

THE NORDIC SOCIAL MODELS

FACING EUROPE

by Janine GOETSCHY

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Foreword

In the second ETUI FORUM meeting, 3 May 1995, Janine Goetschy, senior research officer at the CNRS, Paris, presented her paper “The Nordic social models facing Europe”. This paper is based on her wider comparative study of industrial relations in the Nordic countries, Finland, Iceland, Norway and Sweden: *Les modèles sociaux nordiques à l'épreuve de l'Europe, les études de La documentation Française, Paris 1994*. Her study tries to answer three main questions. Firstly, what are the constituent features of the Nordic social systems and what are the internal dynamics which earned them the name of social models of Northern Europe? Secondly, what developments in the last fifteen years have affected these social systems, which are said to be going through a crisis? Finally, to what extent will the new Nordic member countries influence the development of social Europe?

Concerning the first question about the origins and features of the Nordic models, the author gives four main reasons for the development of different national variants of the Nordic model. Firstly, there were favourable political circumstances for class compromises between capital and labour. Also, especially in Sweden and Norway, the social democratic parties were in a very hegemonic position. Secondly, the social democrats were able to make coalitions with the agrarian interest groups. Thirdly, the social democratic hegemony was strengthened by the close co-operation between the trade unions and the social democratic parties. Fourthly, the social democratic parties were reformist in nature and were able to reform.

According to Janine Goetschy, the fast opening of the financial markets and the deep recession in the late 1980s and early 1990s have brought the Nordic countries to a severe crisis. Especially in Finland and Sweden the unemployment has soared to record levels. Even the social democratic governments were forced to adopt unprecedented austerity policies to cut the costs of the welfare state.

Finally, what kind of contribution could the new Nordic member states make to the development of social Europe? These countries could bring with them the experience of making different forms of national compromise concerning incomes policies and measures to combat unemployment. Secondly, the Nordic social partners and governments have been accustomed to inter-state co-operation in the context of the Nordic Council. Thirdly, these countries are very advanced in the areas of equality questions, vocational training, industrial democracy, environment and consumer policies.

The main commentators of Janine Goetschy's paper in the ETUI Forum were Dr. Francisco Granell from the Commission and the three directors of the Nordic national trade union offices in Brussels, namely Pekka Ahmavaara (SAK, STTK, AKAVA), Knut-Arne Sanden (LO-N) and Sven Svensson (LO, TCO).

Much of the discussion centred on recent high unemployment levels which are a new phenomenon in the Nordic countries. Is it possible for Finland and Sweden, in the new European Union context, to go back to the previous low level of unemployment and are there any new strategies or discussions of how to deal with the high level of structural long-term unemployment in the context of the “Nordic Model”? The general attitude was that the current Nordic model has no effective solution to long-term structural unemployment. Also, the question of the future of the welfare system was debated. Especially in Finland and Sweden, where public deficits have soared, the crisis of the welfare system is discussed more as a financial crisis than as a crisis of values or institutions.

Janine Goetschy

We hope that we can stimulate the debate about the future of the welfare system in Europe with this paper by Janine Goetschy.

Heikki Aintila, ETUI
(Senior researcher)

Introduction

It would seem particularly appropriate to conduct a comparative assessment of the Nordic social "models" now that Sweden and Finland have become members of the EU and that Norway and Iceland belong to the European Economic Area.

During the 1980s the social systems of the Nordic countries had to face many challenges, due in particular to the growing internationalisation of their economies, the upsurge of liberalism, internal changes in the social democratic parties, the diversification of the trade union movement and the rise in unemployment. More recently, the prospect of European integration has presented an further challenge.

In view of this new order, we shall endeavour to reply to the following three questions: what are the constituent features of the Nordic social systems and what are the internal dynamics which earned them the name of "social models of Northern Europe"? What developments in the last fifteen years have affected these social systems, which are said to be going through a crisis? What will be their contribution to the current construction of Social Europe, whose traditions in the social field are well established and where demands are high?

