dialogue and the Norwegian Model

Although there are many similarities between the Nordic countries, the model does vary. In this context, we are focusing on the Norwegian Model. The success of the Norwegian Model is attributed to implications of coordinated wage setting and tripartite cooperation, including high levels of trust, cooperation between employers and workers, openness to global trade, a shared belief in the benefits of equitable distribution, and a strong work ethic. These elements work together in a virtuous circle, where coordinated wage-setting, economic growth, and comprehensive welfare systems reinforce each other, driving innovation, efficiency, and overall societal progress.

Workers gain a better work-life balance and higher wages.

Employers gain more efficient and sustainable organisations, as well as the ability to adapt and innovate to stay relevant and profitable over time.

Challenges and relevance

While the Norwegian Model has proven highly effective, it faces ongoing challenges such as managing large public sectors, from an ageing population, addressing evolving labour market dynamics, and adapting to global changes like technological advancements and climate change. The model's proponents acknowledge that it requires constant effort to maintain and modernise its core pillars. The Norwegian Model has been developed over a century. Although it was established a long time ago, it is the best tool for future challenges. A direct replication may not be feasible, but other nations draw inspiration and learning from the Nordic countries' approach to balance efficiency, fairness, and trust in their own contexts.

The solidarity alternative

Can you imagine the leader of a workers' union calling for restrained wage increases? Yngve Hågensen, leader of the Norwegian Confederation of Trade Unions (LO), did just that. And his counterpart at the Confederation of Norwegian Enterprise (NHO) Karl Glad, committed to securing more jobs.

In Norway in the early 1990s, unemployment was high and growth was slow. Politicians, unions and businesses saw that something needed to be done. So representatives from political parties, labour unions, employers' organisations, and researchers, created a plan for sustainable employment growth. They called it the 'Solidarity Alternative' as it required employed individuals to show solidarity with the unemployed. This economic strategy was developed in 1991-1992 and implemented as a five-year social contract between labour unions, businesses, and the government. It combined moderate wage increases, employment measures, regulatory simplification, workplace training, and currency stabilisation.

The goal was to reduce unemployment to 3.5% by improving Norway's competitiveness by 10% from 1993 to 1997 through coordinated wage policies and income cooperation. This approach is largely credited with Norway's strong economic performance in the 1990s.

> "At the turn of the 80s/90s, there were 200,000 unemployed people in Norway, and the interest rate was 16-17 percent. Now, the interest rate has been zero for a long time. Worth thinking about when comparing developments.

Yngve Hågensen on 'Solidarity Alternative' 30 years later.

PHOTO: NTB/SCANPIX

Trust - a consequence and a prerequisite

Trust plays a crucial role in the success of social dialogue. In order to find solutions that benefit everyone, all parties need to trust each other.

Trust is a consequence, AND a prerequisite for social dialogue. It's a chicken and egg-situation: what comes first, trust or dialogue? It is also a virtuous cycle: trust breeds dialogue breeds trust.

Trust is a key factor that enables many aspects of the Norwegian Model to function effectively, from economic governance to organised work and public welfare systems. Norwegian citizens generally display high levels of trust in each other, in the civil service, and even in politicians and trade unions. Trust in, and between, the social partners in working life builds on mutual respect, open dialogue and transparency between the parties and the public. This again reinforces the general trust in governmental bodies and society at large.

Why is trust so important?
For efficiency: Trust leads to fewer and simpler contracts, fewer expensive lawyers, conflicts solved at the lowest possible level and with less red tape.

For cooperation: Trust is the foundation for a close cooperation between bosses and workers on a local level, and between representatives of governments, employers and employees at a national level.

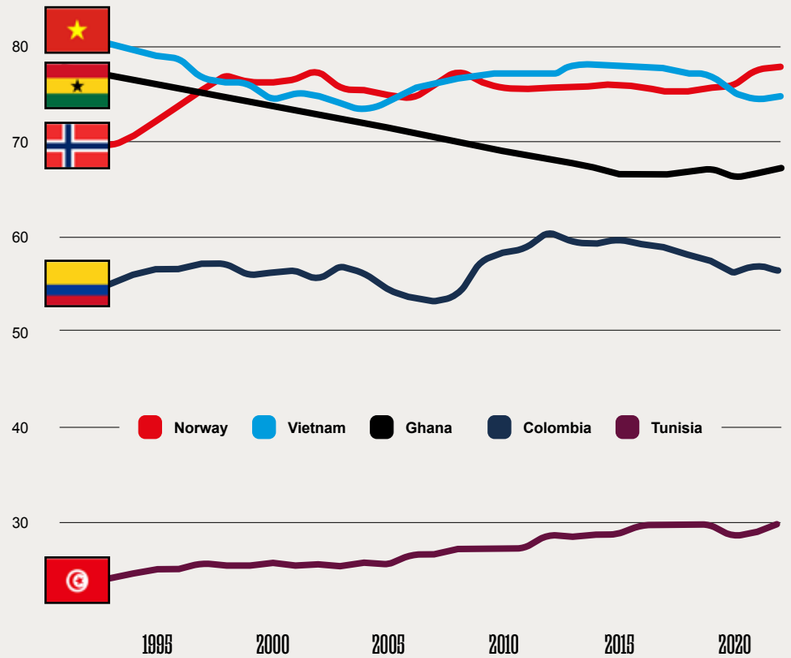
For social cohesion: Trust is part of what allows for a more equitable society, where even the middle and upper classes acknowledge that "sharing is good" and that they benefit from reduced poverty and inequality.

