



Confederation of Finnish Industries



NHO



Sustainable labour market reforms – the Nordic models

Social and economic divergences in Europe today can largely be attributed to inadequate implementation of structural reforms on a national level and a lack of competitiveness. Simultaneously, EU/EEA Member States have different starting points and circumstances as a result of differences in national traditions, economic development and unemployment levels. These are fundamental underlying factors contributing to a significant diversity among Member States in the organisation of welfare systems and labour markets, including the role of social partners.

The Nordic Models

The Nordic countries are open export oriented economies with well-developed welfare systems and highly organized labour markets. In contrast to most other European countries, the Nordic labour markets are primarily based on agreements between social partners and tripartite cooperation. This has proven to create positive results in terms of competitiveness, employment opportunities, and gender equality for workers, companies and society.

The Nordic labour markets are characterized by the predominance of multi-level collective bargaining in wages and working conditions with a high degree of collective agreement coverage ensuring ownership of these models. The bargaining models in Denmark, Norway and Sweden are based on coordination, where the social partners in the export industry set the pace, and with a strong decentralized company level bargaining, while similar developments are under way in Finland. The collective bargaining models build on high rates of organization and strong social partner organizations.

The European context and agenda

Demographic changes combined with digitalisation stipulates demands on the adaptability and flexibility of national education systems, labour markets and welfare systems in order to embrace the opportunities. Changes are taking place in national labour markets, bringing new forms of employment and creating need for new skills and life-long learning among workers.

In October 2017, an inter-institutional political proclamation was signed by the European Commission, the European Parliament and the Council for a "European Pillar of Social Rights". The Pillar introduces 20 principles to promote equal opportunities and access to the labour market, fair working conditions and social protection and inclusion.

In addition, the Pillar has been accompanied by some key legislative proposals, such as a directive on Fair and Predictable Working Conditions, a new set of rules for work-life balance and the establishing of a European Labour Authority. A recommendation on access to social protection for atypical forms of employment has been issued by the Commission.

Nordic perspectives and recommendations on the way forward

Nordic employers are strong supporters of the European project and the internal market, and we wholeheartedly support a social and inclusive Europe as one of the core objectives of the EU/EEA. This, however, can only be achieved by taking into account individual circumstances and preconditions of Member States, and recognising the key role of economic growth and businesses in creating more and better jobs which can contribute to a sustainable development of welfare systems. The Nordic labour markets have been faced with globalisation and economic crises. However, they have proven sustainable due to their ability to adapt to changing circumstances.

For example, in Sweden in the period of 1970 – 1994 an average annual nominal wage increase of 8.3 percent combined with high inflation rates lead to severely diminished competitiveness for businesses and almost no real wage increase for their employees. A tripartite system enabled 14 employer organisations and 5 trade unions supported by the government to negotiate a new collective agreement on industrial development and wage formation in the Swedish manufacturing industry, which has contributed to a real wage increase of 2,4 percent annually since 1995 and stronger competitiveness.

Similarly, in Finland the earnings-related pension system is built on tripartite governance and decision making. In 2014, following a shared view by social partners and the government that there were shortcomings to the existing pension system, the social partners managed to negotiate a successful compromise, which was then translated into new law by the Finnish government. The reform respected the needs of both companies and workers. Most notably, it increased the legal retirement age by two years and eased the pressure to raise the level of pension contributions in the near future.

In Denmark, the first ever collective agreement for the platform economy was signed in April 2018 between a platform for cleaning in private homes and a Danish trade union. This pilot agreement guarantees the cleaners access to sick pay, holiday allowance and a contribution to their pension. It will be evaluated by the social partners after 12 months. The agreement shows that the Danish labor market model is able to work hand in hand with new digital business models and that the social partners are able to find sustainable solutions to deal with the new technology.

Finally, in Norway a joint initiative by the social partners and the government is helping secure a speedy integration of refugees that are ready to work in the labour market. Under the umbrella of the "Fast Track initiative", social partners have committed to provide more and varied placements in the ordinary labour market to give refugees an job training and jobs matching their skills and education. In return, The government provides support by mapping and assessing individual skills, and offering tuition in Norwegian as well as matching the skills of refugees with the local labour market.

Drawing on this, Nordic employers encourage the EU to be ambitious and build a real partnership together with Member States for social and economic reforms, which gives careful consideration both to national circumstances and the needs of businesses and respect the role and autonomy of social partners. The aim should be open, mobile and dynamic labour markets as the means to sustainable welfare systems. It is essential to address economic and social challenges in an integrated way in order to achieve tangible positive results both for workers and companies.