

Government Employers in Sweden, Denmark and Norway and their power

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Abstract

How do government employers exercise power in highly voluntarist bargaining models?

This article analyses the potential power of the government employers in the Swedish, Danish and Norwegian voluntarist bargaining models, and how the government employers use this potential. We call attention to three ways in which government employers' can exercise power. This include their use of direct political interventions, attempts to decentralize wage bargaining in order to modernize public sector, and their control with wage development. We argue that government employers in the three countries have similar institutional capacity for power, but their ways of exercising power varies according to political norms and practice.

Keywords

Denmark, Government employers, Nordic countries, Norway, power, public sector, Sweden

Introduction

A significant discussion in the employment relations (ER) literature concerns the role of the state in regulation of wage and working conditions (Bach and Bordogna, 2013; Molina 2014). The role of the government employer remains ambiguous, predominantly acting by a political logic rather than a market logic (Beaumont, 1992: 12; Ferner, 1994: 75; Keller et al., 2001: 72; Bordogna, 2008). However, how this logic is played out depends not only on the current political or financial situation, but also on long standing traditions for how the political versus the collective bargaining based decision arenas are organised (Bordogna 2008; Bach and Bordogna 2013; Molina 2014).

Sweden, Denmark and Norway have voluntarist collective bargaining models where wages and working conditions are regulated by trade unions and employer organizations or representatives, and little is regulated by legislation. The 2008 post-financial crisis responses have not dismantled these models (Ibsen et al., 2010; Hansen and Mailand, 2013). Nevertheless, the close interaction between the social partners and the political system in the state sector create a risk (or possibility) of mixing collective bargaining and politics. Since the voluntarist model of industrial relations is fundamentally about moving the regulation of wages and working conditions away from the political decision arena towards the actual terms and conditions of production within each

industry, intervention of politics in the sphere of bargaining can impair the logic of bargaining and alter the power balance.

In this article we explore what kind of capacity for power the different Nordic labour market models transmit to the government employer, and how they use that capacity.

We study structural power given through formal organization and normative institutions, but do not deal with the power embedded in social networks, interpersonal relationships or ideology.

First, we discuss the concept of power in the employment relations literature and in relation to public sector ER. We then present the data and methods. Hereafter the article briefly describes the government employers in Sweden, Denmark and Norway. This is followed by our analysis of the government employers' institutional power organised in three sections: First, we analyse government employers' threat and use of political intervention in conflicts. Second, we analyse the decentralization of the wage formation. Third, we analyse the government employers' institutionalization of certain wage regulating mechanisms in the public sector in order to coordinate wage bargaining with private sector. The article concludes by discussing consequences of government employers' use of power for the relationship between the political systems and the voluntarist Nordic bargaining systems.

Power and government employers in the ER literature

The pluralist ER literature emphasizes the power asymmetry inherent in the employment relationship with employers holding a particularly powerful position by virtue of their right to hire, fire, manage and distribute work (Flanders 1970; Clegg 1978). The establishment of a collective bargaining system is one way power is somewhat balanced, though an asymmetry of power always remains. In the public sector the public employer's ambiguous role as both a representative of the supreme political authority - namely the state - and as an employer, enlarge the asymmetry (Beaumont, 1992: 12).

Five principal models for understanding power has been identified in the ER literature (Kelly 2011). These models have mainly been developed analysing ER in private sector, and the objective have often been to study the union side of the conflict of interest. The market theory of power, linking bargaining power directly to the competitive conditions in production and the labour market, do not explain the political logic of public sector ER. However, the other models have more relevance. Thus, in a resource mobilization perspective union power in public sector is equally dependent upon union density, mobilization potential and potential for collective action (Greer et al. 2013). In addition, public sector ER literature has for years demonstrated how changing 'labour processes'

in the wake of the introduction of New Public Management (NPM) since the early 1980'ies have had consequences for the power relationship between employer and employees (Wise 1993; Bach 2002; Bordogna, 2008; Bach and Bordogna, 2013). NPM has introduced new management techniques from private sector, including performance related pay schemes, outsourcing to private sector etc., which all change the scope for public trade union influence and (in some cases) the power balance between different unions in the public sector (Bach and Kessler, 2011: 99-101; Bach and Bordogna, 2013). Moreover, in an institutionalist perspective collective bargaining systems and the labour market organizations' own internal structures allocate power to the parties in the voluntarist model and this also includes public sector (Ibsen 2015; Elvander 2004).

This institutionalist view of power forms the basis for the analysis of the government employers in this article. In accordance with previous analysis of institutional power in the voluntarist Nordic models this analysis also draws on a combined rationalist and discursive institutionalism emphasizing both material structures and norms as two aspects of institutional power (Ibsen 2015: 52). However, our power perspective concentrate on power as a means to an end, and we do not discuss power as ideological domination, which would require in-depth historical data and data on discursive developments in all three countries across the chosen issues (Edwards 2006: 572).

