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**LABOR MOVEMENT,
SOCIAL POLICY AND
OCCUPATIONAL WELFARE
IN NORWAY**

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1 INTRODUCTION

The Scandinavian welfare states are often associated with inclusive and generous public social security programmes and a corresponding marginal role played by occupational welfare. This image of public predominance in the provision of welfare is central to the interpretation of Scandinavian welfare politics offered by the "social democratic model". According to the "social democratic model" strong labor movements in Scandinavia have succeeded to create "institutional welfare states" which leave little room for private supplements:

The traditional boundaries of the welfare state have been trespassed to a greater extent than is typical, and public responsibilities have marginalized and even superseded private provision [...] (Esping-Andersen & Korpi 1987)

The underlying assumption is that the relationship between public and occupational welfare is inherently competitive and antagonistic. Because of its ability to crowd out occupational provision the ideal type Scandinavian welfare state should contribute to a more egalitarian distribution of welfare (Titmuss 1958) and a higher and more stable support for the welfare state, since all segments of the labor force rely on public programmes for income replacement (Esping-Andersen 1990).

In this paper we shall address both historical and present developments in the public/private mix of welfare in Norway, and based on the Norwegian experience we shall argue that the interplay between public and occupational welfare is far more complex than conventionally assumed.

Closer attention to the changing interplay between public and occupational welfare raises new questions as to the causes and political dynamics underlying the post war development in Norwegian welfare policies.

Within the "social democratic model" there is a tendency to treat the labor movement as one coherent actor. The key explanatory factor is the parliamentary strength of the Social democratic parties, while the impact of trade unions is considered of a more secondary nature: that of helping to mobilize votes for the party.

In the Norwegian context this seems to be an undue simplification. Even though the Norwegian Confederation of Trade Unions (LO) is closely related to the Labor Party, these two "branches" of the labor movement should be treated as separate actors in the study of social politics. Firstly unions have special strategic concerns, e.g. their need to recruit members. Secondly, the policies of the Labor Party has to a varying degree been modelled by the necessity to attract voters among groups outside the ranks of unionized workers (Rokkan 1966). Thirdly, unions have alternative means at their disposal to achieve social policy ends for their members -namely mutual insurance and collective bargaining.

In the following section we describe how the balance between public and occupational welfare has developed in the post war period, and we present data on the character, coverage, and distribution of current occupational welfare arrangements. After this descriptive exercise we shall turn to historical analyses of the political forces behind the observed changes in the mixed economy of welfare in two important areas: pensions and sickness benefits.

2 OCCUPATIONAL WELFARE IN THE POST WAR PERIOD

In this section we shall see how the balance between public and occupational welfare has developed over the last decades in Norway. How was employers' expenditure on occupational welfare schemes affected by the rise of an institutional welfare state during the 60`s and 70`s, and what is the benefit structure and coverage of contemporary company based welfare?

Labor costs statistics is a useful source of information on the historical development of occupational welfare. Since 1954 the Norwegian Employer Confederation has registered the size and composition of total labor costs in mining and manufacturing companies. Since the late seventies similar labor costs statistics have been collected for other important segments of the labor market.

To describe the present benefit structure and the coverage of occupational schemes we shall rely on survey data. It was not until the late eighties that survey data on the coverage of occupational pensions and in some cases a wider range of benefits was made available.

Marginalization of occupational provision?

The early fifties could be characterized as the golden age of occupational welfare in Norway. Many private companies were voluntarily engaged in a wide range of social welfare activities for the workforce: from housing, canteen and sports facilities to income maintenance in case of sickness, disability, and old age. Company welfare of the time was, however, marked by a distinctive dualism between white collar staff and blue collar workers.

Generous pension schemes and the right to paid sick leave were traditionally build into the employment contract of civil servants and the salaried staff in private companies. Together with special guarantees for job-security they gave an impression of permanent (lifelong) commitment to the welfare of the salaried staff, which was intended to stimulate loyalty (Øverbye 1988).

During the sixties and seventies high standards of social security were extended to all wage earners through general legislation. Table 1 presents

an account of the resulting changes in the composition of labor costs from 1954 to 1983 in mining and manufacturing industries. Total labor costs are divided into direct pay and indirect labor costs. The latter include "pay for days not worked", statutory social security contributions, social security expenditure based on custom or agreements, and other costs connected to the use of labor power¹. We shall refer to indirect labor costs as a "social" component of total remuneration for wage earners, and we take expenditure on "voluntary" social security as a proxy for occupational welfare spending.

Table 1 Indirect labor costs in percent of direct pay and real gross wages (1954=100) for blue and white collar workers. Mining and manufacturing industries 1954 - 1983. Companies with more than 50 employees.

	Blue collar			White collar		
	1954	1968	1983	1954	1968	1983
Pay for days not worked ²	8.2	13.6	14.1	10.1	13.8	13.7
Statutory social security expend.	2.4	12.9	23.5	1.3	11.4	20.8
Voluntary labor costs	8.3	5.7	9.0	23.5	12.8	10.3
Pension schemes	3.0	1.3	2.6	16.3	7.0	5.5
Paid sickleave	0.3	0.2	0	1.9	2.0	0
Total indirect costs	18.9	32.2	46.6	34.9	38.0	44.8
Gross wages (1954=100)	100	140	190	100	153	192

Source: Norwegian Employers Confederation

The statistics on labor costs in mining and manufacturing industries displayed in table 1, reflects tendencies over three post-war decades which are relevant for all segments of the Norwegian labor market:

First of all there has been a dramatic growth in statutory social security contributions levied on employers. In this period employer contributions were increased to cover the rapidly rising costs of public social security.