WOMEN IN THE WORKFORCE: The Norwegian Model, which has yielded better results on key welfare metrics than any other social model, depends on high employment rates to be sustainable. One of the most important factors for this is women in the workforce.

Work for all - and social security for those who cannot

'Work for all' is an overarching social and political goal in many countries, and is at the very core of the Norwegian Model. Politicians, the unions, and employers' organisations agree on the principle that paid work is fundamental; that work for all should be the top priority, that it should be financially rewarding to work, and that multiple policy areas must actively work together to succeed. When both men and women work in the formal sector, they receive social security, and provide tax revenues for the state to finance it. Work is of great value for individuals, and it is the most important resource making up our national wealth. At the same time, a solid welfare system in the form of unemployment benefits, sick leave, parental leave and more, should be in place for those who cannot work.

Labour force participation rate, female
% of female population ages 15-64



SOURCE: ILO MODELLED ESTIMATES DATABSE (ILOSTAT)

Local is king

It is at the local level, in each workplace, where value is created. The relationship between management and employees is crucial for the success of each and every enterprise, and local interactions form the base of the entire system. According to a survey by the Confederation of Norwegian Enterprise, 90% of Norwegian employers state that that the work done by shop stewards (local union representatives) is positive for the company, leading to better conflict resolution, increased turnover, and job creation/retention. This is why both responsibility and authority is delegated to the local level as far as possible. In essence, the local level serves as the practical implementation ground for the principles of social dialogue, where day-to-day interactions and negotiations occur, forming the bedrock upon which the larger system of social dialogue is built.

90%

of Norwegian employers state that the work done by local union representatives is positive for the company.

NINA MELSOM (NHO) AND STEINAR KROGSTAD (LO) WITH THEIR SOCIAL DIALOGUE TIPS

Build trust – and don't mess it up

Nina Melsom, Director of labour relations at NHO, and Steinar Krogstad, Vice President of the LO, are among the most influential representatives of social partners in Norway's private sector.

The two are responsible for 130 national collective agreements between NHO and LO, including the parties' annual wage settlements, as well as policy within pension and welfare schemes and labour legislation. Not to mention being ambassadors and good role models for how social partners can cooperate broadly in all areas and at all levels in Norwegian working life.

There is hardly a day in the week where the two are not in contact with each other, often on topics where the parties have conflicting interests or where disagreements have arisen.

Nina Melsom is clear on what is needed in order to succeed:

> "That we can trust one another, and feel that the content of our conversations remains between us.

Steinar Krogstad agrees, and adds:

"Confidentiality provides room to test out solutions and be challenged on one's own ideas and positions, in a process where I don't have to answer to others. It highlights the topic, provides a basis for reflection, and the ability to adjust one's views."

Both emphasise that the close and confidential contact also contributes to a better understanding of the other party's positions on big questions. "It gives us both valuable knowledge when developing our standpoints and assessing whether we should seek agreement or simply disagree", says Krogstad.

Melsom admits that this way of working can be challenging, but adds:

"NHO's members clearly express the value of these processes because we avoid unnecessary conflicts between the partners at the central level. And I believe the same goes for the collaboration at enterprise level."

Krogstad has years of experience as a shop steward in a company, and confirms Melsom's point."The informal and confidential contact I had as a shop steward with management led to many positive solutions for both parties. We avoided many open disagreements between me and management. But to have trust from my members, I was of course open about having such conversations."

> "Finally, the almost self-evident, trust must be earned – it cannot be demanded.

Both Melsom and Krogstad agree: "One slip-up can ruin everything. Don't fall for the temptation!"

PHOTOS: MOMENT STUDIO/NHO, TROND ISAKSEN/LO

Nina Melsom, Director of labour relations in NHO, meets with her counterpart at LO almost every week. Continuous dialogue helps build trust.

Steinar Krogstad, Vice President of LO, started out as a shop steward. He clearly sees the importance of both local and national arenas for cooperation between employers and employees.

Why is social dialogue important in the world of work?

GILBERT F. HOUNGBO
DIRECTOR GENERAL OF INTERNATIONAL LABOUR ORGANIZATION

"Social dialogue is a proven catalyst for navigating complexity and finding solutions when and where they are needed. When based on adequate representation, social dialogue can offer inclusivity, balance and equity.

> By promoting democracy in the world of work, we contribute to a broader democratic fabric that protects civic space.

From Report of the ILO Director-General: Towards a renewed social contract. (May 2024)

ALEX FRIMPONG
CEO, GHANA EMPLOYERS ASSOCIATION

> "We must commit a lot of time and resources to build trust. Building trust is a process and not an event.

SIBEM BOUSSETTA
DEPUTY GENERAL SECRETARY AT THE TUNISIAN LABOUR UNION, UNION GÉNÉRALE TUNISIENNE DU TRAVAIL (UGTT)

> "Social dialogue is the only way forward.

PER OLAV HOPSØ
STATE SECRETARY OF THE MINISTRY OF LABOUR AND SOCIAL INCLUSION

"ILO's mandate and work are needed more than ever; we need to enhance social dialogue and secure decent work around the globe.