Nevertheless, not even the institutionalist power perspective has so far offered clear conceptualizations of the close and complex relationship between the state as a political body and the state as an employer, i.e. the relationship between the political arena and the bargaining arena in the state sector (Beaumont, 1992: 12; Ferner, 1994: 75; Bordogna 2008). Government employers in modern democracies have been described as a mix between two ideal types: The ‘sovereign employer’ who unilaterally determines, by law or ordinances, the terms and conditions of public employees, including pay; and the ‘model employer’ who engage in bargaining and joint regulation of terms and conditions for the employees. In the former model industrial action is prohibited or strictly limited, while it is recognized in the latter (Bordogna 2008: 384).

The Nordic countries lean towards the ‘model employer’ type with traditions for joint regulation through collective agreements and a far-reaching recognition of the public servants right to strike (Bordogna 2008; Ibsen et al. 2011; Hansen and Mailand 2013; Stokke and Seip 2008). However, these ideal typical models say very little about, how voluntarist government employers actually exercise their influence in more subtle ways directing and limiting joint regulation.

We operationalize our power analysis by looking at three main areas of the public sector bargaining models where differences of interest between government employers and

public employees are clearly present. First, we compare differences in how government employers can settle public sector bargaining disputes through direct political intervention in the three countries. This is part of the conflict resolution mechanisms in the Nordic models and can alter the power asymmetry of the voluntarist models (Elvander, 2002b).

Second, we analyse the development in decentralization of the wage bargaining from the central to the local level. The theme of decentralization of the wage bargaining has been of particular importance in the political promotion of a modernization agenda in the public sector, but with very different results in the three Nordic countries (Elvander, 2004; Ibsen et al., 2011, Hansen and Mailand, 2013; Pedersen, 1993; Seip, 2002; Wise, 1993).

Finally, we analyse the norms and institutions in the Swedish, Danish and Norwegian labour market that coordinate the general wage development in public and private sector. Public sector has grown dramatically in the post-war period in Sweden, Denmark and Norway. The state sector is a significant part of public sector in these countries, and against this background, control of public wages has become a cornerstone in the control of general wage development as well as of public spending (Alsos, Nergaard and Seip, 2016; Clegg, 1978: 113).

Data and methods

The analysis draws on qualitative case studies of the government employers in Sweden, Denmark and Norway. Thus, the comparative analysis includes three most similar bargaining models, ensuring as little model variation as possible and the opportunity to better establish the causal effect of the institutional setup on government employers' power.

Data consists of secondary literature on the Swedish, Danish and Norwegian public sector bargaining models and official documents in the form of reports, evaluations, commission papers, policy papers and agreements. Furthermore, data includes a number of semi-structured qualitative interviews.

The Danish case draws on 16 semi-structured face-to-face interviews of approximately one hour conducted with the central collective bargaining partners in the public sector in late 2014 and early 2015 (Hansen and Mailand, 2015). Interviews focus on agenda setting, bargaining process and evaluation of results for the previous and that particular bargaining round.

The Swedish case draws on interviews from 2015 with five key bargaining organizations in the public sector. Four of which are telephone interviews of 30-45 minutes duration with heads of negotiations in the trade unions Saco-s, OFR and SEKO that make up the three main negotiating coalitions in the state sector, as well as with an employer representative in Swedish Local Authorities and Regions. Swedish Agency for Government Employers (SAGE) preferred providing written replies to questions, rather than participating in an oral interview. Interview questions focused on the bargaining system structure, wage formation and management thereof, the role of SAGE, relations between employer parties, political interference in collective bargaining, as well as accounts of significant conflicts in the bargaining system within the last 10 years.

The Norwegian case draws mainly on written sources collected in 2016. The material includes a report on the state employer function (Deloitte 2015) and the work of an internal LO committee on a common public employer organization (not yet published). Furthermore, the bargaining process has been followed every year since 2012 and summarized in reports (Seip 2012-2015).

The next section presents a brief historical description of the government employer institutions in the three countries.

The Government employers in Sweden, Denmark and Norway

The Swedish, Danish and Norwegian collective bargaining models are characterized by high union density, close to total coverage by collective agreement in the public sector, comprehensive systems for employee involvement and strong traditions for (ad hoc) tripartite co-operation (Stokke og Seip 2008; Mailand and Hansen, 2015). The bargaining models in all the three countries date back to the late 19th century when the workers in the private sector won the right to collective bargaining and conflict. In Norway, the public employees were given a formal right to bargain in an act in 1933, and in Sweden the public servants held the same right after a government announcement in 1937 (Seip 1998: 176, 210). However, public employees did not gain the right to conclude collective agreements until 1958 in Norway and 1965 in Sweden (Seip 1998; Elvander 2004; Mailand and Hansen, 2016). Similarly, Danish civil servants slowly developed their right to bargain over wages and working conditions from the early 1930'ies, however, the Danish state did not formally recognize the right of public employees to conclude collective agreements until 1969 (Pedersen 1993; Due and Madsen 1996; Due and Madsen 2015). Parallel to this development, the government employer institution has evolved differently in the three countries.