I. Origins and features of the Nordic models

1. Historically, the different national variants of the Nordic model, and consequently the industrial relations systems, were based primarily on the existence of *class compromises* between employers and trade unions, which took on concrete form in the signing of basic agreements in **Sweden, Norway and Iceland** in the 1930s and in **Finland** after the second world war. These compromises were generally negotiated in urgent circumstances bringing situations of intense industrial dispute involving strikes and lockouts to an end. They institutionalised recognition of the exercise of employer prerogatives and, in return, recognition of the exercise of certain trade union rights and of collective bargaining as a permanent fixture.

2. It was due to the *favourable political circumstances* existing at the time that these historic class compromises between capital and labour were possible and were able to endure; those circumstances were the presence of political coalitions in which the *social democrats* were preeminent on the political scene from the 1930s onwards and for a long period of time. In both **Sweden** and **Norway** the social democrats exercised power in a hegemonic setup, whereas the political situation in **Finland** and **Iceland** was somewhat different in that the left wing was divided. Social democratic presence was thus less massive there, although equally permanent.

We would add, however, that the split in political interests took place traditionally not only between left and right, but also between the interests of rural areas, inshore fishing regions and isolated zones on the one hand and the interests of the towns and cities on the other. And with the current debate on the internationalisation and europeanisation of the Nordic economic systems this dichotomy between urban and rural interests is again making itself very strongly felt.

The advent of a *lasting social democratic hegemony* in the first half of the century itself resulted from the conjunction of the following four political factors. First of all, there was historically *no strong*

and united right-wing political alternative, on which the capitalist trend could have leant. In **Norway**, apart from shipowners, there was in fact no national capitalist class which carried any weight, since the economy was dominated at the beginning of the century by foreign investments, particularly in the primary sector. Although in **Sweden**, on the other hand, during the industrialisation period there was an impressive number of Swedish employers directing concentrated manufacturing industries exporting finished products, those employers relied on the development of a strong centralised and autonomous employer confederation rather than on a direct political relay. The situation in Finland also differed in this respect from that of the other Nordic countries, since employers had extremely close links with the right-wing parties until the second world war: in an economy where forestry predominated until 1950, it was mainly the employers in the wood pulp sector who set the tone in the 1930s by forming an alliance with the right-wing governments in order to repress the trade unions.

Secondly, the social democratic movement in all four Nordic countries managed to forge advantageous alliances with the so-called agrarian parties, which represented farmers, fishermen and forestry workers, and thus was able to assert itself throughout the twentieth century.

Thirdly, the existence of a *trade union movement* which was *unified* at a very early stage and which had close and preferential links with the social democratic party contributed largely to establishing social democratic power, at least in **Sweden** and **Norway**. In **Finland** and **Iceland**, however, the links between the trade unions and social democrat circles were marked until well into the 1970s by a history of political splits which went right through the main confederation of blue-collar workers' unions in each country. From the 1970s onwards, however, reunification of the trade union movement was gradually brought about and there was more cooperation amongst political forces, a development which brought greater convergence with the situation in Norway and Sweden.

Fourthly, the essential strength of social democracy in the Nordic countries lay in its *reforming* nature and in its capacity for reform, which gave substance to the Scandinavian model with its national variants. *In return for acceptance of technological development, corporate rationalisation measures, employee mobility on the labour market and wage moderation, which was intended to contribute towards active growth and price stability, the social democrats' reformist project*, which was the fruit of a social compromise reached by the trade unions, employers and the State, *proposed full employment, wage solidarity and the advantages of the Welfare State*.