> The social contract is in some ways like a marriage, it must be cared for, and reinvested in, on a continuous basis.

Exactly as the social dialogue between workers, employers and governments need to be a systematic arena where the tripartite participants are listening actively to one another to find common ground.

Extracts from speech delivered at the plenary of the 112th International Labour Conference 2024, Palais des Nations, Geneva, 7 June 2024

PHOTOS: M. CROZET/ILO, SIMEN GALD/AID, JOHANNE HOVLAND

Norwegian Model milestones

Rome was not built in a day, neither was the Norwegian Model. For more than a century the model has evolved through conflict, progress, unity, backlashes, breakthroughs, social dialogue and cooperation. Here are some highlights.

1899

The Norwegian Confederation of Trade Unions (LO) was founded on 1st April.

1900

The Confederation of Norwegian Enterprise (NHO) was formed.

1907

First industry-level collective agreement was signed.

1915

The Norwegian Labour Disputes Act introduced key provisions such as mandatory mediation before strikes or lockouts, and distinctions between legal disputes (related to the interpretation of collective agreements) and interest disputes (involving strikes or lockouts). It also established the Labour Court of Norway to handle legal disputes and imposed an obligation of industrial peace during the validity period of a collective agreement. A distinctive feature in Norway is that the central trade union decides who will go on strike. This makes it easier to maintain good relationships locally, between union representatives and company management.

1935

The Basic Agreement, negotiated and signed by LO and NHO, marked a significant milestone in the transformation from conflict to cooperation between the parties. Cooperation at the workplace level, characterised by mutual trust and transparency, gradually replaced conflict and distrust. This agreement included provisions that required employers to consult with trade union representatives in various specific situations and regulated the rights and duties of these representatives.

1936

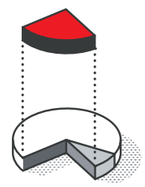
The Holiday Act ensured employees have an annual right to vacation and holiday pay. The right to annual leave has developed gradually since 1900, first through collective agreements and arbitration decisions, and since 1936 it has been a universal right through legislation. By law, holiday leave is defined as four weeks and one day of vacation. However, many employees have five weeks of vacation, based on collective agreements or employment contracts.

1965-1967

The pace-setting model.The seed that eventually grew into the pace-setting model was planted as a commission was asked by the government to produce an alternative way to fight rising inflation without increasing unemployment through tightening of economic policy. The commission suggested a norm for wage growth set in the competitive sectors for the service sectors to follow as a solution. Although this was during a time of fixed exchange rates, it has proven as an efficient way to fight inflation without increasing unemployment also in the era of fluctuating exchange rates.

1967

The National Insurance Act is a cornerstone of Norway's social welfare system. This comprehensive law established the modern Norwegian national insurance scheme, which provides a wide range of universal social security benefits to Norwegian citizens and residents.



1977

The Working Environment Act was established to protect workers' rights, safety, and health. It regulates working hours, workplace safety, and the obligations of employers and employees. Over the years, it has been amended several times to adapt to changing work environments and to incorporate new aspects of labour protection, including anti-discrimination measures and the promotion of inclusive workplaces. The Act is considered a cornerstone of Norway's labour legislation, reflecting the country's commitment to maintaining high standards in occupational health and safety.

2001-2025

Pension Reform. Work on pension reform started in 2001. A broad majority in the Norwegian Parliament adopted its main principles in 2005 and the first concrete changes were implemented from 2010. The reform will be fully implemented in 2025. The Pension Reform is a solid example of how a comprehensive social reform, where the parties have diverging interests, is peacefully settled through active tripartite dialogue.

True or false

You need to be a rich country to implement social dialogue.
False!

Cooperation is free. Just start talking and get to work. A common misconception is that a country needs to find oil or be a developed country to start implementing the principles of social dialogue. Social dialogue is just as, or even more important in countries with weaker economies. When parties come together to find solutions, we have seen that they can improve efficiency and boost growth. Cooperation pays off!

You need to obtain gender equality to start meaningful social dialogue.
False!

Social dialogue provides a platform for bringing up issues regarding gender equality. It can serve as a tool to strengthen the representation of women and minorities. Small steps forward are better than sitting still, waiting for gender equality to happen.

You have to be a member of a union or employers' organisation to engage in social dialogue.
True!

Social dialogue, as defined by the ILO, is conducted between parties who rightfully represent their members. Trade unions and employers' organisations with democratically elected leadership are given the mandate to represent their members' interests. It is important to note that there are many examples of great dialogue between employees and employers in non-unionised companies, although less systematic and without the legitimacy of the organised parties.

Social dialogue is mainly in the interest of employees. Employers stand to lose power and profits.
False!

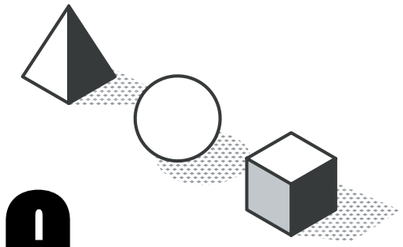
Social dialogue is not a net zero sum game. Together, parties find solutions and compromises that benefit all. Sometimes, parties must see beyond their own immediate interests to build a sustainable society together. As an example: 9 out of 10 employers in Norway state that the work done by shop stewards (local union representatives) is positive for the company. They believe that local cooperation leads to better conflict resolution, increased revenue, and job creation and retention.