1 These could include anything from benefits in kind like subsidised meals and company cars to training and safety measures, some of which are actually mandated.

2 This category includes pay during vacations and holidays.

In 1983 statutory expenditure by employers amounted to 23.5 and 20.8 percent of direct pay for blue and white collar workers respectively³.

Secondly, voluntary social expenditure has declined -- especially expenditure on behalf of white collar employees. In 1954 voluntary social expenditure accounted for a substantial part of total compensation for white collar employees. In 1983 average voluntary expenditure on behalf of white collar staff had dropped from 23.5 to 10.3 of direct pay. In the field of sickness benefits the crowding out of occupational provision was virtually complete. However, expenditure on occupational pension schemes was still quite significant in 1983, and it had even increased for blue collar workers since the mid seventies. On the average voluntary social expenditure was 9 and 10 percent of direct pay for workers and salaried staff respectively.

Thirdly, total indirect labor costs have increased far more rapidly than gross wages. In 1954 social labor costs for blue collar workers accounted for 18.9% of direct pay. By 1983 the figure had increased to 46.6%. While the average gross wage for blue collar workers almost doubled from 1954 to 1983, the "social" component of labor costs quadrupled. For white collar workers the development has been less dramatic.

Finally, the former marked difference in the relative size of the social wage component between white and blue collar workers had disappeared by 1983. The growth in statutory social security almost eradicated the former welfare division between white and blue collar workers, which was to a large extent embedded in occupational sickness benefits and pension insurance. While in 1954 expenditure on pensions was on average five times higher for white collar staff than for blue collar workers (16.3 versus 3.0 percent of direct pay), it was only twice as high in 1983 (5.5 versus 2.6 percent of direct pay).

These findings lend some support the thesis that the establishment of statutory social security tends to crowd out occupational provision, and that this in turn has an equalizing effect on welfare distribution between wage earners. It is also interesting to note that the levelling out of indirect labor costs between manual and non-manual labor took place without a corresponding widening of differences in gross wages.

Welfare state expansion in the sixties and seventies led to a partial marginalization of occupational provision. On the margin, however,

³ In 1954 blue collar workers accounted for 81% of total employment in manufacturing industries. The figure had dropped to 64% in 1983.

occupational welfare was still quite significant in 1983 both as a component in total labor costs and as a source of income-security among wage earners. The average figures for blue and white collar employees conceal substantial differences between industries, companies, and individual employees within each company.

So far we have concentrated on mining and manufacturing industries. Table 2 presents the latest available data on non-statutory welfare expenditure in selected industries. It displays a picture of rising expenditure rates with wide and increasing differences between different segments of the labor market.

Table 2 Non-statutory social labor costs in selected industries. Percent of direct pay.

	1978/79	1983	1988
Wholesale and retail trade*	5.7	n.a.	7.7
Private insurance*	20.1	n.a.	32.3
Banking/finance*	15.4	n.a.	22.3
Manufacturing industries**	8.7	9.7	n.a.
Electrico-chemical		18.3	
Petroleum		16.7	
Metal		8.3	
Wood and timber		4.2	
Textiles		2.6	

Sources: (*): Central Bureau of Statistics of Norway 1989 (**): NAF; 1985

In typical low-pay industries like wholesale and retail trade, voluntary social expenditure was relatively modest both in 1979 and 1988.

Banking and insurance companies, on the other hand, score extremely high on voluntary social expenditure, and expenditure levels in this sector have been rising throughout the eighties. Occupational pension schemes count for a substantial part of the labor costs in these industries. In 1988 average contribution rates to pension and life insurance schemes amounted to 6.9 percent of direct pay in banking and 14.8 in insurance companies.

The latest available data on social labor costs for manufacturing industries are from 1983. There is, however, strong reason to believe that

on average expenditure has increased throughout the eighties. The aggregate figures for manufacturing companies conceal wide differences between individual industries. In highly capital-intensive industries, like the electrico-chemical and the petroleum industry, voluntary labor costs amounted to 18.3 and 16.7 percent of direct pay in 1983. At the other extreme we find the wood and textiles industry where the figures were 4.2 and 2.6 respectively.

Throughout the eighties occupational welfare has expanded despite comparatively high standards in statutory social security schemes. The former discrimination between white and blue collar workers has disappeared, while differences between industries and sectors in the labor market persist.

Benefit structure and coverage

To get a picture of the types of occupational benefits responsible for the high and rising expenditure rates we must turn to survey data. The results of a representative survey among private companies with more than 10 employees from 1990 show that many private employers offer a wide range of welfare benefits to their employees. Table 3 gives an overview of selected welfare schemes and their coverage in the private labor market.

Table 3 Coverage of selected occupational benefits in private companies with more than 10 employees. 1990.

