

Extension of collective agreements:

Norway

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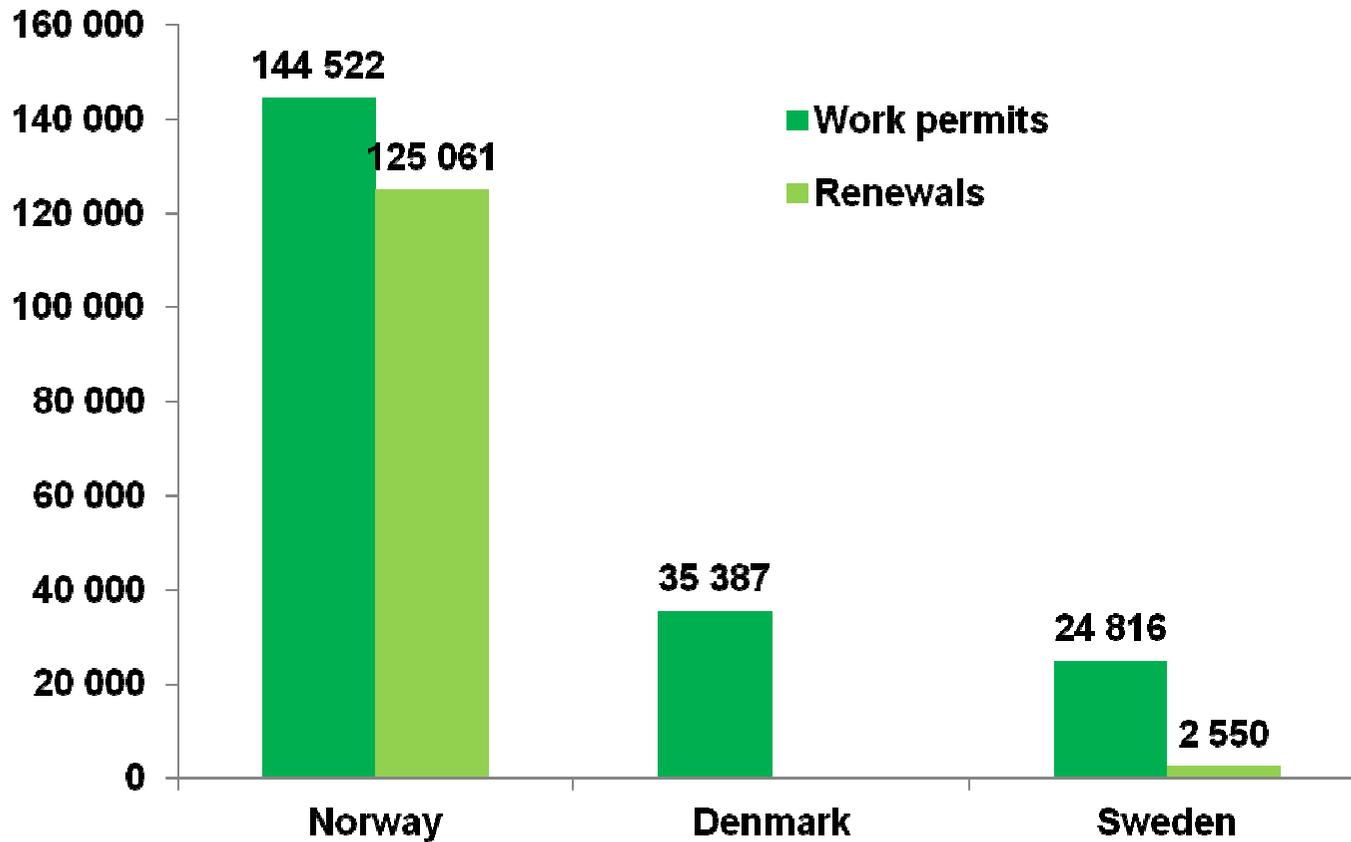
Outline

- Why extension?
- How? The Norwegian system
- Conflicts, challenges and the future