Government approval is needed for social dialogue.
False, but with some truth.

Social dialogue is conducted between parties in the labour market - employers and employees on a bipartite level. But governments are often a valuable third party providing legal and economic infrastructure in the labour market.

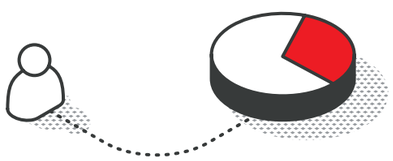
Social dialogue can't be conducted or developed during conflicts or crises.
False!

It can be easier to build trust and create a solid structure for social dialogue in peaceful times. But, social dialogue and the Norwegian Model were born out of crises. Massive strikes, pandemics, inflation, war, climate change, digitalisation, artificial intelligence. Events and trends influence our lives and our work constantly. No single person or institution can meet these challenges alone. Social dialogue has proven to be a powerful tool in the face of crises and conflict. In fact, conflict can boost social dialogue. But it can also bust it, if parties don't live up to their responsibilities.



The stakeholders in the world of work

The three parties involved in a social dialogue are the state, the unions and the employers' associations. To be a credible partner, legitimacy is important. Both employee and employers' organisations should have a democratic structure and truly work in their members' interests. Clear rules for how to handle disputes, both in interest and legal disagreements, help to mitigate conflicts.



The government

The government is one of the three parties in a tripartite cooperation. Its role is to act as a:

- **Legislator and regulator:** The state sets the overall framework for work life through laws and regulations, more often than not in close cooperation and dialogue with other organisations. In the Norwegian tradition, the government has left much of the regulation of work life to other parties, by allowing collective agreements to deviate from the law if both parties agree.
- **Mediator and facilitator:** In situations involving conflicts or difficult negotiations between employee and employer organisations, the state can step in as a mediator.
- **Economic governance:** Fiscal policy, tax policies and other economic instruments.
- **Welfare provider:** The state plays an important role in delivering universal welfare services that affect work life, and creates a safety net for those who cannot work.

UNION CONFEDERATIONS

LO: Norwegian Confederation of Trade Unions

LO is Norway's largest employee organisation with one million members organised in 24 unions. Its main objective is to secure fair wages, good pensions, and safe workplaces for its members. With one out of five Norwegians being an LO-member, it is an important voice towards political authorities. It was formed in 1899 and has been a key player in tripartite cooperation since its inception. There are other unions and union confederations that have gradually been included, but LO is by far the largest and most influential.

LO Norge

EMPLOYERS' ASSOCIATIONS

NHO: Confederation of Norwegian Enterprise

NHO is the largest and most important entity on the employer side in tripartite cooperation between employers' and employees' main organisations and political authorities. NHO organises more than 40% of employers in the private sector. It strives to ensure wage and price growth is not higher than in countries Norway does business with, more flexible working arrangements and a competitive tax and levy policy. NHO was formed in 1900. There are other employers' organisations that have gradually been included in collaborative processes, but NHO is by far the largest and most influential.

NHO

ILO The International Labour Organisation

The International Labour Organisation (ILO) is the foundation for legislation for decent work and development in the labour market. Since 1919, as the only tripartite agency in the UN, the ILO brings together governments, employers and workers from its 187 member states, to set labour standards, develop policies and devise programmes promoting decent work for all women and men. We can call it the "World Parliament for Work Life".

Throughout ILO's history, a number of important conventions have been developed that have become legally binding standards in almost all countries across the world:

- The right to organise (in trade unions) and engage in collective bargaining
- Right to equal pay for equal work across genders
- Right to limits on maximum working hours, weekly rest, etc.
- Prohibition of child labour
- Prohibition of forced labour
- Prohibition of discrimination

The right to "decent work" has been a central collective term for ILO's work and objectives since the turn of the millennium. It has also become part of the UN's Sustainable Development Goals towards 2030.

International Labour Organization

A system for conflict resolution

Norway's institutional structure around the labour market is built to prevent and handle disagreements in an effective and constructive way, contributing to a stable and productive work life and is designed to resolve conflicts without resorting to the courts.

The legal framework
This forms the foundation of the system. The *Constitution* sets the overarching framework for the labour market and secures fundamental rights such as freedom of association. *The Working Environment Act* provides more detailed regulation on the rights and obligations in employment relationships, and serves as a safety net for both employees and employers. These laws create a solid foundation for conflict prevention by clarifying each party's rights and duties.

Institutions for preventing conflict
To prevent conflicts, Norway has established several important institutions. *The Labour Inspection Authority* oversees compliance with the *Working Environment Act* and provides guidance to both employers and employees. These proactive efforts help to identify and resolve potential problems before they escalate into conflicts. *Statistics Norway* (government agency) and the *Technical Calculation Committee* (see fact box) also play crucial roles by providing reliable economic information and analyses. This factual foundation is essential for creating a common understanding in wage negotiations, reducing the risk of conflicts based on disagreements over facts.

Institutions for handling conflict
Compulsory arbitration aims to bring ongoing labour disputes to an end, with employees returning to work, while the National Wages Board is tasked with determining the content of the new collective agreement. When conflicts do arise, Norway has specialized mechanisms to handle them. The *State Mediator* is a key institution for resolving interest disputes, especially in connection with collective bargaining. It intervenes when parties cannot reach an agreement on their own and works to find compromises that can be accepted by both sides. For legal disputes related to the interpretation and application of collective agreements, the *Labour Court* plays a central role. As a specialised court for labour market issues, the *Labour Court* has the expertise to effectively and authoritatively handle complex labour law cases.

