Main Article

etui.

Transfer
2019, Vol. 25(3) 351–365

DOI: 10.1177/1024258919861202
journals.sagepub.com/home/trs
SAGE

Collective bargaining as a tool to ensure a living wage. Experiences from the Nordic countries

Kristin Alsos
Fafo Institute for Labour and Social Research, Norway

Kristine Nergaard
Fafo Institute for Labour and Social Research, Norway

Andreas Van Den Heuvel
LO, Norway

Summary
To date the Nordic countries have not had a public debate on living wages, in contrast to many Anglo-Saxon countries. This does not mean, however, that the concept of a living wage is alien to them. In this article we examine whether wage-setting mechanisms in the Nordic countries promote and secure a living wage for all employees, and how trade unions have approached the concept of a living wage.

Résumé
À ce jour, les pays nordiques n'ont pas encore connu de débat public sur les *living wages*, contrairement à de nombreux pays anglo-saxons. Cela ne signifie pas, toutefois, que le concept de *living wage* leur soit étranger. Dans cet article, nous examinons si les mécanismes de fixation des salaires dans les pays nordiques promeuvent et assurent un *living wage* pour tous les travailleurs, et quelle est l'approche pratiquée par les syndicats vis-à-vis de ce concept de *living wage*.

Zusammenfassung
Im Gegensatz zu vielen angelsächsischen Ländern haben die nordischen Länder bisher keine öffentliche Debatte über Living Wages geführt. Das bedeutet jedoch nicht, dass ihnen der Begriff des Living Wage fremd ist. In diesem Artikel untersuchen wir, inwiefern Lohnfindungsmechanismen in den nordischen Ländern einen Living Wage für alle Arbeitnehmer fördern und sichern, und wie die Gewerkschaften an das Konzept des Living Wages herangegangen sind.

Keywords
Living wage, minimum wage, Nordic countries, collective bargaining

Corresponding author:
Kristin Alsos, Fafo Institute for Labour and Social Research, P.O. Box 2947 Tøyen, 0608 Oslo, Norway.
Email: kal@fafo.no

Introduction

While living wage movements have emerged in Anglo-Saxon countries such as the United States, the United Kingdom and Ireland, aimed at raising statutory minimum wages, to date no similar movements have been seen in the Nordic countries (Eurofound, 2018; Schulten et al., 2015). This is despite the fact that these countries do not have a statutory minimum wage and that the wage floors set by collective agreements are at best fragile in some industries.

Wage setting in the Nordic countries is, for the vast majority, still done through negotiations between trade unions and employer organisations at industry level (Dølvik et al., 2018; Nergaard et al., 2016). Despite government involvement in mechanisms for extending collective agreements in some of the countries, the basis of these decisions is collective bargaining between autonomous parties. The state therefore has a limited role when it comes to setting wage floors, and trade unions are sceptical about statutory regulation (Furåker, 2017). This does not mean that the notion of decent wages is neglected in these countries.

The term 'living wage' has been defined as 'a basic income that provides more than mere subsistence enabling participation in society and some scope for workers and their families to insure against unforeseen shocks' (Parker et al., 2016). The living wage is thereby based on the cost of living, and usually calculated for different household types and/or regions based on a standard basket of goods and services necessary to achieve a decent living standard (Schulten et al., 2015). It will usually be higher than the statutory minimum wage.

Another way of defining a living wage is by linking a minimum wage to the national wage level (for instance, a percentage of the national-level average or median wage) and setting a level or formula that yields a decent living standard. Such standards might also be higher than existing minimum wages. The discussions on a possible European minimum wage follow this path (Eurofound, 2018; Schulten et al., 2015).

Living wage campaigns, such as the one seen in London (the so-called 'London Living Wage'), try to convince employers to pay the living wage on a voluntary basis. A number of methods are used, such as raising media awareness. Campaigns might also put pressure on third parties, such as contractors of services. Collective agreements and collective negotiations play only minor roles in such campaigns.