Context

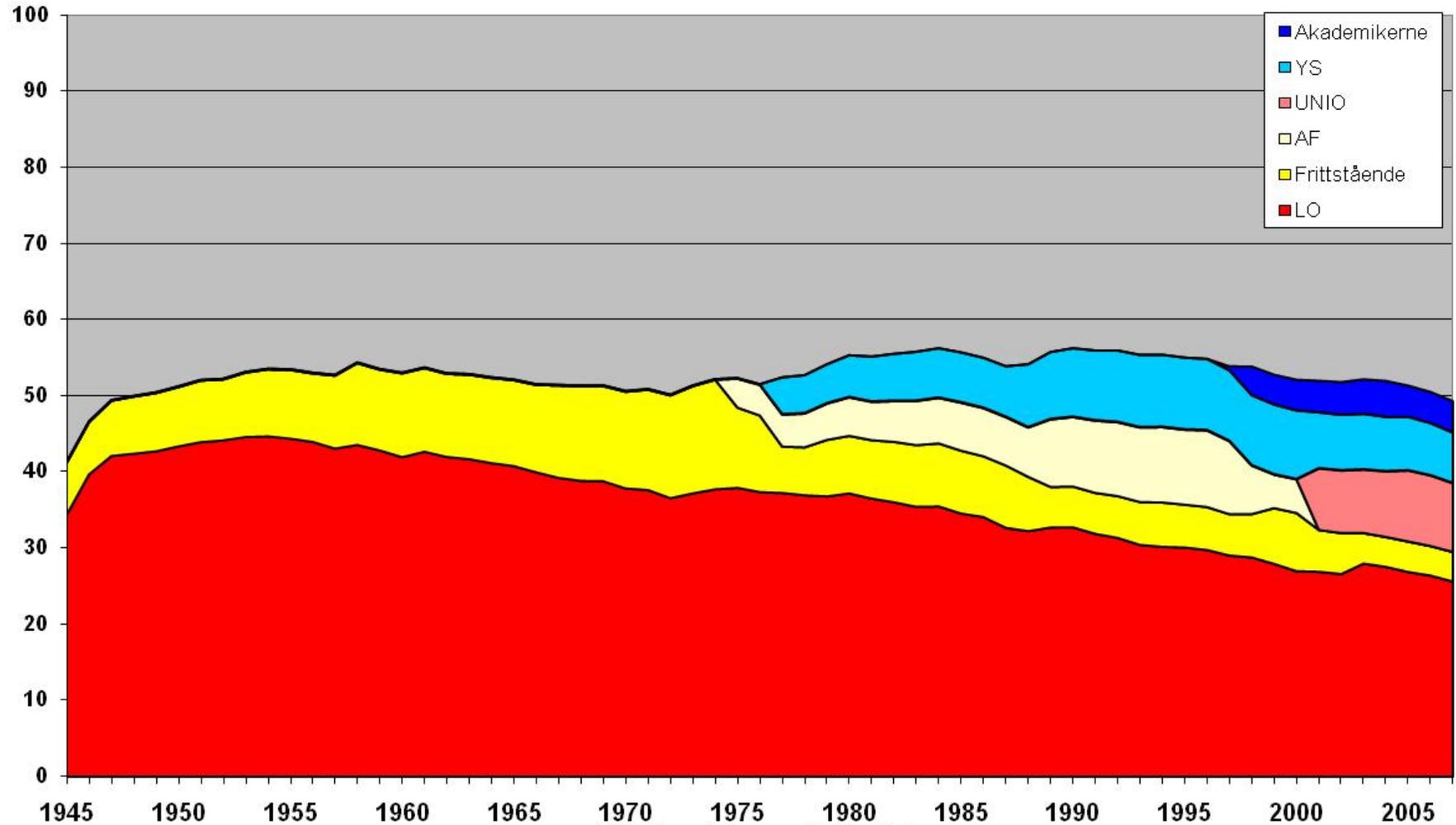
- After EU enlargement, huge influx of EU-8+2 workers and service providers to Norway:
 - more migrants to Norway than to all the other Nordic countries combined
 - inflow is still large
- Pressure on national wage standards and increased low wage competition; revealed existing weaknesses in the regulatory system

Number of issued work permits in Denmark, Norway and Sweden to citizens from EU-8+2, 1.5.2004-31.12 2008 (Sources: UDI, Migrationsverket, Udlændingestyrelsen)