Type of benefit	Percent of companies	Percent of employees
Supplementary pensions	55	77
Accident/life insurance	85	87
Supplementary sickness benefits	55	77
Early retirement pension	9	21
Health insurance	9	7
Extended maternal leave	6	9
Child care	2	13
N	403	94,000

Source: Hippe & Pedersen 1992.

More than half of the private companies in this survey had established supplementary pension schemes for their employees. These companies were responsible for more than 3/4 of all employees covered in the survey. Employer financed life insurance and supplementary sickness benefits for high income earners also counted among the more widespread benefits.

Early retirement schemes, extended maternal leave, child care facilities, and health insurance schemes were relatively rare among private companies. For instance, only two percent of the companies organized child care facilities for their employees. These were, however, mostly large companies counting for 13 percent of the work force. Similarly, early retirement schemes are almost exclusively found in large companies. The tendency among large companies to provide opportunities of exit from the labor market prior to the general retirement age at 67 is a fairly recent phenomena. Often these schemes serve as management instruments for rationalization and flexibilisation without leaving a real choice to elderly employees (Hippe & Pedersen 1991).

These types of occupational welfare have been established outside the framework of centralized wage bargaining -- either unilaterally by employers or through bargaining at the company level. The range of occupational welfare schemes offered by private companies is, however, systematically related to firm size, industry, composition of the workforce

(educational background and sex), wage level, and union density (Hippe & Pedersen 1992). These differences at the company level in turn translate themselves into systematic differences between different categories of wage earners.

This survey only covers the private sector. There is, however, a long tradition for occupational welfare in the public sector. All employees in central and local government are covered by supplementary occupational pensions (Hippe & Pedersen 1988; Øverbye 1990). Public employees also enjoy special welfare arrangements like extended maternal leave and the right to full pay during sickness for income above the ceiling compensated by the statutory scheme.

Table 4 Old age pensions. Net compensation for employees with and without occupational schemes. 1988 income i 1000 NKR.⁴

Pre-retirement income	100	150	200	250	300	350	400
Without occupational supplements	76	68	64	62	56	52	48
Occupational scheme for public employees	90	88	90	91	84	78	72
Typical occupational scheme in the private sector	90	88	90	91	90	89	84

Source: Hippe & Hagen (ed) (1989)

Among the occupational benefits offered by private and public employers, supplementary pensions are the most important -- measured in costs to the employer and in economic significance to the employees. Both in the public and the private sector occupational pensions are of the defined-benefits type aimed at supplementing the statutory pension scheme. As shown in table 4 coverage by an occupational pension schemes strongly improves compensation rates -- especially for high income earners.

We can conclude that occupational welfare schemes are more widespread and significant in Norway than conventionally assumed. Despite high standards of public welfare, occupational provision has not

⁴ The figures are calculated for single pensioners with a full contribution record who retired in 1988.

been completely marginalized. In the last decade expenditure rates and coverage by occupational schemes has been growing, creating systematic differences in the social wage among different segments of the labor market.

In the following sections we shall look closer into the political process behind historical changes in the mixed economy of welfare in two selected areas: pensions (case I) and sickness benefits (case II). We suggest that the structure of trade unionism and wage bargaining is an important factor behind the mixed economy of welfare, and specifically that the Norwegian trade union movement has been an influential actor in the development of social security schemes in post war years.

3 CASE I: THE POLITICS OF PUBLIC AND OCCUPATIONAL PENSIONS

The first public scheme of old age pensions became operative in 1937. It shared the same principal features that characterized contemporary pension legislation in all the Scandinavian countries: Coverage was universal. Benefits were flat-rate and subject to a means test which only excluded a small minority of the relevant population. Finally the necessary funds were raised partly through general taxation and partly through a premium levied proportionally on all income-earners (Petersen 1982).

In the aftermath of World War II there was broad political consensus behind a universalist approach to pension policy. In influential policy documents by the trade union movement⁵ and by the political parties⁶, the existing flat-rate system of old age pensions was set up as a model for a future comprehensive system of income security.

The flat-rate public pensions gave way to a rapid expansion of occupational schemes. In the early fifties coverage by income-related occupational pension schemes was high among white collar workers in central and local government, as well as in private companies.

A generous pension scheme for civil servants served as a model for the establishment of regular pension schemes covering white collar employees in local government and in private companies (Øverbye 1990). In the interwar period traditional gratuity pensions for members of the salaried staff were replaced by funded pension schemes organized either through insurance companies or through company based pension funds. The introduction of funded pension schemes in private companies was stimulated by favorable tax regulations (Øverbye 1990).

Since the late thirties company-based pension schemes also gained ground among manual workers, especially in large industrial enterprises. However, the employers who chose to include all employees maintained a dual system of pension plans for white and blue collar workers. While

5 *Framtidens Norge*. LO 1944.

6 The vision of a national social security system was an important part of the so-called "Joint Programme" shared by all political parties in 1945 - see Kuhnle & Solheim (1981).

the pension plans for white collar workers were directly related to salary upon retirement, the schemes covering blue collar workers aimed at modest flat-rate supplements to the state pension.

Despite the rapid expansion of occupational pension schemes among public employees and core groups in the private sector, almost two thirds of the total labor force was still without coverage in the mid fifties (Pedersen 1990).