The absence of living wage campaigns in the Nordic countries may be seen against the backdrop of high levels of equality and low wage disparities. These countries also have stronger wage bargaining systems than elsewhere. The bargaining parties have been granted the responsibility of ensuring a decent wage floor. In the Nordic countries, both wage-setting models and targets set by trade unions in order to put pressure on employer organisations to raise wages can be seen as based on the same kind of arguments that we find in living wage campaigns.

The Nordic countries have among the lowest levels of working poor in Europe (Eurofound, 2017) and low wage disparity, although the trend in the Nordic countries, apart from Sweden, is towards increasing deviation between high and low end groups in the labour market.[1] This may indicate a need to examine the level and quality of wage floors in the Nordic countries.

As living wage campaigns have not yet emerged in the Nordic countries, we investigate whether minimum wage regulations in these countries are based on the principle of establishing living wages, and if so, what mechanisms have been used to achieve this. We will first provide an overview of the Nordic models of wage bargaining (Section 2), before looking into general

1 OECD.stats, Decile ratios of gross earnings. Available at: https://stats.oecd.org/Index.aspx?DataSetCode=AV_AN_WAGE (accessed 10 May 2019).

approaches to establishing wage floors and whether arguments about living wages play a role (Section 3). In Section 4 we will evaluate concrete bargaining strategies and tools for addressing the problem of low pay and establishing a decent wage floor, before discussing (in Section 5) whether wage floors in Nordic collective agreements establish a living wage de facto. In conclusion we look into whether recent developments have undermined the capacity of collective agreements to set wage floors at levels corresponding to a living wage.

Wage setting in the Nordic countries

Collective bargaining systems in the Nordic countries are often described as models of organised or centralised decentralisation (Due et al., 1994, 1995; Traxler, 1995). Industrial bargaining takes place in all countries, but is often supplemented by enterprise-level bargaining (Dølvik et al., 2018; Stokke et al., 2013). The level of decentralisation varies between the Nordic countries and between industries, but in all countries except Iceland, a model of pattern bargaining is used, in which manufacturing sets a benchmark for wage increases for other industries to follow. In principle this mark should safeguard the export-oriented sectors by securing wage development in line with trade partners, although better productivity might open up room for higher wage increases. The model is based on the presupposition that higher wage increases in competing domestic industries or the public sector ('sheltered' sectors) will eventually lead to increased prices on export goods, loss of competitiveness and increased unemployment.

Union support for the model is based on good macroeconomic performance, including a low unemployment rate, but also on the model's ability to improve wages for low-wage groups. The negotiating models result in highly coordinated wage negotiations between industries. At the same time, major parts of the wage negotiations take place at company level under a peace obligation, based on the economic situation of the company, including productivity. Thus profit-sharing plays an important part in company-level negotiations. For Denmark only minimum wage levels are negotiated centrally, in Norway most agreements combine industry- and company-level wage increases, while in Sweden there are different ways of dividing wage-setting competences between central and local levels. These range from fully decentralised systems to systems in which wages are negotiated at industry level (Andersen et al., 2014; Nergaard et al., 2016).

In such models, the ability of wage bargaining to set a wage floor for all workers depends on a number of factors. First, the level of collective bargaining coverage and whether the system is underpinned by other institutions to extend this coverage. Second, whether collective agreements lay down wage floors and at what level. And third, whether trade unions or other institutions enforce minimum wage regulations. In this article we will look at the ability to establish decent wage floors, that is, wages that provide a decent living standard. Enforcement issues as such are not discussed.

Table 1 shows that bargaining coverage varies among the Nordic countries. Iceland, Finland and Sweden have the highest bargaining coverage, and Denmark and Norway lag behind. In the European context bargaining coverage is not particularly impressive, at least in Denmark and Norway, as other countries make wide use of extension mechanisms. While all employees in the public sector are covered by collective agreements in the Nordic countries, the level varies between industries in the private sector. In all the countries, manufacturing is among the industries with the highest coverage, while private services typically are characterised by poor coverage (Ibsen, 2012; Nergaard, 2018). The degree to which professionals in the private sector are covered by collective agreements that set wage levels varies. In the living wage context, however, this is not particularly important because low wage levels are rare among them.

Table 1. Bargaining coverage in the Nordic countries, private sector.