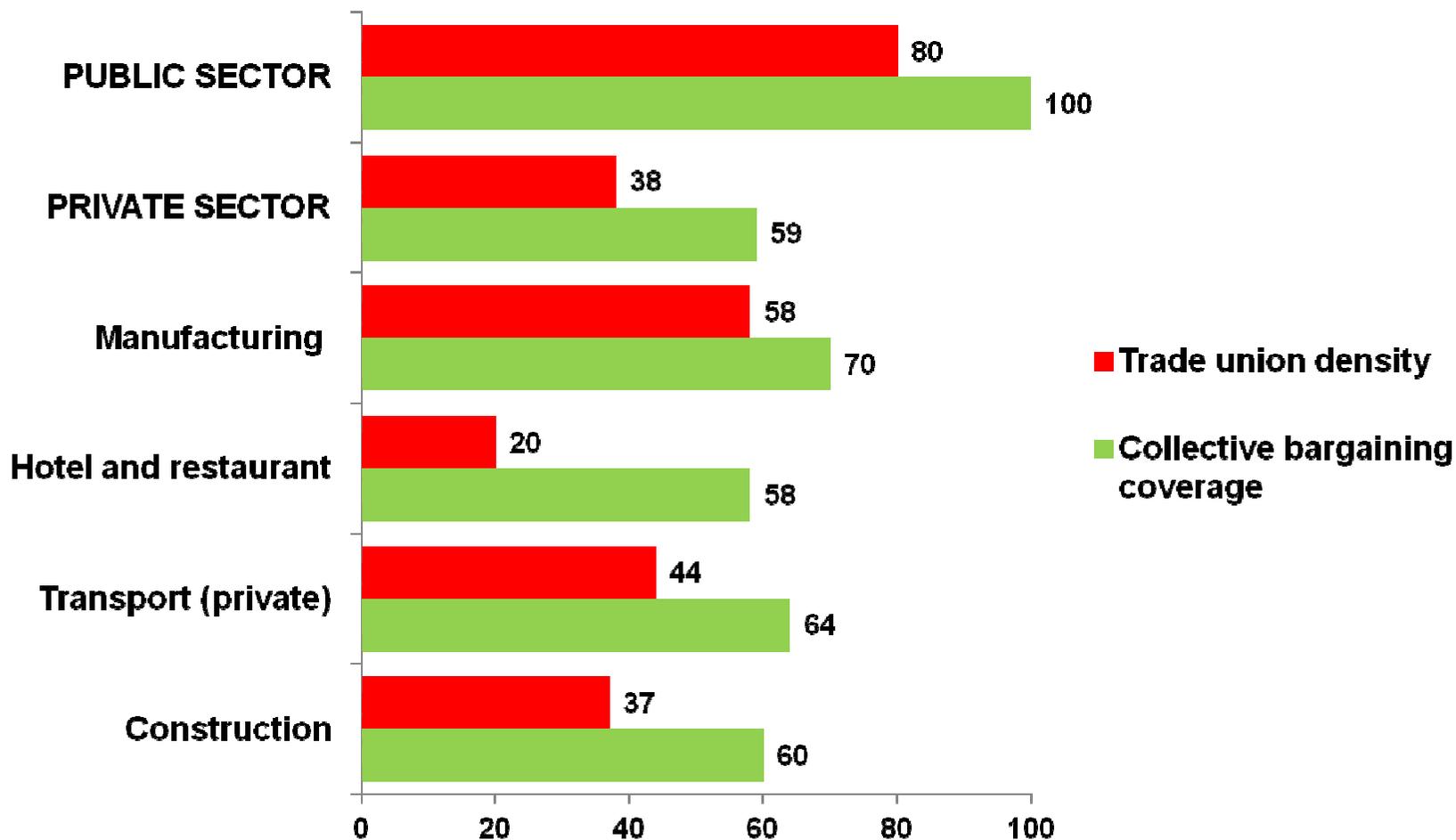
Union density in Norway by trade union federation, 1945-2007

Organisasjonsgraden i Norge etter hovedorganisasjon, 1945-2007



Kilde: Torgeir Aarvaag Stokke, Fafo

Trade union density and collective bargaining coverage by sector (2008)