Pensions as part of centralized bargaining

This growth of occupational pension schemes took place in an industrial relations setting in which a highly centralized LO played a dominating role as representative of wage earners.

As the coverage by occupational pensions increased among some segments of the membership, and wage levels and living standards rose, the demand for a general scheme of supplementary pensions was put on the trade union agenda.

Although LO was never directly hostile to the expansion of occupational pensions, the highly fragmented and employer dominated system of occupational pensions was deemed unsatisfactory by the LO leadership.

First of all, LO could not in the long run tolerate that a significant part of the total compensation was determined outside established bargaining routines. Welfare arrangements at the company level tended to strengthen company loyalties at the expense of broader union solidarity.

Secondly, LO estimated that only between 30 and 40% of their active members were covered by occupational pensions in 1958 (Holler 1958). As long as the question of supplementary pensions was left to individual employers or to local bargaining, the weaker segments of the LO-membership were not likely to be covered.

Thirdly, the existing occupational pension schemes served to tie employees to their present employer, thus restricting the mobility of elderly workers in particular⁷.

Last but not least, the discrimination practiced by employers between blue and white collar workers created strong resentment. It served as a

⁷ The point was elaborated by a committee appointed by the Trade Union Congress in 1957.

focal point for the mobilization of pension demands among unionized workers.

In the light of these developments union strategies changed. The exclusive commitment to flat-rate public pensions from the early postwar period, was replaced by a demand for equal pension rights among all wage earners. This new approach to pension policy was spelled out at the Trade Union Congress in 1957:

Our ultimate goal is to secure all wage earners in this country the same pension rights, whether they are employed in the private sector, or in central or local government.⁸

The focus on equity among wage earners implied that LO was prepared to accept that benefits in excess of the universal minimum standard should reflect previous earnings. The traditional commitment to a redistributive system of flat-rate pensions gave way to the demand for income related benefits. The new policy departure also implied an attempt to improve future pension claims for the active population without automatically raising benefit levels for the already retired.

LO considered two alternative strategies to achieve a more comprehensive system of supplementary pensions. One was to follow the example of the Swedish LO (Molin 1965; Heclo 1974) and demand a legislated supplementary pension scheme covering all wage earners. Since the Labor Party had an absolute majority in the Norwegian parliament the conditions for progress by political means seemed favorable. Even so, LO decided for the alternative option: to put a demand for supplementary pensions on the bargaining agenda vis-a-vis the Norwegian Employers' Confederation (NAF).

The decision to take the question of supplementary pensions to the bargaining table was influenced by strategic considerations. In the late fifties LO faced stagnation and even decline in membership. A negotiated pension scheme would allow LO to take credit for a major improvement in the social standards of wage earners. Furthermore LO hoped to be able to exclude non-members from the scheme and thereby create a positive incentive to boost membership. It was important to the LO, however, that the scheme should include all unionized workers, and not allow for segmentation between trade union branches.

8 Protokoll fra LO-kongressen 1957

In a round of centralized wage bargaining in 1958, LO and NAF agreed to establish a supplementary pension scheme (FTP) covering workers in the unionized sector. Details of the scheme were finally agreed in 1960.

The resulting FTP-scheme did not satisfy LO's original ambitions. From the outset, benefits were modest and LO failed to achieve a system of automatic index regulation. Consequently the FTP-scheme did not match the generosity of the income-related schemes of public employees and white collar workers in private companies. The fact that the NAF insisted on including non-unionized employees in the scheme implied that the potential for boosting recruitment was reduced.

Furthermore, the costs of the bargaining strategy turned out to be high. The centralized bargaining in 1958 involved considerable wage restraint, which created dangerous tensions within LO. Core groups of relatively well paid manufacturing workers were already covered by company-based pension schemes. For these groups the FTP-agreement only led to marginal improvements. Unions organizing workers in low-wage industries, however, felt that the costs of the FTP-scheme were high in terms of wage restraint and member premiums.

Even before the FTP-scheme was made operative in 1962, the bargaining route to higher pension standards for blue collar workers seemed to have come to a dead end. However, the FTP-agreement did help to trigger off a political process which, within a few years, led to the establishment of a statutory supplementary pension scheme.

From bargaining to politics

The introduction of the FTP-scheme left a significant part of the labor force, and hence the voters, without supplementary pensions. Prior to the 1961 parliamentary election both the Labor Party and the Liberal Party signalled commitment to extend coverage by supplementary pensions to wage earners outside LO and NAF and to the self-employed. For both parties electoral support from these segments of the gainfully employed were of strategic importance. Both the Conservatives and the Agrarian Center adhered to the flat-rate principle but suggested a substantial raise in benefit levels. Of course, the unprecedented economic growth in the early sixties helped to put an expansive pension reform on the political agenda.

The 1961 election left the governing Labor Party without a stable majority in Parliament and the pension issue became an object of party tactics

(Rokkan 1966). After the government crisis in 1963 the Labor Party announced plans to establish a statutory pension scheme for all income earners aiming at 2/3 of prior income. The opposition parties originally opposed to supplementary pensions, the Conservative Party and the Agrarian Center, decided to give way, and hence, broad political consensus had been achieved for a radical new pensions policy. The new policy departure was welcomed by LO, since the heaviest financial burden was to be carried by the employers and since the reform promised to fulfill the goal of equal pension standards for all wage earners, as fixed by LO in 1957.