Agreements and cooperation
Agreements and cooperation play a key role in the Norwegian system. The *Basic Agreement,* often referred to as the "Constitution of Working Life," establishes the basic rules of engagement between parties in the labour market. It sets procedures for negotiations and conflict resolution with the aim to resolve conflicts at the lowest level possible and promotes dialogue and collaboration. The tripartite cooperation between the state, employer, and employee organisations ensures that all parties have a voice in shaping labour market policies, reducing the potential for conflicts.

By combining legislation, agreements, preventive work, and specialized conflict resolution mechanisms, this system has created a work life characterized by stability and cooper-

FACTS
THE TECHNICAL CALCULATION COMMITTEE FOR WAGE SETTLEMENTS (TBU)

TBU is a tripartite committee that is particularly important in connection with wage negotiations. It presents the best possible, factual and numerical background material, and presents it in such a way that disagreements between labour market parties about actual economic conditions can be avoided as much as possible. The committee can, among other things, prepare price forecasts and can also clarify the numerical basis for special income policy issues. It has a neutral chairman, in practice from Statistics Norway. The committee also includes representatives from employer organisations, employee organisations, and the government.

CONFLICT RESOLUTION: This model demonstrates how the various actors in the Norwegian world of work collaborate with the aim of resolving conflicts outside the courts. Note the mutual influence between the different components and how they all contribute to the overall goal.

Legislation

- Constitution
- Working environment act

Institutions

PREVENTIVE

- Statistics Norway
- Technical Calculation Committee
- The Labour Inspection Authority

CONFLICT RESOLUTION

- The Labour Court
- The State Mediator
- National Wages Board

Agreements

- The Basic Agreement
- Tripartiate Social Dialogue

Court

PHOTOS: GETTY IMAGES

The key to fair wages and competitiveness

Few things are more important to employees than fair wages. In Norway, wage setting is institutionalised and coordinated, resulting in fair wages, equal pay for equal work, low levels of inequality, and last, but not least, effectiveness for economic policy to fight unemployment.

The pace-setting model is the backbone of Norwegian wage formation. The pace-setting model encompasses the Norwegian export industry that is exposed to international competition. This sector has little ability to determine product prices, so wage formation must contribute to a cost level that does not deviate too much from trading partners, ensuring competitiveness over time. Contract areas with a large proportion of exposed companies therefore negotiate wages first. The negotiation results in the exposed industry forming a norm for settlements in the rest of the private and public sectors. After the lead sector has completed its negotiations, all sectors negotiate their collective agreements and wage increases for everyone in respective sectors. During this phase, strikes are a legal tool. Once the sector agreements are concluded, they allow for additional wage increases based on the individual company's financial situation. This happens under peace obligations, meaning that strikes are no longer a legal tool.

A win-win for all sectors

This is a win-win situation. Relatively high wages for unskilled workers and a compressed wage structure affect the demand for labour and the desire to invest in technology and organise business operations in an efficient manner. The gains are distributed to large segments of the population through the wage formation and the welfare state's distribution mechanisms. Even the highly educated benefit from this, both through societal development, but also through higher wages as they share in the productivity gains.

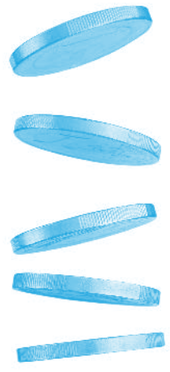
Wage growth and employment

Nominal wage growth must equal the sum of productivity and price growth on exports to maintain equality and competitiveness over time. If nominal wage growth is higher, it will lead to lower investments and a gradual dismantling of the exposed sector, resulting in fewer jobs and reduced value creation. If it is lower, inequality will rise. The pace-setting model reflects the understanding that wage formation is crucial for the level of unemployment, while real wage development is primarily linked to price and productivity developments. Experiences from Norway and other countries have previously confirmed that high nominal wage growth without a corresponding productivity growth results in higher inflation and increased unemployment, and not in higher real wage growth. In this case economic policy is unable to keep unemployment low. A higher demand in the economy will instead lead to higher inflation.

Coordinating wage formation

Nationwide collective bargaining agreements and centralised negotiations facilitate coordination in wage formation, ensuring that wage growth is approximately equal across the entire labour market. The parties involved take into account the overall competitiveness of the Norwegian economy when making their wage demands.

The pace-setting industries encompass the Norwegian export industry that is exposed to international competition.