Sweden

In 1965 the Civil Department's unit of negotiation was transformed into an employer authority (*Statens Avtalsverk*), with the responsibility to conclude collective agreements with the unions. This collective bargaining authority was formally independent from government, but the government had to approve all collective agreements (Elvander, 2004: 6).

In the immediate aftermath of introducing collective bargaining in the public sector in Sweden, agreements on wages and working conditions was negotiated in centralized bargaining (Ibid: 6). However, in 1978 parts of wage negotiations were decentralized to the individual government employers, and the employer authority was given new functions as a consultative body, and was renamed from *Statens avtalsverk* to *Statens arbetsgiververk* (SOU 2002: 189).

In 1985, the Swedish Parliament passed a new personnel policy entailing further decentralization of responsibility for wage and working conditions to the individual government employers. At this time, non-elected government officials replaced the politically elected secretaries of state in the government employer authority (SOU 2002: 190). From the early 1990s, the Swedish government introduced a new form of

budgetary process aimed at regulating the total outcome of wage development and the bargaining system became increasingly decentralized (SOU 2002: 195).

In 1994, the current Swedish Agency for Government Employers (SAGE) was formed with a unique semi-autonomous status (SOU 2002: 196). The institution serves as a member-based employers' organization for the government agencies which fund the organization through membership fees and appoint the board of the organization. SAGE holds the authority to bargain and conclude collective agreements on wage and working conditions on behalf of the state, but can choose to delegate this competency further to the individual authorities.

Denmark

At the entrance to the 20th century, wage and working conditions of government civil servants was regulated by laws and statutes concerning individual authorities of government. This changed during the civil service reform in 1919, where a common seniority-based wage system for civil servants was adopted (Pedersen, 1993: 27-28). In 1925, the Danish government created a payroll office under the ministry of Finance. This office was in 1944 transformed into an independent wage and pensions unit, and was later during the civil service reform in 1958 converted into an actual Wages and Pensions Department (Ibid .: 29). The following years, the unit moved between

ministries several times, but in 1973 it was settled back into the Ministry of Finance and from here on the Minister for Finance has held the authority to conclude collective agreements as the government employer in Denmark (Ibid .: 69).

From the mid-1980s, the unit was named the Administration and Personnel Department, and the first steps towards decentralization of the bargaining system were initiated with the introduction of moderate local wage pools. In 2000, the name of the agency was simplified into the Personnel Department with the stated responsibility for salary, pension, collective bargaining and all personnel policies etc. In 2011, following the election of a new social democratic lead government; the unit changed name and virtually all the key civil servants responsible for the collective bargaining process were replaced (Mailand, 2015: 30). Furthermore, budget control and management became an equally integrated part of the agency's work in addition to collective bargaining and personnel administration (Moderniseringsstyrelsen, 2015).

Norway

In Norway, the parliament regulated the wages for most state employees until 1933. Following a government proposal, parliament would adopt a wage scheme for each state administration. To handle this process, a salary office in the Ministry of Finance was set up in 1921. A Government Director of Wages was appointed in 1936. His duties were

primarily to conduct negotiations with unions under a new bargaining law, and to provide an overview of the jumble that existed of wages and working conditions within the state sector. As part of the parliamentary budgeting, the general wage setting was a political act, and not an administrative or technical issue, and the new directorate was located close to the political leadership in the Ministry of Finance (Seip 1998: 181).

In 1955, the Ministry of Finance was split and the Directorate of Personnel, as the office was called after 1945, became part of the new Ministry of Wages and Prices. The directorate has since been moved between different ministries, and the state wage and employer function is today located in the Department of employer policy in the Ministry of Local Government and Modernisation.

The Department of employer policy negotiate Basic Collective Agreement for the Civil Service with the four confederations of trade unions in Norway. The parties sometimes agree to decentralize parts of the wage development for negotiations to the individual state agencies, but they consider centralized wage bargaining in the state sector an important mechanism to implement a stable wage development in accordance with private sector. Further decentralisation of negotiations or transferring of the bargaining function to a body outside of the ministry have been discussed (Jordfald and Stokke 2006; Deloitte 2015). In the wage settlement of 2016, the state agreed with The Federation of Norwegian Professional Associations to start a process of

decentralisation, an agreement over which the three other confederations strongly opposed.