The main features of this new National Insurance (NI) scheme were elaborated by the Labor government in a green paper presented in 1964, and the scheme was finally implemented in 1966 by a non socialist coalition government elected in 1965. From the outset, NI included old age, disability, survivors and single mothers pensions. The system combined universal basic pensions with statutory supplementary pensions related to contribution record and income level. The supplementary pension was to compensate income up to a ceiling fixed at 2 1/2 times the average annual wage of industrial workers.

Disagreement on the merits of funding was the only significant flaw in the much celebrated consensus behind the NI reform (Hatland 1986). The consequences of pension reform for the capital market and aggregate savings was clearly the most controversial issue.

Originally, the Labor Party wanted to build up a large public pension fund while the system matured, in order to stimulate economic growth and to level out the financial burden between generations. However, the idea of a public pension fund, which could become an influential actor in the capital market, met with strong opposition from the Norwegian Employers Confederation and the non-socialist parties. Consequently, the role of funding was deliberately played down by the non-socialist government when the scheme was implemented in 1966.

Later Labor cabinets in the seventies were not prepared to meet the demand for fiscal discipline which would be required to revitalize the NI-fund. Instead expensive social security reforms⁹ were carried out without a corresponding increase in premiums. In the same period reductions in employer's contributions and member premiums were used as part of income-policy packages aimed at reducing growth in labor costs (Kolberg

9 The age of retirement was reduced from 70 to 67 years and a special supplement for pensioners with a short contribution record was introduced.

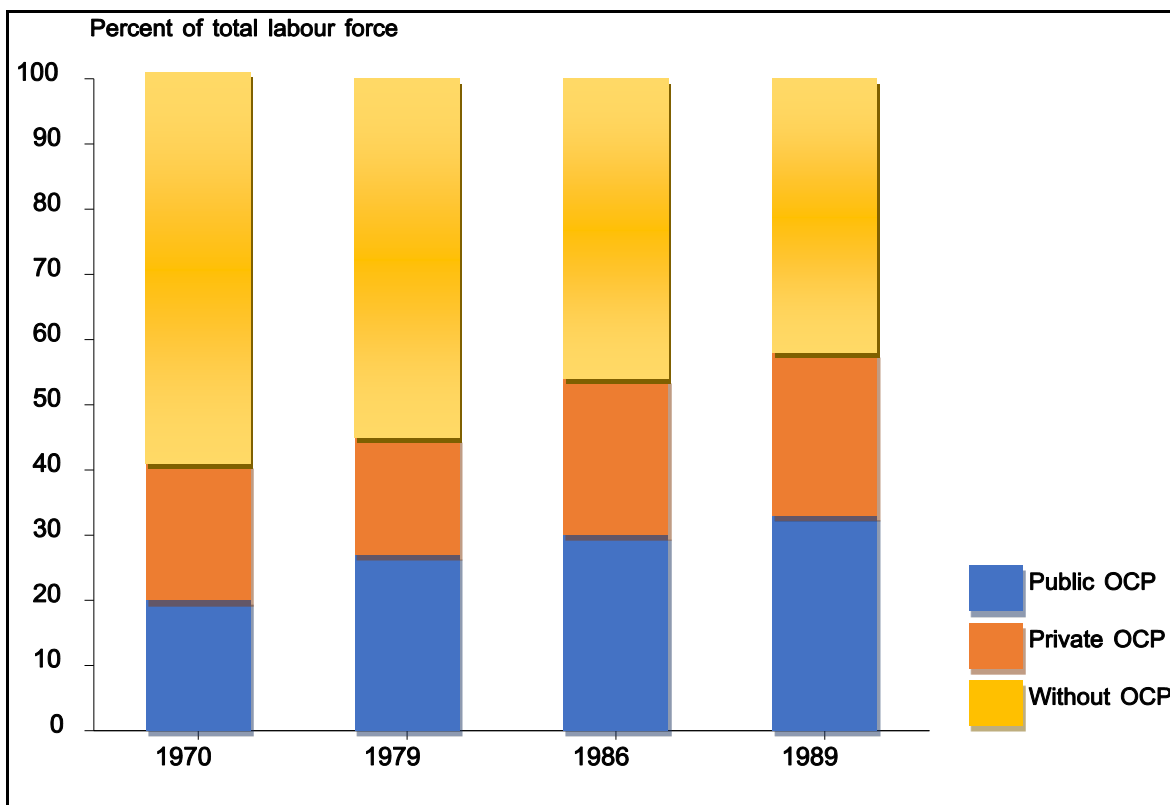
1983). As of today, the NI-system is financed exclusively on a pay-as-you-go basis.

Erosion of state dominance?

At the time of implementation, the NI-system was expected to marginalize occupational provision of pensions. Both proponents and adversaries saw the NI-system as an attempt to "nationalize" pension insurance. The negotiated FTP-scheme was immediately closed down, but occupational pension schemes for public employees and company based schemes in the private sector were converted to a third tier of pension provision, which aimed to complement basic and income related pensions from the statutory scheme.