3. Besides the political dimension, the Nordic models and their underlying social contract owe their origin to the fact that there were *centralised and powerful trade union and employer actors* on the scene from the beginning of the century. The first *trade union* confederation emerged in Sweden in 1898 (LO), in Norway in 1899 (LO), in Finland in 1907 (SAK) and in Iceland in 1916 (FTI). The threat presented by strong trade union movements very soon prompted *employers* in all four countries to organise on a centralised model similar to that of the blue-collar workers' unions : establishment of the SAF in Sweden in 1902, of the NAF in Norway in 1900, of the STK in Finland in 1907, and of the FEI in Iceland in 1934. Though it is true that the Finnish employers' organisation was not centralised until the 1950s.

i. By opting for centralisation, the employer and trade union organisations were able to impose a

relatively high level of *internal discipline* on their members. From the organisational point of view this was a necessary precondition for the efficient operation of the much-vaunted Nordic model which was to be developed. But centralised organisation certainly did not mean lack of internal democracy. On the contrary, one of the features which is often forgotten when the Nordic trade union movements are analysed is their ability to combine centralisation and decentralisation in internal decision-making with a relative degree of success. *Internal democracy* in trade union machinery is of course exercised in different ways from one country to another. If the trade union movements were to be classed according to their degree of centralisation measures, for example, on the basis of the procedure for internal approval of collective bargaining, Sweden would qualify as the most centralised, followed by Norway, then Finland and then Iceland. Some authors consider that this more democratic internal mode of operation in the Norwegian, Finnish and Icelandic trade unions, in which the diversity of opinions is expressed, also explains why the State then also needs to intervene more frequently in collective bargaining in order to bring the central compromises to a successful conclusion and to reconcile the various interests through mediation or even compulsory arbitration.

Generally speaking, the level of trade union centralisation remained very high when one considers the renegotiation of the so-called "basic agreements", which lay down the rules of the social game on a number of issues, and when one considers the power exercised over the government in the economic and legislative field and in tripartite or joint State or semi-State bodies.

ii. The Nordic trade union confederations are powerful by virtue of their very wide representativeness, which has grown steadily. Their high *union density rates* are quite unique: currently over 85% in Iceland, 85% in Finland, 81% in Sweden and 57% in Norway. Contrary to the situation in the other countries of Europe, there has, strictly speaking, been no crisis in union membership in Scandinavia in the last 15 years. Further factors explaining the high membership figures are, inter alia: the large proportion of women in the membership, the fact that when industry was in decline and the services were on an upswing trade union organisation took on massive proportions in the latter sector, and, finally, the quality of the results of trade union action at both societal and company level.

4. By virtue of centralised trade union and employer actors on the one hand and a social democratic political project on the other, which relied on dynamic systems of regulation involving interaction between macroeconomic and social policies, the structure of *collective bargaining* was *more centralised* in the Nordic system than elsewhere. In order for the major economic objectives to be achieved and for the policies of wage solidarity to be carried through to a successful conclusion, bargaining had to be centralised. What were the specifically Nordic objectives of *wage solidarity policy*? There were four types of motives behind that policy: a) the aim first and foremost was to develop a wage structure which was based on the *nature and requirements of the work carried out* rather than on the economic performance of the various sectors or enterprises so as to reduce the wage differences between high-profit industrial sectors and low-profit sectors, between profitable and less profitable undertakings, between skilled and unskilled jobs (the latter objective emerged somewhat later with the policies for raising low wages); b) by virtue of a system where average standards were determined centrally, solidarity policy was intended as a factor of *wage restraint* through which demands could be "contained" in profitable and dynamic export-oriented sectors which are subject to the risks of international competition; these sectors were often of major significance in the economies of the Scandinavian countries; c) the average norm established at inter-trade level was intended to help to

eliminate inefficient undertakings, which could not bear such costs, and thus to encourage firms to rationalise production and management at a very early stage; d) and furthermore, wage solidarity policy was intended to facilitate *labour mobility*, for in a wage system where sectoral disparities and disparities between strong and weak undertakings are fairly small a wage earner who changes firms stands to lose less acquired advantages; and geographical and sectoral mobility was precisely a keystone of full employment.

Of course one must avoid giving a simplistic picture of collective bargaining in the Nordic countries. Bargaining is carried out at four levels - at the company level, at the level of the branch of industry, at an inter-trade level covering several sectors (such as the private and the public sector), and at national multi-industry level. The specificity of the Nordic models lies in the intention to provide a framework through central collective bargaining at the multi-industry level and to keep in hand negotiations which can take place at lower levels.