Source: Nergaard & Stokke 2010

Legal extension of collective agreements in Norway: A novelty

- The **Act Related to General Application of Wage Agreements** came into force 1. January 1994, but was not in use until 2003 (2004)
- The purpose of the act is to protect foreign workers and to ensure fair competition for companies (*not to ensure a widespread diffusion of collective agreements in the labour market*)
- Only wages and individual working conditions can be extended
- New tool for regulating minimum wages in Norway; the period since the first extension can be looked at as a 'trial period'

The extension process

- Only representative unions or employers' organisations may apply for extensions
- The criterion for extension is that it is **probable** that foreign workers perform work under conditions that are generally inferior to the norms in nationwide collective agreements, or to the general conditions prevailing in the sector.
 - This must be documented
- The decision is made by *Tariffnemnda*, a board that is appointed by the government
 - 3 independent members
 - 1 from the trade unions
 - 1 from the employers' organisations

-----> NO VETO
- The provisions that are extended are made generally binding by administrative regulations

Enforcement

- The Labour Inspection Authority shall control that enterprises comply with the regulations
 - since 2004: increased resources and sanction possibilities
- 2008-2010: Revisions of the act to strengthen the control and enforcement mechanisms
 - chain liability
 - rights for TU representatives to access information on subcontractors' wages
 - main contractor is obliged to inform and ensure that all companies in the supply chain meet wage and working conditions according to the extended collective agreement

Støtt kampen for
allmenngjøring
av tariffavtaler

stans

signetskulturen

Møllergata

Hospitalsgata



Wage rates in the extended collective agreements, September 2011, in Euro per hour

SECTOR (when introduced)	UNSKILLED	SKILLED
Construction (2004/7)	18,2 (143 NOK)	20,3 (159 NOK)
Shipbuilding (2008)	16,3 (127,56 NOK)	17,9 (140,07 NOK)
	EMPLOYED LESS THAN 3 MONTHS/6 MONTHS	PERMANENT EMPLOYMENT
Agriculture (2010)	13,3/14,0 (104 NOK/109,50 NOK)	15,5 (121,15 NOK)
Cleaning (2011)	19,3 (151,67 NOK)	

Joint interests: Construction

- Widespread use of workers and services from EU-8+2
- Social partners' concerns about social dumping *and* unfair competition have led to nation-wide extension of collective agreement
- Large problems with control mechanisms and sanctions



Photo: Arbeidstilsynet 2006

Conflict of interests: Shipbuilding

- Norwegian shipbuilding industry has been doing very well – with cheap hired labour from EU-8+2
- Hired workers from EU-8+2 in many cases earned half the salary of Norwegian workers
- LO (the trade unions): Breach of the "equal wage-principle", demanded general extension of collective agreement, approved from December 2008
- Employers: General extension of CA is not acceptable – court case against Tariffnemnda (Tarifausschuss)