	Denmark	Finland	Iceland	Norway	Sweden
Bargaining coverage in the private sector (Numbers incl. the effect of extension mechanisms)	74	76 (84)	90*	52 (62)	85
Year	2015	2014	2016	2017	2016
Source	Dansk Arbejdsgiverforening (2016)	Ahtiainen (2016)	OECD	Nergaard (2018)	Kjellberg (2018)

Note: *Numbers including public sector.

The variety of bargaining coverage across industries indicates that social partners' capacity to set a general wage level varies between industries, especially in Norway. Up until the EU's eastward enlargement in 2004, this seemed to cause little trouble because of the normative effect of collective agreements. Thus, companies were guided by the minimum wage levels in collective agreements even if they were not bound by one (Nergaard et al., 2016). Following the enlargement of the labour market to low-cost countries in the east, increased low-wage competition has challenged this system.

Finland, Iceland and Norway have systems for extending collective agreements. In Finland this is done with most collective agreements, while in Iceland the cross-sectoral agreement between the Federation of Icelandic Industries (SI) and the Icelandic Confederation of Labour (ASI) sets a wage floor for all industries. In Norway wage floors in collective agreements are extended if foreign employees are paid below minimum wage levels (Alsos and Eldring, 2008). In 2019, minimum wage rates in nine agreements have been extended; several of them are in private services, including cleaning, hotels and restaurants, and construction. The extension of collective agreements increased private sector bargaining coverage by approximately 10 percentage points (see Table 1) (Nergaard, 2018). Trade unions in Denmark and Sweden have used more traditional means of expanding bargaining coverage, such as recruiting members and forcing collective agreements on unorganised companies (Dølvik, 2016). At 65 per cent or more, union density in these countries is still the highest in Europe, despite a downward trend. Norway is an exception, however, as its density rate has fallen below 50 per cent (Nergaard, 2018). High union density makes it easier to maintain high collective agreement coverage.

Secondly, when it comes to wage floors in collective agreements, minimum wage agreements, normal wage agreements and agreements with no fixed wage levels can all be found in the Nordic countries. While the first two lay down a wage floor, the wage level in agreements with no minimum wage level depends on the ability of company-level unions to negotiate on behalf of their members, or on individual wage setting. In Denmark and Norway most agreements have fixed minimum wage levels. In 2014 one-fifth of Danish employees were covered by agreements with no wage floor (Ibsen et al., 2015). In Sweden 23 per cent of employees are covered by agreements with company-level wage setting only (so-called figure-less [*sifferlöse*] agreements). This is most common in the public sector; most private sector agreements have some kind of wage negotiation at central level (Medlingsinstitutet, 2019). In all countries agreements in the typical low-wage industries have minimum or normal wage regulations. The implication is that the social partners have instruments to regulate the wage floor in sectors in which the low-wage challenge is most prevalent.

Even though bargaining coverage indicates that these models are not waterproof, the idea of introducing a statutory minimum wage is still alien and barely discussed in these countries. Only in Norway do political parties and employer organisations raise this issue from time to time. Trade unions in all the Nordic countries are reluctant to take such a step, especially the Swedish unions (Alsos and Eldring, 2016; Furåker, 2017). This is because they do not want the state to interfere in wage setting and fear that a statutory minimum wage would compete with wage floors in collective agreements, thereby setting a competing (and lower) wage floor and putting downward pressure on collectively agreed wage floors (Eldring and Alsos, 2012).

Traditional approaches to establishing decent wage floors

The term 'living wage', as a generally accepted and calculated wage level that can be linked to a 'decent living', is little used in the Nordic counties.[2] Scandinavian trade unions usually concentrate on their own members and agreements, and do not link their demands or minimum wage rates to any generally set 'living wage level', calculated on the basis of living costs.[3] Calculations of living costs exist, for instance, for different household types, but are seldom used in connection with collective bargaining. Other arguments and mechanisms can have the same purport as arguments related to living wages, however. In this section we look at the arguments that historically have underpinned collectively agreed wage increases in the Nordic countries. Focusing on low-pay occupations we will use Norway and Sweden as examples.