Whereas the centralised collective bargaining system worked fairly well in the 1960s and 1970s, there were numerous mishaps in the 1980s and 1990s due to many different pressures to decentralise.

5. Industrial relations in the Nordic countries are, paradoxically, the subject of both strong social partner autonomy and marked State intervention.

The social actors generally set up autonomous structures precisely in order to avoid State interference.

Yet there proved to be a relatively high degree of State intervention in wage bargaining in all four countries, the aim being to make measures of wage restraint more acceptable in a context of broader political exchange controlled by the State (in return for social benefits, an appropriate fiscal policy, a better housing policy, the guarantee of price control, policies to promote employment, etc.). The political and economic basis of these austerity policies was the dual concern to safeguard full employment and to ensure the competitiveness of the economy.

State intervention has traditionally been more frequent in countries with less united trade union movements such as **Norway** - where white-collar workers' unions are more fragmented and the level of trade union density is lower - or in **Finland**, where the trade union movement has been more divided according to political criteria. Moreover, the significant share of foreign investments within the Norwegian economy during its industrialisation period, particularly in export sectors (shipbuilding, the forestry sector, semi-finished products, the chemical industry) also explains the initially more interventionist role of the State in economic, industrial and social issues. It was in these two countries that authentic wage policies were applied most frequently and repeatedly. In Sweden, where the social partners proved to have greater capacity for autonomy in economic regulation, government interference came about mainly in the 1980s due to the fragmentation of wage earners' interests and also in order to thwart the growing pressure from employers to decentralise collective bargaining. Swedish employers considered that with the wave of legalism of the 1970s, which was the result of the exorbitant trade union power exerted on the social democratic government, the bell had tolled for the social partner autonomy rule and that a change of strategy on their part was thus justified.

6. What role did *economic factors* play in the establishment of the Nordic models? It can be seen that the initial economic circumstances and the pace of industrial development differed widely. Whereas **Sweden** was marked by an open economy geared to exports at a very early stage - an economy which,

in order to maintain its competitive position, had to be based on wage restraint, employment mobility and acceptance of technological development - the context was very different in the other three countries.

In Norway, Finland and Iceland it was apparently more the sections of the protected national economy which facilitated the implementation of national compromises.

7. In a historical survey of the establishment and operation of the industrial relations system in all four countries up until the 1970s Sweden and Norway would be placed fairly close together, whereas Finland and Iceland would be treated as rather special cases. But as time went by there were more and more points on which all four countries *converged*.

Finland is a special case due to the later advent of industrialisation, a context of class warfare which continued until after the second world war, more divided trade union actors, a more complex political order, a disunited social democratic party, the later structuring of employer circles and the slow establishment of collective bargaining practices. It is essentially factors related to class struggle and the political order which explain this initial specificity of Finland. After the second world war, however, Finland gradually aligned with the Swedish and Norwegian system as the result of a change in the attitude of employers, who were more disposed to a centralised bargaining system, and as the result of trade union reunification from 1969 onwards as well as the lessening of left-wing tension.

As for **Iceland**, the industrial relations system was also marked initially by a lesser degree of social democracy and a less developed Welfare State, but in particular by more informal relations, a factor which was related to the small scale of its undertakings. Iceland subsequently also *converged* with the other Nordic countries, however, the culmination of this development being the famous national social pacts signed in 1989 and 1990, which succeeded for the first time in stabilising an economy that was intrinsically unstable due to the actual nature of the fishing industry.

The growing convergence of the Nordic industrial relations systems stems no doubt from the relative homogeneity of institutional, cultural and political factors and of employment market characteristics, from the intensive cooperation between governments and political and social actors within the countries, but also from mimetic effects related to a large extent to the experience of cooperation amongst the Nordic countries, which has been institutionalised within the framework of the Nordic Council since 1952.