Differences in rule of government

An important context for understanding the differences between the government employer institutions in Sweden, Denmark and Norway is the differences in system of governance. Swedish central administration is characterized by collective government rule and governing of subordinated agencies through law and regulations, not direct instructions. Thus, central government agencies and authorities are relative autonomous of government ministries. The minister has no right to make decisions on behalf of the individual agencies and authorities. Differently, Denmark and Norway (like the majority of the other European countries) adhere to ministerial rule. In Denmark and Norway ministers may be held politically accountable for mismanagement within their field of responsibility, also at the level of public authorities.

Thus, in Denmark and Norway the close involvement in the work of the government employer authority by the responsible minister is in full accordance with the tradition of ministerial rule, but such interference is not reconcilable with Swedish scepticism of ministerial control. However, SAGE is a unique construction. Organized as a member association, the institution experiences more independence than most Swedish

government authorities do. Whether these national institutional differences also translate into differences in the powers of government employers is analysed in the next sections.

Political intervention in labour disputes to stop industrial action

In this section, we analyse government employers' power in terms of access to and using political interventions to end labour disputes. Labour disputes often (though not always) cut across private and public sector, thus we look at all the times government has decided to intervene. In the three Nordic countries political interventions are possible. However, only Denmark and Norway use such interventions as an integral part of their bargaining models. A political intervention involves not only government, but also the full parliamentary system crosscutting the voluntarist regulatory system in order to legislate.

Sweden

In 1971, Swedish government intervened politically for the first and only time in a labour dispute. During conflicts in 1934 and 1980, the government threatened to intervene, but actual intervention never took place. The threat alone had the necessary disciplinary effect on the bargaining parties (Elvander, 2002b: 121; Kjellberg, 2011: 33, 40).

Another exception to non-interference is the stabilization of the Swedish collective bargaining model from 1990 to 1993. Fundamental to the Nordic labour market models is pattern bargaining with the exporting industry as the key bargaining sector. From the 1970s, trade unions in the public sector in Sweden had increasingly challenged export sector leadership in wages leading to a period of great conflict in the public sector in the 1980s (Kjellberg, 2011). Social Democratic attempts to implement income policy controls failed. In 1990, the Swedish bargaining model was in acute crisis with wage increases twice as high as other OECD countries (Elvander, 2002a: 199; Elvander, 2002b: 128). Against this background, the government proposed an unprecedented interference in the bargaining system with total freezing of wages and strikes. Following a boycott of party negotiations by the private employers and the resignation of the current social democratic government, a new reinstated social democratic government appointed a small group of mediators from the key social partners, i.e. the Rehnberg group. The Rehnberg group's work continued stabilizing the overall bargaining system by introducing highly coordinated collective bargaining in the following years with low wage development from 1990-93 (Elvander, 2002a). This coordination was widely accepted by the social partners, and even opponents submitted under threat of further political intervention (Elvander, 2002b: 129; Öberg & Öberg 2015:61).

Denmark

From 1933 to the mid-1990s, Denmark has experienced over 30 political interventions (Due and Madsen, 1999: 2). Usually parliaments' base their legislative intervention on the prior mediation process, thus, balancing interest among the parties. Intervention has been used in major conflicts concerning private and public sector jointly on several occasions, and in several partial conflicts in public sector, and social partners consider it a legitimate part of the Danish bargaining model (Due and Madsen, 2009: 23-24, 371-372). During conflicts in the health sector in 1995 and 1999 political intervention became a reality. With two interventions in quick succession it was discussed whether the voluntarism of the Danish bargaining model was threatened (Due and Madsen, 1999). Differently, the liberal minister of finance choose to let a health sector conflict run in 2008 pressuring the strike funds of the nurses, child educators and auxiliary workers' trade unions (Due and Madsen, 2009: 331; Jacobsen and Pedersen 2010: 199-219).

Again, in 2013 Denmark experienced a partial conflict, this time in the school sector. With the aim of liberating themselves from previous collective agreements on working time for teachers, central and local government employers implemented a lockout without prior strike or strike warning (Mailand, 2015; 2016). The conflict involved an aggressive combination of actions taken by both the government employers and local

government employers. The role of the Agency of Modernization and minister of finance during this conflict has since been discussed nationally among practitioners and researchers (Hansen, 2015; Høgedahl and Ibsen, 2015; Mailand, 2015; 2016). The ILO has twice criticized the Danish government for this process. In 2014, for not including the teachers voice when drafting the legislation, and for too close collaboration between the government employer and the local government employers not allowing for free and voluntary negotiations. In 2016, the critique was for excluding employee representatives from the implementation committee of the new legislation.