Measured both in financial terms and in terms of the proportion of the labor force covered, occupational pension schemes have expanded - especially during the eighties. In 1986 more than half of all wage earners were covered by occupational pensions.

Graph 1 Coverage by occupational pensions among wage earners.



Source: Hippe & Pedersen (1991)

The steady growth in coverage by occupational pensions is related to several factors. First of all, the favorable tax regulations for occupational pension schemes were upheld after the introduction of the NI-scheme in 1967. Growing marginal tax rates have increased the comparative advantages of deferred opposed to direct wages. Secondly, due to defective indexation the NI scheme has not reached the compensation levels originally envisaged. Thirdly, structural changes in the labor market have increased employment in industries with a long tradition of occupational pensions (public sector, banking and insurance).

Until recently this development was hardly noticed by the public and central policy makers. The growth in occupational pensions has been overshadowed by an accelerating political concern for the financial soundness of the NI-scheme and the possibilities to meet the future obligations which are built into the system of income-related pensions. In 1989 a broad coalition in the Norwegian Parliament agreed to substantial cuts in the statutory NI-scheme. Concrete measures to reduce compensation rates were carried through parliament in 1990, and they have come into effect from 1992. These cuts in the public system will of course widen the scope for occupational provision.

LO has officially denounced reductions in the NI-scheme, but without putting too much political muscle into the matter. The congress of LO in 1989 actually signalled a new policy on pensions. For the first time since the late sixties LO now opened for the possibility of once again taking pension demands to the bargaining table¹⁰. A complex mixture of motives has led to LO to redefine its policy platform. The existing occupational pension schemes in the private sector are developing outside the centralized system of wage bargaining and without union control. As it turns out coverage by occupational pensions is lower among LO members than among wage earners belonging to competing organizations (Hippe & Pedersen 1988). In this context a centrally negotiated pension scheme for the core membership groups of the LO could become a strategic asset. Finally the potential of a negotiated pension scheme to increase savings and to develop new institutional investors has recently drawn attention both from the LO and the Labor Party.

Interestingly enough the decentralized growth in company based occupational pensions has been watched with suspicion by the Norwegian Employers Association mostly because of their inflationary effect on labor costs. It is, however, an open question whether LO will be

10 Protokoll fra LO-kongressen, 1989.

able to strike a bargain with the employer side to integrate occupational pensions in centralized wage settlements.

4 CASE II: THE POLITICS OF PUBLIC AND OCCUPATIONAL SICKNESS INSURANCE

The first state organized system of sickness insurance was agreed upon by parliament in 1909, and became operative three years later. From the outset the statutory sickness insurance only covered industrial workers in the lower income brackets. In the following decades the scheme was gradually extended to cover new groups of wage earners.

In the late thirties a parliamentary committee proposed that sickness insurance should be compulsory for all residents above the age of 16 (Epland 1990). By this time a universal approach to sickness insurance was supported by all political parties. In 1953 all wage earners were included in the statutory sickness benefit scheme and a fully universal scheme was finally reached in 1956 when also the self-employed were included.

The level of compensation was modest, however, and benefits could only be obtained after a waiting period of three days. In early policy documents the political intention had been to secure a worker on average income 60% wage compensation. In the early fifties the actual level of compensation for industrial workers was just exceeding one third of the normal wage and, due to a fixed maximum benefit, compensation levels decreased with higher incomes.

The public sickness benefit scheme coexisted with a host of occupational and mutual benefit programmes.

Public employees enjoyed full income protection by way of legislation (central government) or through wage agreements (local government). For civil servants the right to maintain full salaries during periods of sickness had been ensured by law in 1918. Full pay could be upheld for a period of three months with a possibility for further extension. This generous income protection for public employees served as a point of reference for other occupational groups trying to improve their claim to sick pay.

By and large, the salaried employees in private companies were covered by voluntary sickness benefit schemes which allowed them to uphold full

wage compensation for a maximum period of at least one month. The public scheme reimbursed benefits paid by the employers.

Even among manual workers a small but growing minority were covered by occupational sickness benefit schemes. The level of compensation varied from 60 - 100%. These schemes normally entitled the employees to cash benefits for three month per year after a waiting period of three days.

For workers without coverage by occupational schemes mutual benefit schemes was a wide spread alternative. Many trade unions operated their own sickness benefit schemes offering limited supplements to the public scheme. The waiting period in these schemes varied from three days to several weeks.

The complicated mix of sickness benefit arrangements presented a political challenge to the trade union movement. The privileged position of white collar employees compared to the majority of blue collar workers had a strong mobilizing effect. At the same time the quality of income protection varied considerably within the trade union movement. In the early fifties a substantial minority of the LO members (appr. 40 percent) were covered by supplementary sickness benefit arrangements - either occupational schemes or mutual benefit schemes -, while the majority of trade union members were without supplementary income protection.

A higher and more even distribution of benefit levels was considered necessary in order to maintain solidarity across unions. This could be achieved either through a centrally negotiated scheme covering the core member groups, or through substantial improvements of the universalistic public scheme.

Sickness benefits in centralized bargaining

Prior to the Trade Union Congress in 1953, the LO-leadership proposed that the question of incorporating sick pay into the general wage agreement be thoroughly reviewed by an internal committee.