Living wage campaigns in low-pay sectors

In Norway and Sweden, the concept of the living wage (*ei lønn å leve av/en lön att leva på*) has been linked mainly to female-dominated trade unions and low-skill occupations in private and public services. The aim has been to increase wage levels in industries such as retail, hotels and restaurants, and cleaning, as well as in the health and care sector and other low-wage occupations. Wages there are generally considered to be below the level of a 'living wage'. In Norway the term '*ei lønn å leve av*' was introduced by the newly elected (and first female) president of the office and retail workers' union (Handel og Kontor), Sidsel Bauck, in 1988 (Fjellvik, 2008). She did not link this slogan to a specific wage level, but aimed to raise awareness of the circumstances of low-paid, mainly female service workers. The same concept and terminology has been used by unions in the hospitality sector in Norway and Sweden.

In addition, unions often stress that increasing wages for low-wage groups will be a step in the direction of closing the gender pay gap. Low-paid female-dominated occupations are seen as incompatible with gender equality. By using such arguments unions appeal to the solidarity of other unions, employers and public opinion to win support for their demands. Examples can be found in the policy pursued from the late 1950s as low-wage unions argued for wages that would entail solidarity among different groups.[3]

2 An exception is Jalali and Lindberg (2013) who looked at the effects of a 25 per cent decrease in minimum wages.

3 The term 'living wage' is used in Sweden almost exclusively in relation to working conditions in low-wage countries with which Swedish companies have dealings. In countries such as the United Kingdom and the United States, however, it is used primarily to speak of domestic living conditions (Jalali and Lindberg, 2013, our translation).

Wage solidarity

For many decades, union strategies to prioritise wage increases for low-wage groups have been more important than campaigns for living wages. A key challenge remains that low-wage groups tend to lack bargaining power, among other things because of low trade union density in such industries. In the 1950s and early 1960s blue-collar union confederations had the power to coordinate collective bargaining across unions and industries. This enabled them to develop strategies to raise low wages.

All the Nordic countries have a long post-war tradition of centralised bargaining, in which the peak organisations in the private sector negotiate an agreement that sets the standard for the rest of the economy. From the late 1950s and early 1960s, collective agreements were renegotiated at the same time and often together through a centralised and coordinated bargaining system. This allowed large cross-sector organisations to reach agreements in which the labour market situation and the circumstances of export-oriented industries were taken into consideration.

The blue-collar union confederations (LOs) also adopted a policy of wage solidarity. These strong confederations aimed at securing wage rises for low-wage groups and reducing income inequality. This is exemplified by the policy of the Swedish unions in the 1950s and 1960s (Elvander, 1988). By being part of a larger bargaining unit, employees in low-wage sectors and unions could benefit from increases that they would not have been able to achieve by bargaining on their own. This might seem counter-productive on the assumption that union confederations of this kind are also likely to take the employment effects of such a wage stance into consideration. Wage increases in sectors with low productivity could undermine companies' competitiveness and threaten jobs. The argument was that this would allow capital and resources to be shifted to other, more productive, industries. Jobs might be lost initially but employment transitions would be facilitated by an active labour market policy and generous income security for persons (temporarily) out of work. This well illustrates the close links between wage setting, incomes policy and the welfare state in Nordic labour market models.

How did the unions frame their low-wage policy during the years of centralised bargaining? The blue-collar union confederations mainly addressed low-wage challenges by demanding increases in absolute terms, and not merely in percentage terms, or by raising the lowest wages by other means. To a degree, this implied wage moderation on the part of other groups in order to keep the overall wage increase down. One 'complication' was that most low-wage sectors tended to rely on central bargaining, whereas company-level bargaining was common among better paid blue-collar workers and among white-collar workers. The united wage policy was therefore challenged from within the LOs by wage drift through local bargaining, as well as from white-collar unions and their members, who had less interest in a low-wage focus.

Maintaining purchasing power as a minimum

Prices and price development are important aspects of a living wage perspective. Price increases diminish purchasing power unless compensated by a higher living wage. By linking the living wage to a certain basket of goods, rates are adjusted when prices rise. Inflation is also an important factor in wage bargaining. For unions, securing and, preferably, improving members' purchasing power (real wages) are the benchmark of delivering good bargaining results for their members. Entering into agreements that run for several years is therefore risky when inflation is high or uncertain.