II. Models in crisis ?

1. The impact of the internationalisation of economies

Compared to the other OECD countries, the features common to the economies of the four countries have been as follows. First of all, a situation of *marked contrast* between the competitive *export sectors* subject to international competition on the one hand and a sizeable public sector and *protected* sectors of the economy (agriculture, housing, transport, private services and certain branches of industry) on the other, the latter tradition-ally enjoying considerable social and wage advantages. These Nordic countries are in fact characterised by open economies geared to exports, where raw materials (crude oil and gas in Norway), the forestry sector (in Finland), the fishing industry (in Iceland) still play a crucial role; Sweden is different, on the other hand, in that its finished-product manufacturing industry plays a

more significant role. In Finland, the termination of the clearing agreements with the former USSR in 1990 was a severe blow to the traditional exporting firms in the metal and textile sectors. Norway, Finland and Iceland are thus particularly *vulnerable to fluctuations in raw material prices and to the risks inherent in the fishing sector*. What is more, the public sector has grown steadily since the mid 1960s in all four countries; this growth has been particularly marked in Sweden and Norway, and to a lesser extent in Finland and Iceland.

Each of the four countries went through a *period of serious recession* in the late 1980s and early 1990s. The most alarming factor in this new phase of internationalisation of the Nordic economies is the unprecedented rise in their respective *unemployment rates* - 19.9% in Finland, 10.4% in Sweden, 5.6% in Norway (Nordic Council statistics 1994). Unemployment rate in Iceland is only 3.1%, but it is on the increase, and it must be borne in mind that employment rate fluctuates tremendously in winter in two key sectors - the fishing industry and the construction sector. Due to climatic factors, the area of the Nordic territories and their geographic isolation, there are considerable employment disparities in the Nordic countries, with record rates in the peripheral regions.

In view of these circumstances, unprecedented austerity policies were adopted, in particular income policies based on spectacular national compromises. These compromises relied with renewed intensity on the national solidarity solicited in the past. A whole series of emergency measures were adopted by the governments at the same time to stimulate employment, in particular for the benefit of the long-term and the young unemployed.

All four countries launched a policy of *liberalising markets and financial institutions* back in the 1980s but especially in the early 1990s, and, with the exception of Iceland, *brought their national currencies into alignment with the ECU*. This reduced their financial autonomy, since the practice of successive devaluations, the safety valve to which the Nordic governments had traditionally resorted, was thus ruled out. However, as the result of the financial crises which occurred at the end of 1992, three Nordic countries (Norway, Finland and Sweden) were forced to devalue or to float their currencies. Generally speaking, their right-wing - but also social democratic - governments have adopted *economic policies of considerably more liberal orientation* in the past ten years with a view to reactivating market forces and speeding up the integration of these economies into the international - and in particular the European - economy.

The cost of the *Welfare State* was closely observed in all four countries during the same period and numerous measures were taken to "denationalise" part of the social services in order to improve the competitiveness of the public sector (the State and the municipal authorities), cut down on staff in those bodies and reduce the amounts of social benefits and advantages (e.g. reduction of sickness benefits, the number of days' holiday and unemployment benefits, raising of retirement age, etc.). Reforms to that effect were adopted for the Swedish and Finnish Employment Offices. Considerable budget cutbacks have been in effect since the beginning of the 1990s in the latter two countries.

Besides the loss of monetary autonomy and the imperative of better competitiveness, the internationalisation of the Nordic economies has brought a third problem: the extension of the investments effected abroad by the major Swedish, but also Norwegian and Finnish, groups is a threat to the cohesion of the national production systems, since those investments are effected to their

detriment.

2. The end of social democratic hegemony, the changeover of political power and changing political coalitions

The one-time dominant position of the social democrats in the political system declined appreciably in the 1980s and 1990s, especially in Sweden and Norway, and to a lesser extent in Finland and Iceland. The right-wing and centre parties began to come to the fore in all of the four countries and there was a succession of changing coalition governments. At the present time, Norway and Sweden have had social democratic minority governments since the end of 1990 and 1994 respectively. A social democrat and right-wing coalition in Iceland and a coalition of centre and right-wing parties in Finland have been in power since 1991. The social democratic parties have themselves changed under the pressure of liberal trends in their own ranks. It should be added that, confronted with the traditional dichotomy between left and right, new political trends have emerged (particularly Green parties), with the result that the political scene is now more varied and more fragmented.