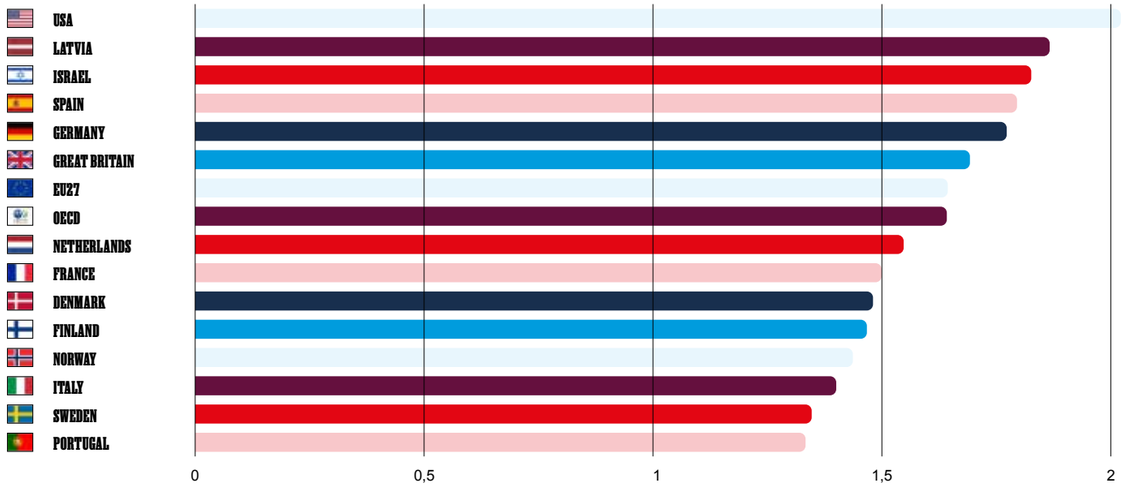
FACTS
EQUAL WAGE

The pace-setting model promotes relatively equal wage development across all sectors over time. As a result, Norway has small wage differences both between and within industries.
Note: The figures are based on full-time employees.

P50/P10 in selected countries

SOURCE: OECD/Lavlønnsutvalget.

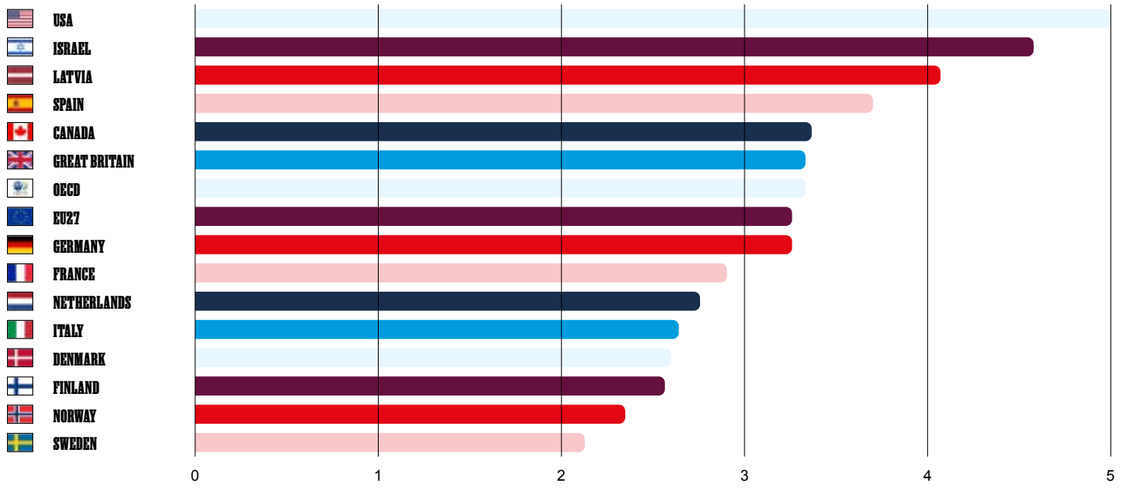
This figure shows the wage difference between the person in the middle of the national wage distribution (P50/median wage) and the person at the threshold to the 10 % with lowest income. Among the selected countries in the figure, the wage differences are highest in the USA. In Norway, the wage difference is smaller than in most other countries.



P90/P10 in selected countries

SOURCE: OECD/Lavlønnsutvalget.

The figure shows that the Norwegian wage setting model results in a relatively small difference between the highest-paid and lowest-paid workers. As shown in the figure, those at the threshold to the 10% highest paid earn 2.36 times more than those at the threshold to the lowest-paid 10%. In the USA the corresponding relative difference is 5 times.



Social dialogue as crisis mitigation

Social dialogue is often born out of crises, evolves in response, and serves as a powerful tool for crisis management. As the world faced a global pandemic in 2020, we could see how important tripartite cooperation was in times of national and international crisis.

COOPERATION: When the pandemic hit, Ole Erik Almlid (CEO of NHO) and Hans Christian Gabrielsen (former President of LO) were each other's first points of contact. This type of cooperation was not unique to Norway. According to the ILO, 102 countries used social dialogue as a key tool to tackle the challenges posed by COVID-19.