Historically, agreements could include index regulation clauses in order to cope with uncertainty (Due et al., 1993; Elvander, 1988; Stokke, 1998). This also gave the government an option to use price policy, for example, price subsidies, to moderate wages without reducing real wages (Stokke, 1998). In the 1970s and the 1980s inflation was high, periodically combined with high unemployment rates (stagflation). Unions realised that high nominal wage increases, partly due to wage drift, did not necessarily improve purchasing power. Bipartite and tripartite efforts to improve the bargaining system were seen over the 1990s, including providing the bargaining parties with reliable information on economic prospects (Nergaard et al., 2016). Today, information on expected price developments is provided by tripartite and expert committees before bargaining takes place. Agreements are normally concluded for one to three years, meaning that the risk of underestimating inflation and ending up with negative real wage increases is modest.

Low wage inequality and generous welfare models

Besides wages, the generosity of welfare and social security arrangements, as well as tax levels, determine living standards. A compressed wage structure and generous welfare states with high income security are part of the Nordic labour market models (Dølvik, 2013). A study by Barth and Moene (2016) argues that these elements are interrelated, but also that the outcome is reinforced by a multiplier effect. If the wage level for the lowest paid increases, this leads to increased demands for a generous welfare state because more people have more to lose. Generous welfare benefits also increase the bargaining power of low-wage earners because they are less dependent on taking low-wage jobs. Furthermore, generous benefits lead to higher minimum wages as the latter have to be above the benefit level in order to make it worthwhile for people to take the relevant jobs. The effect of increased bargaining power will be stronger at the lower end of the wage ladder as employees higher up already have a strong position vis-à-vis their employers. Applying this to coordinated bargaining models, like the one in Norway, Barth and Moene (2016) found that the compressed wage structure in the Nordic countries is not only related to coordinated wage bargaining, but reinforced by generous welfare benefits.

Legal instruments ensuring a decent wage floor

Even though statutory minimum wages do not exist in the Nordic countries, legal regulations underpin collectively agreed wage floors in some areas. EU regulations that to some extent interfere with Nordic wage-setting models have been a topic of controversy since the ECJ rulings in the *Laval* quartet. These regulations secure wage floors for workers posted to the Nordic countries. In Denmark and Sweden this is done through collective agreements, while in the other three countries a wage floor is ensured by extending collective agreements. This is somewhat patchier in Norway, where there are only a few extended agreements.

International law imposes a number of obligations on countries to secure a wage floor. Some of the relevant instruments are considered to conflict with Nordic wage-setting models, and therefore have not been ratified there. ILO Convention No. 131, the so-called Minimum Wage Fixing Convention (1970), requires that all groups of wage-earners should receive a ‘minimum wage’. According to that convention, the elements to be taken into consideration in determining the level of minimum wages should include the ‘needs of workers and their families’. One could argue that the reference to the ‘needs of workers and their families’ constitutes a link to the concept of living wages. One may also argue, however, that even though this was the intention of the instrument, the minimum wage has in practice moved away from a living wage standard in many countries

(Schulten and Müller, 2017). No Nordic country has ratified ILO Convention No. 131, as already mentioned, because it requires that the minimum wage be statutory and cover 'all groups of wage-earners'. The view that collective bargaining should be used to ensure a living wage is difficult to combine with the requirements of ILO Convention No. 131.

Looking more closely at Norway's obligations, however, three other instruments of international law appear to lay down requirements concerning minimum wages. ILO Convention No. 26, the Minimum Wage-Fixing Machinery Convention (1928), only requires that the ratifying parties establish a mechanism whereby minimum wage rates can be fixed. This requirement is limited to industries without collective bargaining, in particular home working trades.