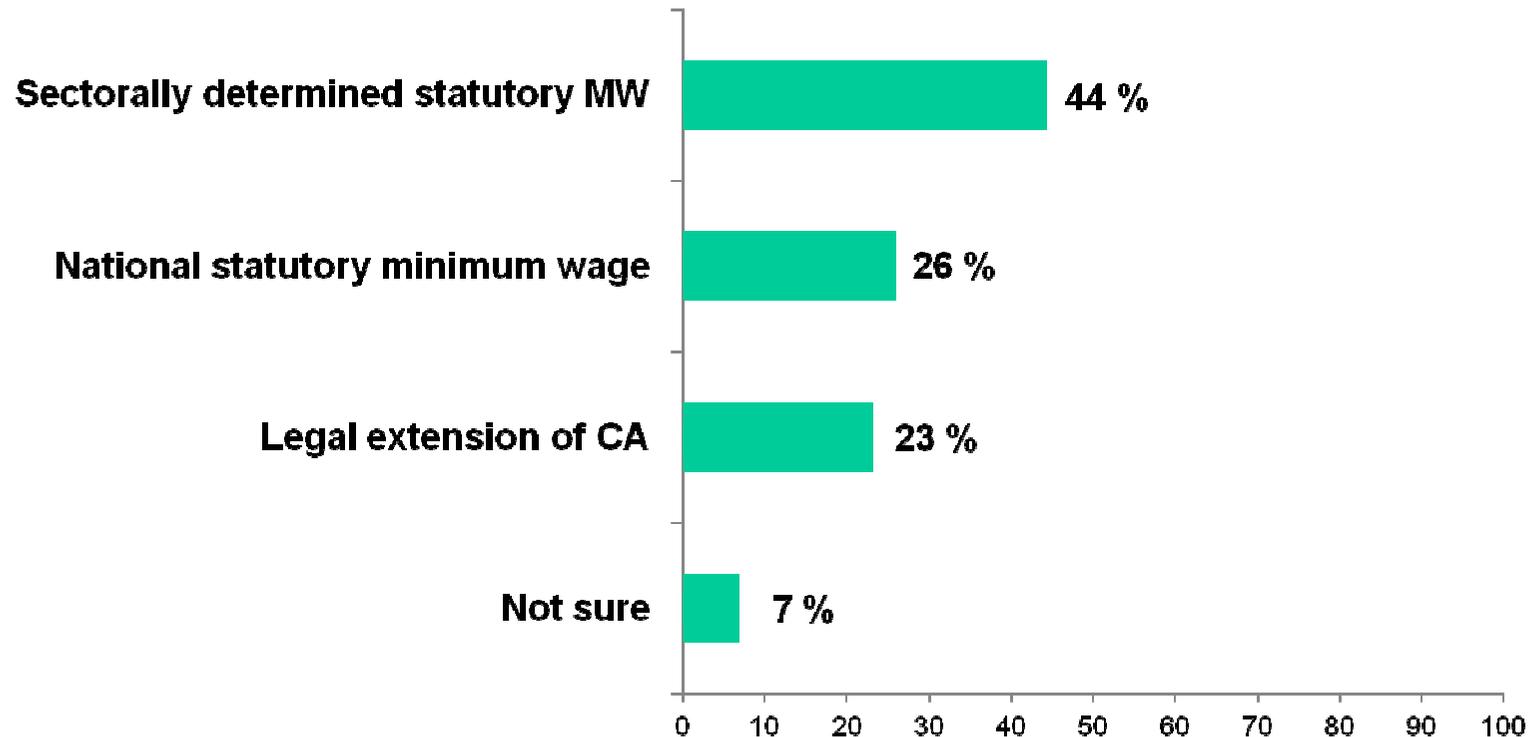
Joint interests: Cleaning

- The employers' association has voiced for extension for years
- The union has been hesitant, fear of free rider problem and the effects of extending a normal wage rate agreement
- Extension in force from 1 September 2011
- First extension in the service sector, very low org. density, normal wage rate, difficult sector to monitor and control



Do companies want statutory regulation of wages?

- In a representative nation-wide survey in 2009 (construction, manufacturing, hotel and restaurants), 60 % of the company directors said that they wanted some kind of statutory regulations. Among those, the preferences were (N=759):



Source: Fafo 2009

Experiences & effects

- Representative surveys document that the majority of construction companies are positive to the extension of the collective agreement
 - No reduction in the use of migrant labour
 - Most report not higher cost, but 20-30 % do
 - Shipbuilding; local companies more positive than central level employer organisations
- Trade unions:
 - So far no free rider problems
 - Tool for recruitment of migrant workers
 - Considering to demand extensions also in other sectors
- Migrant workers:
 - Probably positive effects – but still evidence of wage dumping

Wages: Share of Polish construction workers in Oslo that earned less than the extended minimum rate, by form of employment (2010)

Permanently employed in Norwegian company	0 %
Temporary employed in Norwegian company	23 %
Employed by temporary work agency	6 %
Employed by foreign sub-contractor	38 %
Total	19 %
Self-employed	34 %

Source: Fafo's Polonia survey 2010

Outlook

- Problems related to the current system:
 - what is sufficient documentation on inferior conditions?
 - when extensions give positive effects, the justification for prolonged extensions vanishes (example: the petroleum sites)
 - tendency of only core provisions being extended
 - complicated and long extension procedures
 - pending EFTA court case (shipbuilding)
 - need for revisions?
- What about sectors and workers not covered by collective agreements or extensions?
 - Trade unions are strongly against the idea of a national minimum wage (NMW)
 - Some of the employers' organisations are in favour of NMW
 - The current government (red-red-green) wants to support and strengthen the existing system – and will not introduce supplementary mechanisms



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