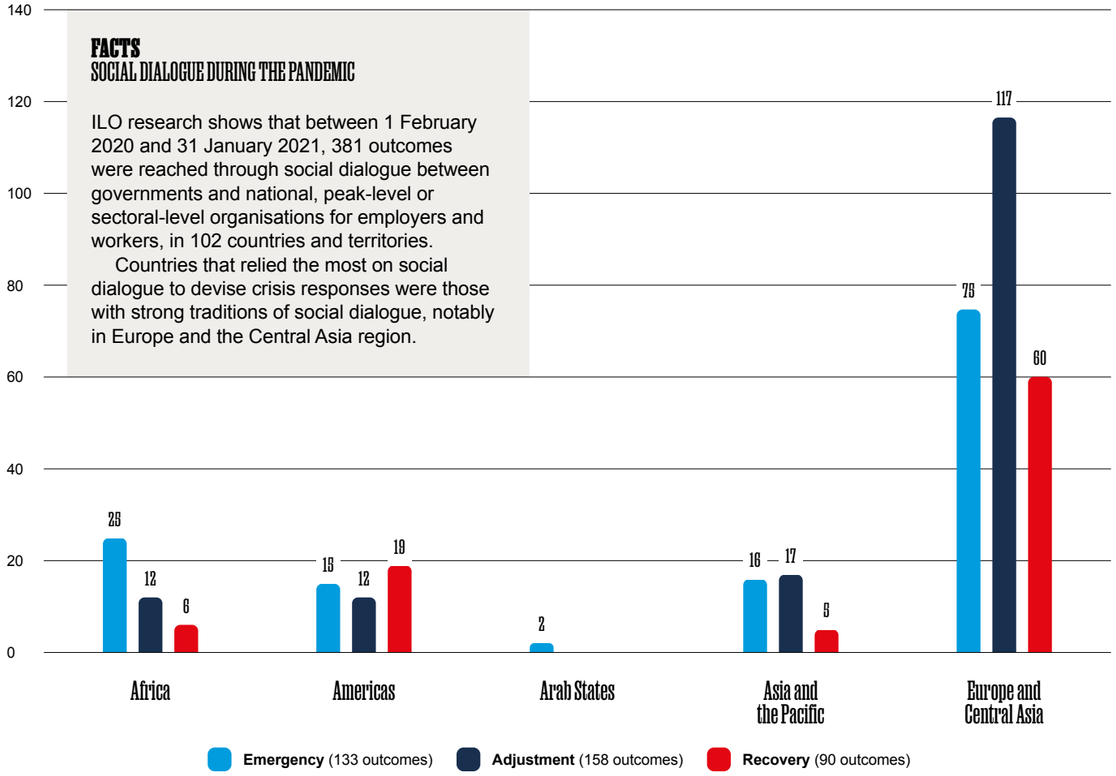
PHOTOS: MOMENT STUDIO/NHO, TROND ISAKSEN/LO

The International Labour Organisation (ILO) found that social dialogue played a crucial role in shaping national policy responses during the pandemic across a majority of its member states. It enabled the tripartite partners to reach consensus on targeted measures that protected workers and businesses severely affected by the crisis while promoting recovery efforts.

The ILO emphasises that involving social partners in consensus-driven governance leads to more informed policies, greater ownership of government regulations by the involved parties, and more effective communication. With their large membership bases, credibility, and established communication channels, social partners were instrumental in keeping the public informed during the pandemic. In successful partnerships, employers' and employees' organisations worked hand in hand with the government to ensure that the population remained well-informed.

Number of outcomes of social dialogue by region and type of measures

SOURCE: ILO, 2021.



FACTS
SOCIAL DIALOGUE DURING THE PANDEMIC

ILO research shows that between 1 February 2020 and 31 January 2021, 381 outcomes were reached through social dialogue between governments and national, peak-level or sectoral-level organisations for employers and workers, in 102 countries and territories.

Countries that relied the most on social dialogue to devise crisis responses were those with strong traditions of social dialogue, notably in Europe and the Central Asia region.

REPUBLIC OF KOREA
TRIPARTITE DECLARATION

In early March 2020, as the COVID-19 crisis unfolded, the Korean government quickly joined forces with workers' and employers' groups. Together, they announced a Tripartite Declaration to tackle the pandemic's challenges, focusing on maintaining employment, protecting vulnerable workers, and providing tax relief for small business owners. A few weeks later, on 19 March, they reached another agreement specifically for patient safety and healthcare workers, detailing measures to prevent the virus' spread, ensure the well-being of medical staff, and safeguard jobs in the healthcare sector.

SOURCE (REPUBLIC OF KOREA AND SOUTH AFRICA): ILO Policy Brief May 2020/Department of Health South Africa/Department of Labour South Africa

SOUTH AFRICA
RESPONSE TASK TEAM

In South Africa, the National Economic Development and Labour Council (NEDLAC) held an emergency meeting with President Ramaphosa to discuss a national response in the area of employment and labour. They set up a special fund to help workers who couldn't work because of the pandemic. This fund paid up to 60% of their usual wages for three months.

They also created a tripartite "Coronavirus response Task Team" to handle other issues caused by the virus. This team looked at ways to keep businesses running safely, like having people work from home or changing work hours. They made sure sick workers got paid and helped struggling businesses.

GHANA
CRISIS FUND

In Ghana, the Ghana Employers Association (GEA) and the Trade Union Congress (TUC) swiftly approached the Minister of Finance with recommendations. Following their advice, the government established a crisis fund, offering loan schemes and tax reductions to preserve jobs. VAT collection was postponed, and companies using local raw materials were encouraged to increase production. These measures, shaped by the GEA and TUC's guidance, helped maintain jobs and prevent mass unemployment. Additionally, the Ministry of Communications was tasked with improving internet services to facilitate remote work.

SOURCE (GHANA AND TUNISIA): Panorama Nyheter

TUNISIA
SOCIAL PARTNER COLLABORATION

In Tunisia, social partners continued their cooperative efforts, much like during the Arab Spring. In March 2020, the government allocated $2.5 billion USD for social and economic measures during the crisis. In April, the trade union UGTT and the employers' organisation UTICA signed a collective agreement with the Minister of Social Affairs. Companies agreed to cover a portion of their employees' salaries with some government support. This collaboration extended across the private sector, civil society, and key organisations to assist the most vulnerable.