The provision on the right to 'fair remuneration' in the European Social Charter Article 4 imposes a stronger obligation on states than the ILO Convention of 1928. According to the European Social Charter (1961) and the Revised European Social Charter (1996), ratifying states are obliged 'to recognise the right of workers to a remuneration such as will give them and their families a decent standard of living'. The aim of this provision is thus to ensure living wages. According to the current interpretation of the Committee of Social Rights, the level of the minimum wage must at the outset be 60 per cent of the average wage in the given Member State. The minimum wage may, however, be set at a level of between 50 and 60 per cent if there are compensatory measures in tax legislation and in the social security system. The Committee underlines that when looking at net wages it takes into consideration any redistributive effects of social security contributions and taxes.

In contrast to ILO Convention No. 131, there is no requirement to fix a minimum wage in the European Social Charter. Remuneration may be fixed by freely concluded collective agreements, by statutory wage-fixing machinery or by other means appropriate to national conditions. When minimum wages are fixed solely in collective agreements, as in Sweden and Denmark, or mainly in collective agreements, as in Norway, compliance with the minimum wage provision in the European Social Charter may be difficult because collective agreements with provisions on minimum wages do not cover the whole labour market. Indeed, some agreements do not contain minimum wage regulations. The practice of the Committee of Social Rights is to give consideration to the coverage of collective agreements, their normative effect, where companies adopt wage floors voluntarily, and whether there are groups of employees in the labour market who are at risk of becoming working poor. Collective bargaining as a tool to ensure a living wage does, however, require a more thorough and discretionary assessment by the Committee.

In contrast to the minimum wage provision in Article 4 European Social Charter, the interpretation of the equivalent provision in Article 7 UN International Covenant on Economic, Social and Cultural Rights set forth strict requirements on how the minimum wage shall be fixed, but not its level. According to Article 7, the states that are party to the Covenant recognise the right of all workers to a decent living for themselves and their families. The Committee on Economic, Social and Cultural Rights (CESCR) has interpreted and developed this provision in such a way that it requires the states parties to 'establish in legislation ... minimum wages that are non-discriminatory and non-derogable'. This interpretation builds on ILO Convention No. 131 as regards the requirements on minimum wage legislation and on the level of the minimum wage. In 2013, the CESCR expressed concern that Norway 'has not set a national minimum wage'. The committee recommended that Norway should take 'legislative and other measures to introduce a national minimum wage that is periodically reviewed and set at a level sufficient to provide all workers and their families with a decent standard of living'.

It seems that, despite the criticisms of committees monitoring international law compliance, these regulations have had limited effect when it comes to securing living wages in Norway. One explanation might be that the pressure from international bodies is not sufficient to prompt changes to a wage-setting model that is embraced by the most powerful national actors. Mainly in situations in which such instruments could be used in support of a desired policy change, the government would draw support from international instruments. One example is ILO Convention No. 94 on public procurement, which has been ratified by Denmark, Finland and Norway. In Norway the government went further than required, laying down obligations to ensure wage floors on a level with collective agreements, not only in state procurement, as the Convention requires, but also in procurement at municipality level (Schulten et al., 2012).

Mechanisms for establishing a living wage in the Nordic countries

In the Nordic countries wage-setting models with coordinated bargaining across sectors are still the most important tool for ensuring a living wage. In this section we look more closely at the mechanisms used by the bargaining parties to establish decent wages.

Minimum wages in collective agreements

Most blue-collar agreements or other agreements relevant for low-wage groups have minimum wage rates. Because opening clauses are uncommon, these constitute a wage floor for the relevant industry. In Norway and Sweden the importance of minimum wage rates varies between industries.[4] In manufacturing, few employees are paid minimum rates but the introduction of extensions of collectively agreed minimum wages in Norway implies that such rates are actually applied, and that the level of minimum wage rates is increasingly important. Norwegian trade unions are therefore putting more effort into raising minimum wages in collective agreements, not only to secure a decent wage, but also to reduce the gap between minimum and average rates because of the competition between labour migrants and local workers.[5]

In other sectors, rates laid down in collective agreements at sectoral level are more common and play an important role. Many low-wage occupations have little bargaining power at company level, meaning that the rates in sectoral agreements are important in the wage structure. Some collective agreements also set a so-called ‘normal wage’ or going rate and company-level bargaining does not take place or is uncommon.