Norway

Political intervention in the labour market was used extensively by the Norwegian government to prevent inflation after the First and Second World War. In 1952, The National Wage Board was established for voluntary arbitration. It has, however, been used more frequently in connection with ad hoc compulsory arbitration, where the state intervene in a labour dispute with a peace duty and transfer the settlement of the dispute to The National Wage Board. The parties to the dispute are by legislation forced to accept the decision of the Board as their new agreement (Stokke and Seip 2008: 569).

The first large-scale conflicts in the public sector came in the 1980s. These ended without political intervention. Since 1990, three of four strikes (1995, 1998, 2006), all

dominated by professional and academic groups, has ended with political intervention and compulsory arbitration.

Although some of the Norwegian ad hoc political interventions in labour disputes have been criticised by ILO or The European Committee of Social Rights (ECSR), this was not the case in the three conflicts in the state sector (Seip, 2013). Most political groups in the parliament and the labour market organizations have regarded the practice of intervention necessary, although some unions might raise objections to specific interventions that have affected themselves. Unions, as well as employer organisations, try to conduct the industrial action in order to time or delay a political intervention to their advantage (Stokke and Seip 2008: 570). The capacity to intervene in industrial action is located to another Ministry than the State employer function.

The use of power by intervention

Based on the above, a typology appears. The Danish government has formally much institutional power and has in recent years showed will to use that power. Since the dispute is settled by legislation, political government and government employers can in principle be linked in the outcome in Denmark. In Norway state intervention is even more frequently used than in Denmark. Here, however, the dispute is settled by compulsory arbitration by The National Wage Board after an intervention. This gives government employers and political government less influence over the outcome.

Swedish government employers hold similar powers to intervene, but in practice act very restricted in their exercise of this power.

In Denmark, political interventions are an integral part of the bargaining model. To enter into conflict to support the government employers' policy on working time regulation is not in itself problematic and traditionally intervention is based on prior attempts to mediate in order to produce a balanced outcome. However, the 2013 conflict and intervention is the first example of the Danish government and government employers jointly using their formal power by directly linking policy initiatives and bargaining results, without acting constructively through the mediation process.

In Norway, political intervention has been used to the advantage of both parties to a conflict. The government employer has been satisfied with a termination of the strike, and the unions have been able to end the conflict without losing face by admitting a defeat. Moreover, unlike Denmark, where parliament settles the dispute by legislation, an impartial wage board settle the dispute by arbitration.

The Swedish governments rarely apply the instrument of direct intervention. Against this background, research has described the Swedish model as the most voluntarist of the Nordic bargaining models (Elvander, 2002b). The argument being that the social

partners in the Swedish labour market have historically been more centralized, and accordingly more powerful and able to claim the voluntarist model in opposition to the state. Another interpretation is that the centralisation enables the parties to coordinate the wage development satisfactory, and the state has only threatened to intervene when this capacity vanished, like in the major crisis around 1990. At that time, the Swedish government used its power to reset the whole model aiming to improve bargaining coordination and maintain a greater degree of voluntarism in the model.

Decentralization of wage bargaining in the public sector

This section analyses the government employers' attempts to decentralise wage setting in the public sector. Sweden, Denmark and Norway have followed a similar trajectory: In the post-war period and until the 1980's the Scandinavian governments, mainly lead by social democratic parties, accepted or even supported trade union agendas on solidary wage policies. However, since the early 1980's the governments, regardless of political colour, have pushed for a new income policy agenda related to programs of modernizing the public sector, and in some cases market oriented management mechanisms have been introduced (Elvander, 2004; Jacobsen and Pedersen, 2010; Pedersen, 1993; Tranøy and Østerud, 2001; Wise, 1993). In this context, decentralization of the wage formation has been promoted by public employers to

ensure more efficiency and productivity in the public sector (Pedersen, 1993: 133; Seip, 2002; Thörnqvist, 2007; Wise, 1993: 75).

Sweden

Since the mid 1990'ies, Sweden is the country who has decentralized wage formation in the public sector the most. Under the influence of a productivity commission, established in 1989 and later the Rehnberg group - which, as mentioned previously reset the entire Swedish bargaining model – Sweden introduced a new wage system in the public sector (Elvander, 2004). In 1993, it was agreed that half of the total wage formation should take place decentralized (Elvander, 2004; Thörnqvist, 2007). Thus, discussions about productivity and efficiency drove decentralization in the public sector in Sweden, but it took a concrete political initiative related to the general stabilization of the bargaining model to realize the 'Cultural Revolution' instating a widely decentralized wage system (Wise, 1993; Elvander, 2004; Thörnqvist, 2007).