As a longterm objective the committee called for equal treatment of blue and white collar workers in field of sickness insurance. Its recommendations confirmed that the choice between political solutions and solutions achieved through centralized bargaining was to be decided by practical considerations. The chosen strategy should depend on "which solution gives the greatest chance of rapid and positive results"

¹¹. The committee drew the conclusion that it was very unlikely to achieve full pay during sickness by political means alone.

During the centralized wage negotiations in 1954, LO and the Norwegian Employers' Confederation (NAF) agreed to build up a fund to finance a future sick pay arrangement. In 1956, the parties agreed to incorporate a supplementary sick pay arrangement into the wage agreement. However, the employers refused to accept the demand by LO that the scheme should cover only union members.

By way of this agreement LO succeeded in substantially increasing compensation levels for the majority of wage earners. Still, the total level of compensation did not exceed 50% for singles with average incomes. Another shortcoming was that the negotiated scheme operated with a waiting period of six days, in contrast to a waiting period of three days in the public scheme.

The fact that employers and employees alike recommended that the negotiated scheme be administered by the state and be adapted to the public sickness benefit scheme illustrates the close integration of the two schemes. This intermixing of the statutory and the bargained sickness benefit schemes is a remarkable example of pragmatic and harmonious co-existence of public and private institutions.

In turned out, however, that the practical operation of the negotiated scheme caused considerable friction. After the introduction of scheme, absence increased dramatically. The guarantee fund build into the LO/NAF scheme was rapidly depleted¹². Therefore LO and NAF decided to curb expenditure by slightly reducing the level of compensation and by increasing the waiting period from six to fourteen days.

As a result of these measures the negotiated scheme eventually started to balance, and it was possible to make minor improvements. In the early sixties the two parties to the agreement cautiously decided to give priority to increasing the maximum period a person could receive sick pay, while compensation levels and the waiting period were maintained.

In 1966 LO and NAF agreed to a declaration of principle that "there was no social justification for maintaining different levels of sickness benefits for blue and white collar workers" (Petersen, 1975). This meant that NAF

11 Innstilling fra Komiteen for lønn under legitimert sykefravær (LO; 1954)

12 Norwegian Official Report 1976:23.

was ready to accept the longterm objective of LO to approach full wage compensation for blue collar workers.

In order to harmonize benefit levels, it was decided to gradually raise the level of compensation in the LO-NAF scheme. As from 1 April 1969, total sick pay for members of the LO-NAF scheme reached 90% of net income. Since the late sixties the waiting period was gradually reduced, and in 1974 it was finally reduced to one day.

From occupational welfare to state responsibility

In spite of the success of the occupational sickness benefit program, an important shift in trade union opinion on sick pay took place in 1970. LO proposed that the occupational scheme be incorporated into a statutory arrangement covering all employees (Petersen, 1975).

The main argument for this proposal was that, in spite of the negotiated scheme, 20% of all employees were without access to supplementary sick pay. Norwegian labor market. The new policy departure on the part of LO, was also motivated by the fact that the negotiated scheme suffered from financial troubles. Time and again LO and NAF were forced to take emergency measures, agreed by negotiation, in order to maintain the economic foundation of the scheme.

At the political level the time was now ripe to propose an extension of the public scheme. The broad but still not universal coverage by occupational schemes opened for extended political involvement. In the political debate on sickness insurance even the Conservative Party referred to defects in the existing occupational schemes, and emphasized the need to ensure also the remaining 20% of the working population full compensation for loss of income during illness.

In 1976, a public committee, dominated by representatives of LO and NAF, proposed to extend the state scheme to give 90% wage compensation from the first day of illness. In minority statements NAF recommended to maintain a waiting period of one day as in the previous negotiated scheme, whereas LO argued in favor of full wage compensation.

In the political process, following on the committee`s recommendations, LO succeeded in persuading the Labor government to support their wish for full wage compensation as from the first day of illness.

A renaissance for occupational provision?

The statutory sickness insurance program became operative in 1978. It completely replaced the previous occupational programs by offering full income protection from the first day of absence. Full compensation was mandated for income below a ceiling which only affected a tiny proportion of wage earners. By its inclusiveness and its ability to crowd out the former occupational schemes the Norwegian sickness insurance scheme from 1978 conforms to the ideal type of the inclusive Scandinavian welfare state.

However, the system had only been in operation for a few years when proposals to curb expenditure were raised on the political agenda. The Conservative government lowered the income ceiling in 1983 and again in 1985 (Hippe, 1988). As from 1985, only income up to just above average wages is compensated by the statutory scheme. The reduced income ceiling in the statutory scheme has reintroduced the need for occupational sickness benefits, and many employers choose to neglect the ceiling and continue to give full wage compensation to all or some of their employees.

The Labor government that took power in 1986 also focused on the need for reductions in the expenditures on sickness benefits. Further direct reduction in the benefits levels was not proposed. As a first step a public committee was appointed with an explicit mandate of proposing measures to lowering absence and thereby reducing expenditure. The general elections in 1989 led to a new non-socialist government. In the budget for 1990 it was proposed to reduce wage compensation from 100 to 90 per cent. However, a majority in the parliament voted for a withdrawal of the proposal and called on the government to negotiate with the trade unions and the employer organizations to initiate concrete actions to reduce absenteeism. In 1990 LO and NHO made an agreement on a joint project that should reduce absence by 10 per cent by the end of 1991.