The Nordic countries are high-cost and high-wage economies, with a compressed wage structure compared with many other countries. A debate that comes up from time to time is whether entry wages are too high, especially for young people, employees with little formal education and/or in labour intensive sectors, such as private services. The upshot may be that employers are not willing to hire less productive employees as the costs exceed the gain. Analyses by the Swedish Konjunkturinstitutet (2012) show that the minimum wage level influences the wage structure in sectors such as retail and hotels and restaurants because a relatively high number of workers are paid at the lowest wage level in the agreement. Changes in the minimum wage will therefore affect the functioning of the labour market in these sectors. The same labour market effect is less

4 https://www.lag-avtal.se/arbetsratt/har-ar-branscherna-med-verkliga-minimiloner-6553418 (accessed 25 February 2019.

5 Klassekampen, 17 April 2010. Available at: https://www.klassekampen.no/apps/pbcs.dll/article?avis=KK&date=20100417&category=ARTICLE&lopenr=304179998&Ref=AR&profile=1005&template=printart (accessed 25 February 2019).

pronounced among public (municipal) employees and in the metal sector because fewer people are paid minimum rates.

This debate has intensified in Sweden after a high inflow of refugees over the past few years. An agreement was reached between the social partners on an 'introduction wage' below the minimum rates in collective agreements. The period during which a worker can be on the introduction wage is restricted. There is a similar debate in Denmark on the so-called '*indslusningsløn'*, but the social partners there have so far been resistant. They claim that appropriate measures already exist, including state wage subsidies and a special programme aimed at qualifying refugees for the labour market (IGU).[6] In Norway the social partners and the government also agreed a number of measures, such as wage subsidies and work training for a limited period.

Low-wage strategies in central bargaining

The coordinated wage bargaining models collapsed in the 1970s and 1980s in Denmark, Norway and Sweden. They were followed by pattern bargaining models. Today unions in low-wage sectors usually bargain on their own. The question therefore arises of how to achieve higher wage increments for low-paid sectors and occupations.

The pattern bargaining model tends to set an upper limit on what unions in the public sector or private services can achieve through bargaining. Employers and trade unions have agreed to adhere to the 'mark' set by the export-oriented manufacturing industries (Alsos and Nergaard, 2018; Nergaard et al., 2016). What is achieved in the trend-setting export industries also tends to be the minimum unions will accept in negotiations. The strong unions in the export industries thus still influence bargaining results in parts of the private sector with weaker unions. This is the case in Norway in particular, where union density in parts of the services sector is now down to 20–30 per cent. Still, from time to time tensions arise within the bargaining system when low-wage unions aim to achieve more on their own (Medlingsinstitutet, 2016).

The main low-wage strategies among unions are to increase minimum rates and/or to secure decent increases in bargaining at central level, for instance by insisting on increases in absolute figures (not percentage terms). In addition, there are mechanisms aimed at securing higher wage increases for low-wage groups to prevent them from lagging behind (Alsos and Nergaard, 2018). This is done as part of a central-level bargaining round and is a different mechanism from the low-wage guarantees discussed below. In Norway the incomes of low-wage workers are safeguarded through a special low-wage increment (in lump sums per hour), usually applied in bargaining areas where average wages are below 90 per cent of the industry average. This practice is widely accepted among private sector LO unions. Its aim is to ensure that these groups do not lag behind groups with stronger bargaining power at company level. In Sweden, funds for low-wage increases are allocated via the way the wage pot is calculated – allowing the low-wage areas more room for manoeuvre. In all countries, detailed wage statistics are a key element in bargaining; extra effort is made by the relevant unions if they are lagging behind. Low inflation over the past decade or so means that total wage increases have been lower, restricting the measures (money set aside for low-wage increments) that can be applied.

---

6 See: https://www.berlingske.dk/kommentatorer/oekonomer-er-for-indslusningsloen (accessed 25 February 2019), and http://uim.dk/arbejdsomrader/Integration/integrationsgrunduddannelsen (accessed 25 February 2019).