In Sweden, centrally bargained framework agreements set rules and norms for local wage formation. Some of the frame agreements leave a large space for individual wage negotiations with no set percentages for wage increase (so-called numberless agreements), while others contain agreed upon percentages and individual guarantees for wage development to take place (Medlingsinstitutet, 2014; Stokke and Seip, 2003).

For the majority of public employees local bargaining takes place every year, either individually or through union representatives. Wage dispersion has increased moderately because of decentralization, but primarily for the groups with the highest salaries (Medlingsinstituttet, 2014). Certain employee groups remain sceptical about individualization of the local wage and numberless agreements, but across the spectrum, most public sector trade unions generally support a decentralized wage setting system.

Denmark

In Denmark, public employers has driven the demand for wage decentralization with support from groups of professionals, but with other public employees remaining sceptical. This agenda was closely intertwined with the introduction of the Danish modernization project from 1983 emphasizing wage as both an instrument to streamline public sector service delivery, and an instrument to recruit, retain and motivate public employees (Pedersen 1993: 133).

The first step to introduce decentralized forms of pay in the public sector was taken with the establishment of a wage commission in 1986 (Pedersen, 1993: 168). The collaboration between social partners within the commission was strained, and early on diversity in views on decentralization appeared internally among trade unions. The first local pay pools involving 0.2 percent of the total payroll was introduced in 1987 in

central government and the municipalities. In 1997, a breakthrough was achieved with the introduction of a new wage system (*Ny løn*) first at municipal level and later in central government (Pedersen, 1993: 171).

Early on, researchers imagined that local wage setting would evolve rapidly reaching up to 25 percent of the wage sum in a few years (Keller et al. 2001: 76). However, in 2010 only about 10 percent of total wage formation in central government took place locally, and this has not significantly increased since. In 2011, the government employers set a target of local wage formation reaching 20 percent within a few years, but with tight public budgets and trade unions aiming to secure real wages, no new funds have been allocated to local wage development (Hansen, 2012; Hansen and Mailand, 2015).

Norway

In 1948, a common salary scale formed the base for all wage adjustments for state employees in Norway. After 1958, all major regulations were concluded in a common Basic Collective Agreement for the Civil Service bargained at the central level. This system gave the federations of unions in the state sector power to coordinate wages and sustain a compressed wage structure. Under influence of liberal ideas and political pressure to modernize public institutions, a commission with representation from the labour market parties suggested in 1990 to introduce local bargaining and decentralize

some of the wage formation. The aim was to ease the adaptation of the payroll system to the individual state agency's uniqueness, and make the payroll system "a tool that the agency can use to reach its goals" (NOU 1990: 32: 8). This system did not alter the power of the unions, and the wage structure stayed compressed. However, the division between the unions grew.

After 2005, two different conservative governments pushed a new agenda for decentralization of the wage bargaining exploring alternatives to the single agreement system (Jordfald and Stokke 2006). A report commissioned by the conservative government in 2015 recommended decentralisation. The report displays the growing wish of the state agencies for more autonomy as employers (Deloitte 2015). In the 2016 wage settlement, the state negotiator broke with the more than 55-year practice of signing only one basic collective agreement. The State and The Federation of Norwegian Professional Associations (Akademikerne) signed an agreement with the intention to decentralize significant parts of the wage bargaining, whereupon the state, under threat of industrial action, signed a second agreement with the other confederations reluctant to decentralize the wage bargaining. With this split, the state employer for the first time chose to build an alliance with a minor group (approx. 25 percent) to impose a new government employer policy. This is a breach with the

prevailing system and may be a step toward a more local driven employer policy like in Sweden.

Coupling wage decentralization and modernization

In all the Nordic countries, the call for reforming of the welfare state has resulted in increasingly proactive employers setting the agenda through the introduction of new administrative personnel policies since the early 1980'ies. Trade unions have mainly been reactive concerning the agenda on decentralization, but some have lent their support to employers.

The introduction of decentral wage bargaining creates new local arenas for local actors not easily controlled by neither central government employers nor trade unions. This might limit the central parties interest in decentralisation of wage bargaining even among the employers especially during times of austerity. Neither Denmark nor Norway have until now gone far in the decentralization process. However, whether this is due to powerful unions or weak employers is hard to tell. With the power of the government employer embedded in a ministry in the two countries, the employer's call for decentralization can have been more ideological rhetoric than a real political goal. This has been the case in Denmark, (at least) after the financial crises in 2008 (Hansen og Mailand 2013; 2015).

In Norway, as opposed to Denmark, the decentralisation policy have been pursued harder under conservative governments. When the basic collective agreement was split in the 2016 wage settlement, the left wing opposition in the parliament went to the unusual step criticising the bargaining process and the result thereof. The parliamentary opposition asked the government to reverse the decentralization at the next revision of the agreements and restore identical agreements with the four confederations (Innst. 417 S 2015-2016: 3-5). This critique of the government gives bargaining in the state sector in Norway an overt political face. In Sweden, on the other hand, the government decentralised on the background of a very special situation with the whole bargaining model being reset and stabilised in a time of crisis.