3. What are the chances of survival of centralised bargaining ?

In the 1980s and 1990s, collective bargaining was marked by *growing State interference*. The governments had already intervened to a considerable extent in Finland and Norway, but it was in Sweden in particular that the end of social partner autonomy and the increase of government interference was felt. What were the *common reasons* for this growing government intervention in wage issues? The increase in competition between white-collar workers' unions, public employee unions and blue-collar workers' unions (LO) and the high level of tension between sectors subject to strong economic competition and those less exposed to that competition inflated wage increases and brought fragmentation of centralised bargaining, the wage drift phenomenon, and an increase in situations of conflict. Employers encouraged this fragmentation to a large extent by urging decentralisation. Confronted with the constraints of growing internationalisation, the governments set about coping with the fragmentation of centralised bargaining by means of various forms of income policy, in particular "negotiated incomes policies", and of the frequent intervention of mediators or arbiters, in order to transfer more resources from wages to profits and to keep their economy under control as they had done in the past.

Caught in the stranglehold of centralising forces on the one hand and decentralising forces on the other, what will become of the centralised bargaining so typical of the four Nordic countries? The permanent survival of national compromises reached under State initiative would seem to be jeopardised in that the State is less and less in a position to offer social compensations for austerity, that employers are no longer finding the advantages of the past in centralised bargaining (particularly because it is impossible to avoid a wage drift and because they want to diversify and flexibilise wage policies), and that employees' interests prove to be more and more fragmented. The governments are well aware of these difficulties; indeed in Finland and Sweden one detects the desire on their part to dissociate the industrial relations - and thus the collective bargaining - sphere from that of Welfare State management. In Sweden, where the risk that the Nordic model will splinter is greater, the social democrats are continuing to defend a centralised bargaining system, but one in which market forces would be allowed to play a greater role and which would check some of the faults of wage solidarity.

Collective bargaining in the Nordic countries is currently faced with the following dilemma: on the one hand, the significance of the respective bargaining levels will depend more and more on how the trade union and employer actors reorganise mutually to form new bargaining units (cartels), which they deem more relevant and more in line with their interests. On the other hand, these readjustments, which are aimed precisely at correcting some of the prejudicial effects of the Nordic models (excessive contraction of the wage hierarchy, which thus does not adequately remunerate skills - blue-collar skills with only minor wage differentials compared to unskilled workers' wages, and so on), and which herald further decentralisation, will have to be carried out in such a way that they do not jeopardise the overall functioning of the economy.

4. Trade unions and employer organisations: the transformation of machinery, programmes and strategies

The 1980s and 1990s have been a period of moves on the part of both trade unions and employer associations to restructure internally. Such restructuring has proved imperative for the **trade unions** due to the requirements of the transformation of the collective bargaining system and to the growing tension between traditional blue-collar and white-collar confederations. It should be borne in mind that trade union topography is relatively simple and fairly similar in all Nordic countries. There are generally three types of actors: a confederation of blue-collar origin, a confederation of white-collar employees and technicians, and a confederation of employees with academic or similar qualifications. As a rule, each of the confederations covers both the public and the private sector.

Due to the growth in membership in the past twenty years, the confederations of white-collar workers' unions (both white-collar employees/technicians and academics) have tended to catch up on the confederations of traditional blue-collar workers' unions and to diminish the formerly predominant role of the latter. What is more, the proportion of public sector unions in the blue-collar confederations has become influential and indeed dominant, and this has given rise to major internal divisions.

The **employer associations** have also *restructured internally* in the 1980s and 1990s, mainly in the private sector. Employer associations dealing with social questions and those authorised to deal with economic issues have amalgamated at the national level particularly in **Finland** and **Sweden**, and in certain sectors in **Norway**. The objective of this unification process is to make their activities more effective and less costly and to achieve joint action in defending their interests, especially at the European level. Small employer federations are also amalgamating following the trade union example.