Inspired by the recent reductions in sickness insurance by the social democratic government in Sweden, the Conservative Party in Norway has recently committed itself to a proposal for reduced wage compensation - especially for short term absence. The proposal from the Conservative Party contains an interesting policy idea -- again inspired from Sweden. To prevent that reductions in the public scheme are compensated through occupational schemes it is proposed to reduce the public reimbursement to companies trying to supplement the public benefit. This will secure that no employees can enjoy more than 90% wage

compensation. This part of the proposal will probably meet with both practical problems and resistance from trade unions who could argue that the proposal violates a fundamental freedom protected by ILO treaties: the right to negotiate for supplementary social security coverage.

So far unions both within and outside LO have strongly resisted serious cuts in the public sickness insurance. On the other hand growing interest among trade union officials for occupational provision of sickness benefits can be registered. The establishment of both mutual benefits systems and occupational sickness benefits systems has been discussed in the LO, if reductions in compensation levels should become a reality.

5 LESSONS FROM THE PAST AND PROSPECTS FOR THE FUTURE

The development of public and occupational welfare in Norway is not entirely consistent with the standard "social democratic" interpretation of Scandinavian welfare politics.

First of all we have found that occupational welfare plays a more important role than conventionally assumed. Despite the introduction of high standards of public welfare in the sixties and seventies, occupational provision was never completely marginalized. Since the late seventies a rapid growth in occupational pension schemes has further modified the predominance of public pensions. Recent cuts in public pensions will leave even wider scope for occupational provision. In the field of sickness insurance public provision is still predominant, but future reductions in the public scheme could lead in the same direction.

Secondly, the post war development of pension and sickness benefit schemes was characterized by a positive interplay of public and occupational provision¹³. In the fifties and sixties wide coverage by occupational schemes stimulated rather than blocked attempts to improve public social security standards. In our view this was mainly due to the ability of LO to integrate occupational pensions and sickness insurance into the centralized system of wage bargaining. The political consensus which evolved around proposals to reform public pension and sickness insurance in 1966 and 1978, must be understood in light of the existing public/private mix which had to a large extent been shaped by LO's bargaining efforts. The subsequent parliamentary action was justified on the grounds that wage earners and self employed outside the LO-NAF bargaining system should share the same standards of income security.

This leads us to the final point: Trade unions have in their own right been important actors in Norwegian welfare politics, and their strategies have not always pointed towards public provision. In the fifties LO decided to rely on the centralized system of wage bargaining in order to establish supplementary income security schemes for unionized workers. This choice was influenced by strategic considerations. LO hoped that

¹³ The idea of a positive dialectic between public and private pensions was developed by van Gunsteren & Rein (1985).

negotiated social security schemes would help to strengthen the recruitment potential of its affiliated unions. In the eighties this kind of strategic motivation has once again become manifest.

From a positive dialectic to institutional competition?

While occupational welfare schemes helped to trigger the development of public welfare in the favorable economic and political climate of the fifties and sixties, the logic has now been turned around. Reductions in public welfare standards can further stimulate the growth of a decentralized system of occupational provision.

It appears that the kind of mutually reinforcing interplay between occupational and public welfare of the fifties and sixties was contingent upon a set of crucial conditions that have changed profoundly in the last decades.

Firstly, the "social division" of welfare caused by the present growth in occupational provision does not follow the same visible and clearcut lines as the former dualism between white and blue collar workers. Differences in occupational pension coverage exist within unions, thereby making it difficult to mobilize for collective solutions.

Secondly, LO no longer commands the same predominant position as representative of wage earners. In 1956 LO organized almost 50 percent of all wage earners, while only 10 percent belonged to unions and professional associations outside LO. In 1988 the proportion of wage earners organized by LO had shrunk to 35 percent, and competing organizations have increased their share of the total labor force to 23 percent (Odnés et al 1990). The growing fragmentation of labor organizations creates problems for centralized wage bargaining, and it can force unions to give priority to narrow strategic concerns at the expense of broader solidarity.

Thirdly, reduced economic growth and demographic developments have sharpened distributional conflicts both within and between generations. In the fifties, sixties and seventies improvements in social standards could be achieved without threatening the continuous growth in disposable incomes for wage earners. In the years to come it may be difficult to increase or even maintain disposable incomes for wage earners without reducing social security standards¹⁴.

14 Stortingsmelding nr. 12; 1988.

Fourthly, increased international economic integration sets new conditions for national welfare policies. Even as a non-member of EC, Norway may be forced to modify her tax structure in order to maintain competitiveness in the European Single Market. Moreover, increasing international competition can create a pressure to reduce statutory welfare expenditure, and at the same time block attempts by LO to compensate the loss through centralized collective bargaining.

Norwegian labor organizations increasingly face a dilemma between defending standards in the public schemes and trying to build or improve occupational schemes for their constituencies. If the latter strategy should gain ground or if occupational welfare continues to develop outside the framework of centralized wage bargaining, it could profoundly change the balance between public and occupational welfare.

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