Thus government employers' agenda on decentralisation is reliant upon a broader administrative political dynamic. However, the voluntarist models also require government employers find partners in alliance among trade unions i.e. the establishment of power coalitions in the bargaining arena. Fragmentation on the union side have made this possible, and government employers have not sought consensus among partners in the matter.

The government's control with the wage development

In this section, the government's power to define and influence how public sector trade unions perceive, formulate and achieve their wage demands is analysed. Previous research has characterized the Nordic economies as 'negotiated economies' (Nielsen and Pedersen, 1989). Since the late 1960s, a socio-economic norm accepted by all major social partners has been institutionalised in order to maintain a balanced and responsible economy (Nielsen and Pedersen, 1989: 23; Alsos, Nergaard and Seip, 2016). Amongst other, this norm is upheld through pattern bargaining with the exporting industry as the key bargaining sector (Ibsen 2015).

The wage norm has proven to be of real importance for public sector bargaining (Pedersen, 1993: 101, 108; Elvander, 2004: 8; Stokke et. al. 2013: 181). Thus, over time different forms of formal and informal coordination mechanisms have become integrated in the public sector bargaining models in all the three Nordic countries.

Sweden

In Sweden wage development in the public sector is to follow the norm set by the export-oriented industry. The parties in the state sector, as in other sectors, have agreed to follow the norm, and the state mediator is obliged to help the parties to comply with it, but there is no formal regulatory mechanism enforcing this norm. However, there is

an indirect control of wages taking place through the budget process. The Swedish Agency for Government Employers (SAGE) and the state agency employers have to bargain within budget boundaries. The wage budget includes an addition based on calculated wage development according to the norm set by The Industry Agreement and may include a budget allocated for politically purposes like structural changes (Elvander 2004; Jordfald and Stokke: 2006: 26). Mechanisms such as the coordination between employers and between unions, as well as public statistics over wage development, also support the coordination of the wage development in Sweden (Alsos, Nergaard and Seip, 2016).

Denmark

In Denmark two mechanism ensures control with the wage development. Firstly the so-called regulatory mechanism (*Reguleringsordningen*), agreed open by the public employers and trade unions, ensure that the private sector takes lead on wage development and that wage competition between sectors is avoided. Secondly, the bargaining hierarchy ensures that government employers take lead on wage setting in each public sector bargaining round. The current regulatory mechanism is more than 30 years old, and was most recently adjusted in 2015. According to the main principle of the agreement, wages in the public sector are to be regulated by 80 per cent should wage development in private sector outrun wage development in public sector. Previously the

same applied if public sector wages rose above private sector wages. However, since 2015 such difference is offset by 100 percent. Although trade unions in public sector are not enthusiastic about this new adjustment, the scheme has previously proven beneficial to public organizations, and they have routinely demanded that it be continued at the sector level collective bargaining rounds.

Norway

The Norwegian model for coordinating the wage development has been scrutinized by several commissions in the last twenty years. In particular, the wage development in the public sector has been discussed. Because the wage development norm has followed the industrial workers wage development, wage development has been regarded too low among state employees. This has produced uncertainty about how to interpret the norm and disapproval of the model. Over the years, the wage norm has been implemented through different mechanisms, like coordinated central bargaining and a specific order of the bargaining rounds. As a for-runner, the basic collective agreement in the state sector has previously been concluded to confirm the wage development norm before the agreements in the local authorities and the public health service sector have been concluded. In 2013, a commission with representation from the major parties presented guidelines for how a more precise wage development norm could be set by the parties in the export industry (NOU 2013: 13). The new wage development norm includes an

estimate of the functionary's wage development, and bargaining parties have followed this norm conscientiously after 2013. The result is that bargaining in the state sector no longer has to perform as a for-runner for the rest of the bargaining in public sector. With a fixed wage development norm, the state employer can concentrate on wage distribution, including decentralization, rather than wage development.

Governments disciplining of the public sector wage development

The different coordinating mechanisms in the bargaining models of the Nordic countries are partly developed in interaction between employers and employees, but constitute a significant factor in the governments' economic policy. The coordination puts normative bindings on the parties' possibility to act on their (short term) interests. In this normative system the leadership is carried out by the main private sector confederations on both the employer and the employee side. However, the system is dependent on the government's supervision, and in some circumstances exercise of power.