In all four countries, the *tension in relations between the trade unions and employers* in the 1980s and early 1990s was caused mainly by *notorious about-turns in employer strategies* aiming to decentralise bargaining, to flexibilise employment conditions - chiefly as regards wages and organisation of work - to achieve less rigid social legislation and to call the Welfare State in question to some extent. The employers' liberal offensive was most spectacular, and also most political, in **Sweden**, where, after gradually developing over ten years, it finally culminated in the SAF's withdrawal from the tripartite bodies in 1992.

The disputes of the last ten years in all four countries have had several salient features : the general expansion of the centralised bargaining system to all of the trade union confederations has given rise to

comparisons of groups and cartels in negotiations and has resulted in the multiplication of disputes; furthermore, public sector employees, and particularly women, have become more and more inclined to strike and increasingly militant; wages have been the main motives for strikes; there have been numerous stoppages of work in plants in the Nordic countries, mainly in reaction to reorganisation measures.

5. Looser links between political parties and trade unions

How have the links *between the trade unions and the social democratic parties* developed in the past few years? They have become *looser* in that both sides have sought greater autonomy. First of all, the social democratic parties have generally sought to differentiate themselves from their trade union counterparts (LO in Sweden and Norway, SAK in Finland, FTI in Iceland) for a number of reasons: they wanted to be able to develop alliances more freely with centre parties and trade union organisations other than the LO; under pressure from a liberal trend within their own ranks, the social democrats have been planning to carry out policies giving renewed priority to market forces; the onus has thus been to represent much broader interests than those of the members of their traditional trade union partner.

All things considered, the advantage for the trade union in having close links diminishes in that the social democrats in power are less in a position to offer compensations in the field of economic, fiscal and social policy. After all, with the liberalisation and internationalisation of economic policies which restrict governments' room for manoeuvre and in view of rising unemployment, it is also in the interests of trade unions to regain a greater degree of autonomy.

6. The end of full employment policies ?

Despite the fact that, with the exception of Finland, unemployment levels in the Nordic countries are still lower than the EU average (11% in 1994), the steep rise in unemployment is nevertheless considered alarming, particularly since the schemes for redeployment, training and job creation account for some 3 to 4% of the working population; this constitutes what is known as the percentage of "hidden unemployment".

There were *many different factors explaining the low unemployment level so typical of the Nordic systems until the end of the 1980s*. By centralising collective bargaining it was possible to coordinate wage increases, to avoid granting increases which would exceed the possibilities of the economy and thus to promote an overall vision of the situation, and to avoid the inflationary spiral, which is prejudicial to employment. In addition to this, contrary to the situation in other countries, a well-developed and well-designed "active employment policy" - whether in the form of training courses (especially for vocational retraining) or jobs which are of use to the general community - helped to forestall unemployment and/or to ensure rapid transition from unemployment to employment. The objective of the Nordic governments was to spend more on active redeployment measures than on passive measures in the form of payment of unemployment benefits. However, whereas, traditionally, it was possible to resorb 80% of the unemployed through these active employment policies, only 50% of the unemployed (in Sweden and Norway) were taken care of in this way in 1992 - a figure which had not been seen since 1950.

Finally, and above all, until the end of the 1980s it was possible to resorb unemployment through macro-economic policies to a greater extent than in other countries - by expanding the public sector and thus off-setting some of the job losses caused by industrial restructuring, on the one hand, and by improving terms of trade for businesses through a policy of successive devaluations on the other. All of these traditional economic mechanisms are now being called in question by governments and employers, who no longer consider them relevant in the new phase of internationalisation of the economy and integration into the European Union.

III. The contribution towards the construction of Social Europe

Paradoxically, in the national debate held within each of the Nordic countries both at the time of access to the EEA and when the possibility of accession to the EU was being discussed, the citizens of the Nordic countries became more aware of the specificity of their Nordic social models as regards both method and content.

What are the specific features regarding method ?