DENMARK
EXPANDED SOCIAL PARTNERSHIP

In Denmark, the pandemic response emphasised and expanded the importance of social partnership, with the government actively seeking the involvement of social partners in emergency measures. The number of tripartite agreements in Denmark doubled in just two years, from early 2020 to late 2021. Unlike earlier dialogues where social partners initiated discussions, the government led the process during the pandemic, setting the agenda and inviting social partners to participate.

This rapid decision-making, while necessary, led to challenges during implementation, particularly when emergency measures, like those related to short-time work, temporarily overrode existing collective bargaining agreements.

SOURCE (DENMARK): ILO Report: Peak-level social dialogue and COVID-19

Tripartite dialogue

Our everyday tool

PHOTOS: ASTRID WALLER, TROND ISAKSEN/LO, MOMENT STUDIO/NHO

TRIPARTITE TRIO: Minister of labour and social inclusion Tonje Brenna (left), LO President Peggy Hessen Følsvik (middle) and CEO of NHO Ole Erik Almlid (right) believe in dialogue and compromise in their joint efforts to create a better world of work.

Over the past 100 years, “social contracts” and “dialogue” have become frequent calls around the world. In Norway tripartite cooperation is considered crucial for the management of welfare, the labour market, and our economy.

Employers, employees, and the government – as well as the society at large – are all gaining from social dialogue. That is the point: social dialogue gives value to all sides. We all gain something, and all contribute something. This is why the parties keep engaging in social dialogue over time.

Yet, some decades back few would have thought that social dialogue would end up being considered a competitive advantage. In the 1930s, Norway was a struggling country with sky-high unemployment and man-days lost in strikes. The government, corporations, and unions realized they had problems too big to solve on their own and made a deal to cooperate around increasing productivity and the economy whilst assuring that labour got a higher share of the growth.

The welfare system and stable democracy Norway enjoys today is mostly the products of such dialogue and negotiations between the parties, in a fine balance of power. The oil and gas sector has surely helped by providing resources for our welfare state, but it is the social dialogue system that should get the real credit for it. Without social dialogue, we could have ended up like many other countries where income from natural resources is accrued by a limited part of the society instead of benefitting the population.

> “The state is a critical participant in social dialogue to assure real policy change.

An established and functioning bipartite cooperation between employers and the employees at all levels, enterprise, sectoral and national level, is an important prerequisite to build a well-functioning and effective tripartite cooperation.

Relations between employers, unions and governments can of course sometimes be challenging. The starting point is always working for your primary positions, so disagreements are not unusual.

> “Over time, we have built trust in each other and developed a platform for how to compromise and reach agreements.

Not one of the social partners can get everything they want. But we reach compromises that gain our interests in the long term: High productivity. Low unemployment. And a much lower wealth gap than most countries.

We strongly believe that social dialogue holds the potential to resolve economic and social issues, encourage good governance, advance peace, and boost progress. Based on our experiences we encourage and support everyone who wants to further develop their social dialogue into a stronger and better foundation for cooperation.

TONJE BRENNA
MINISTER OF LABOUR AND SOCIAL INCLUSION

OLE ERIK ALMLID
CEO, CONFEDERATION OF NORWEGIAN ENTERPRISE (NHO)

PEGGY HESSEN FØLSVIK
PRESIDENT, THE NORWEGIAN CONFEDERATION OF TRADE UNIONS (LO)

SOCIAL DIALOGUE
THE BIG PICTURE

The Social Partners for Decent Work programme

The Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprise (NHO) are joining forces to support ILO's decent work agenda. In a cooperation programme called Social Partners for Decent Work, funded by the Norwegian Agency for Development Cooperation (Norad), LO and NHO aim to contribute to strengthening the social dialogue and negotiations among social partners in Colombia, Ghana, Tunisia, and Vietnam. The main goals of the programme are decent work, sustainable economic growth, and strengthened social dialogue. LO and NHO are cooperating with their respective sister organisations, and with other stakeholders such as the state and state institutions.

The programme's activities will be carried out in the partner countries in the form of studies, workshops, and the like during 2024 and 2025.

LO and NHO have produced four pamphlets as part of the programme.

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Norway

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NHO | LO Norway

SOCIAL DIALOGUE
THE BIG PICTURE
What is social dialogue, who are the parties and what is it good for? We zoom out and look at the big picture, highlighting the Norwegian model as an example.

SOCIAL DIALOGUE
AT YOUR WORKPLACE
How can we use social dialogue to create profitable enterprises with fair working conditions? We look into social dialogue in the workplace, and share ideas on how to get started – or how to strengthen the social dialogue.

SOCIAL DIALOGUE
GENDER EQUALITY IN THE WORLD OF WORK
Gender equality in the world of work isn't only the right thing to strive for – it is the smart thing to strive for. How can social partners push for equal rights and conditions for men and women?

SOCIAL DIALOGUE
TALK WITH A COMMON VOICE
Before there is dialogue, we need representative organisations to participate in the dialogue. Employers and employees need sound, strong and democratic organisations. We look at how we can organise and build our organisations.