That the system is disciplining public sector employees can be seen on occasions where minor employee groups break out and challenge the norm. This happened in Denmark during the collective bargaining in 2008 at regional and local government level, where wage demands became highly politicized prior to a general election, and gender equal

wage increases to certain groups came on to the agenda. Several individual organizations chose to strike for their demands for higher wages with rather dire consequences for some and little gained for others (Due and Madsen, 2009; Jacobsen and Pedersen, 2010).

Similarly, in Sweden, dissatisfaction with the norm was building up before the wage settlement of 2016 (Öberg and Öberg, 2015). Coordination among blue-collar unions fell apart and the employers complained about a lack of consensus on how to assess the economy. The LO union for municipality workers, Kommunal, went on strike and managed to land a deal for assistant nurses above the level of the industry norm (Gustafsson, 2016). In 2012, the teachers got a similar deal with the organization for local authorities and county councils on a background of political wishes to improve teachers' remuneration and improve the quality of education (Johansson and Eriksson, 2012).

Thus, challenges to the wage norm often occurs among the large welfare groups working in local government, and politics appear to play a larger role at this level, than at state level (Elvander, 2002a: 203). However, the adjustments in the regulatory mechanism over the years in Denmark can be interpreted as an expression of the norm

continually being renegotiated. Also the reports from Norwegian commissions on wage bargaining can be interpreted accordingly.

Closely connected to political government, the government employer carry a special responsibility for following the norm during central level bargaining. This has certainly been the case in Denmark and Norway, and can explain why some unions have demanded decentralized wage bargaining. In Sweden, numberless central agreements with local wage setting have become increasingly popular in the state sector. It has been feared, but not documented, that this is a strategy to circumvent the norm in the state sector (Gullstrand, 2014:32; Öberg and Öberg, 2015:146). A study in local wage setting suggests that government employers at the local level can have different interests and views on wage setting than central level employer (Seip, 2002:63).

Conclusion

This article has studied the government employers in Sweden, Denmark and Norway and their exercise of power in the different voluntarist bargaining models. We find that the voluntarist bargaining model plays an important role in Sweden, Denmark and Norway. However, the governments exercise political power in the model in different ways exemplifying the close interaction between the bargaining and the political arenas.

All three national bargaining models give government the capacity to intervene politically in labour disputes, however, the governments use this instrument very differently. This can partly be explained by variation in institutional setups for how government shall intervene, but we regard it mainly as a result of a variation in norms and practice in the broader political system for how the political and the voluntarist arenas should interact. Recently, Danish government and government employer have demonstrated their willingness to use their power of intervention to its' fullest extent promoting a certain employer policy goal. On this background the institutional separation between political government and government employers is most blurred in Denmark. The Norwegian government employers and trade unions engage in strategic interactions with a mediating institution in place to secure balance of interests when state intervention occurs. Differently, the Swedish government continue to act very restrained to the voluntarist model with almost no use of intervention.

Furthermore, governments in the three countries use collective agreements to reform the welfare state and the public sector. They have introduced administrative personnel policies, gender equality objectives and major reform initiatives. These personnel policies are carried by government employers into the voluntarist bargaining. However, the government employers' power in the voluntarist system is balanced by union power and opportunities to pursue a modernizing agenda are dependent on competition or fragmentation among the unions. This has over a longer period been the case in Sweden and Denmark, and a

sign of such development is seen in the 2016 bargaining round in Norway as well. In addition, at times decentralisation appear to also be challenged by government employers internal political systems and need for control with budgeting, rendering the agenda setting more symbolic than real. Only Sweden has successfully implemented a decentralised bargaining system, but this change required a time of unprecedented crisis in their bargaining system in the early 1990'ies.

The most striking characteristic of the voluntarist bargaining system in the state sector is how strongly the norm of pattern bargaining – with the exporting industry as the key bargaining sector – structure the bargaining arena in the three countries. The agreed mechanisms and the widespread acceptance of this norm, shows us how national political interests are interwoven with the public sector bargaining model. This further blurs the separation of political government from government employers, even when this separation is strongly institutionalized like in Sweden.

Thus, concerning wage formation, Government employers in the Nordic models do not act as *model employers* setting better wage standards than reached in the private sector. On the contrary, the private sector sets the wage standard for the public sector in alliance with government employers. Furthermore, government employers promote agendas on decentralization of wage formation, linking NPM ideas to collective

bargaining in these voluntarist models. Thus, government employers appear to act more like *modernizing employers*, subtly using their employer role to discipline and transform the public sector.

Finally, it should be noted that had we concentrated the analysis on other bargaining issues such as security, pensions, maternity leave, vacation and further training, the Nordic government employers would probably appear more as *model employers* than they do in this analysis. However, as important as these issues are to the welfare of the individual employee, they are rarely the core of collective bargaining disputes, however they are of great significance for understanding the full extent to which the political system interacts with the bargaining arena and should as such be included in future studies.

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