- a) The experience which these countries have gained of many different forms of national compromise (involving essentially wage policy and measures to fight unemployment) is a considerable asset for these countries in the EMU context, which may well serve as inspiration for the other countries of the European Union. In view of the significance of social regulation in economic performance and of the crucial role played by the trade unions in this process, it is also in the interests of Nordic employers to advocate compromise. If this argument is pursued further, one could imagine that if, for example, Sweden or Finland speak with one national voice (after prior coordination between the social partners and the State) in relations with the authorities in Brussels, enlightened Nordic employers thereby advocating that social standards be established at the Community level, this could make employers in the other EU countries think and could induce UNICE to change its attitude in this respect.

It should be borne in mind that these countries, which are going through a period of change, are affected much more by a financial crisis in their Welfare States than by a crisis concerning values or institutions. The values of solidarity and cohesion amongst social groups and between capital and labour are in fact still very much present. Although these values have often been eclipsed, particularly under the non-social-democratic governments of the last few years, European integration has, in a way, helped to reactivate them. One need only mention the policy of austerity and national recovery which was adopted in Finland in 1991 and was accepted by all, or the fact that in Sweden opposing political forces reached agreement on a national austerity plan in 1992. These countries have powerful trade union and employer organisations, which are representative and have a high level of internal discipline as well as the ability to adjust rapidly, and which are long used to handling the problems posed by an economy which is open to other countries.

- b) In addition to this it should be borne in mind that the Nordic social partners and governments have been accustomed to inter-State cooperation for the last forty years in the context of Nordic cooperation, which is vested with a Nordic Council (a parliamentary body) and a Council of

Ministers with a permanent secretariat. Decisions are taken unanimously on that Council, a procedure which promotes compromise in that each member country can put forward its points of view and can thus be more readily understood by the other countries, so that more "legitimate" compromises can be reached. Although the virtue of a system of this nature is to promote mutual understanding and the ability to compromise, the Nordic countries and their social partners will be liable to have difficulty on the other hand in switching over to the type of supranational practices involving the delegation of power and the majority voting that are in effect in the EU. Social partner collaboration per se also works well - the Nordic trade unions founded the Nordic Councils of Trade Unions in 1972, and the employers, for their part, collaborate within the framework of a "standing committee".

It must be stated that their experience of cooperation in the social field is based on a strong principle of reality, i.e. the fact that there has been a Nordic employment market since 1955. That market facilitated the free movement of workers, all of whom, as nationals of a Nordic country, could freely seek employment in any of the five countries (Sweden, Norway, Finland, Denmark, Iceland) without having to apply for a work permit. In addition, the citizens of each of the countries enjoy the same advantages as nationals as regards social protection and can also vote in local elections. The "North" is thus clearly well ahead of the comparable provisions of Social Europe. Yet the level of vocational mobility amongst the Nordic countries has remained fairly low: In 1994 approx. 1.8% of the workforce was concerned, the corresponding figure for the EU being 1.4%. It should also be pointed out that very pragmatic Nordic cooperation projects have been carried out in fields such as consumer protection, the working environment, environmental protection, equality between men and women, public health, cross-border regional cooperation and transnational group works councils.

It was, of course, due to favourable sociological, political and cultural factors that this close cooperation amongst the Nordic countries has been possible, despite fairly recent conflict connected with the colonisation of Norway and Finland by Sweden and the colonisation of Iceland by Denmark.

- c) What will the Nordic countries contribute to the actual substance of Social Europe ? There are many fields where they are still definitely pioneers - whether it be equality between men and women (and in particular as regards facilities for working parents with young children), qualifying organisation of work, vocational training, industrial democracy in the company, environment and consumer policies, or efforts to fight unemployment through active (rather than passive) employment policies. On the issue of the Welfare State, the Scandinavian trade unions will set an example of firmness. Although they are already participating in part in the reform of the Welfare State and in the move to call in question some of its advantages, it is nevertheless a major issue in their view, and one on which they will show determination and will vigorously oppose any excessively liberal moves.

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