Low-wage guarantees

Another strategy is to link wages to the wage levels of other groups, for instance the average in manufacturing. In Sweden, low-wage pots were common in the late 1960s and the following decade. Setting aside such pots for low-wage sectors was part of the bargaining rounds. Funds were calculated and distributed by the bargaining parties in each agreement area (Elvander, 1988). In Norway, an innovative wage guarantee scheme was introduced in 1980. The parties agreed to establish a low-wage fund, and guarantees were introduced in the agreements, linking the company average wage level to the manufacturing sector average. The arrangement proved expensive, however, and had some unintended effects. It was applied only for a short period. But many Norwegian collective agreements have maintained guarantees, although they have changed through numerous bargaining rounds since the early 1980s (Stokke et al., 2013). Some arrangements link company averages to sectoral averages; others link them to the average wage level for workers in manufacturing.

Are Nordic minimum wages living wages?

There is no fixed level for what constitutes a decent living wage, in actual or relative terms. As mentioned in the introduction, a calculation has to be made to determine what is required to sustain a decent standard of living. In the absence of a calculated living wage level, one might, as the ETUC has done, define a level high enough to ensure a decent living standard (ETUC, 2014; Schulten et al., 2015). The level used is linked to the national median or average. In discussions on a European minimum wage, levels of 50 per cent of the average wage or 60 per cent of the median wage have been put forward (European Parliament, 2016). This is also in line with the level laid down by the European Social Charter (see above).

The need for a living wage that is higher than the statutory minimum wage is most prominent in countries where the minimum wage level is far below these thresholds. As described in Section 3, wage setting in the Nordic countries is based on, among other things, the development of purchasing power. Collectively agreed minimum wages therefore de facto take the cost of living into consideration. One way of measuring whether the Nordic wage-setting model is able to secure a living wage is to compare the minimum wage stipulated in collective agreements with the national average wage to see whether it meets the relevant threshold. The collectively agreed wage floor has been mapped twice in the past few years, for skilled and for unskilled workers.

Eldring and Alsos (2012) looked into collectively agreed minimum wages in Denmark, Finland, Norway and Sweden in 2010/2011 in construction, metalworking, hotels and restaurants, and cleaning. Almost all the collective agreements covered by this mapping had minimum wage levels for skilled workers above the threshold of 50 per cent of national average wages. Only minimum wages in the collective agreements for metalworking in Finland (49 per cent) and cleaning in Finland and Iceland (49 and 48 per cent, respectively) were below the threshold.

A study by Svarstad and Oldervoll (2018) compares collectively fixed wage floors in industry-level agreements for unskilled workers in construction, retail, hotels, restaurants and catering, and cleaning in 2014 (see Figure 1). It confirms the findings of the 2012 mapping. Svarstad and Oldervoll compare the lowest minimum wage rate in the collective agreements for the named industries with the average national wage. This shows that all the agreements have wage levels above the threshold of 50 per cent of the national average wage. As this mapping includes three low-wage industries in private services it can be taken as a good indicator of whether the Nordic wage-setting system is able to ensure a living wage for workers. One may argue that a level of 50

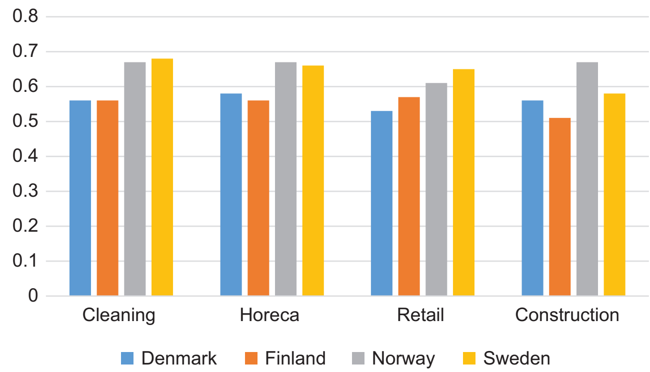

Figure 1. Collectively agreed minimum wage as a share of the national average wage in cleaning, hotels, restaurants and catering, retail and construction in Denmark, Finland, Norway and Sweden, 2014 (%).
Note: In Norway, minimum wages are made generally binding in cleaning and construction. In Finland this will apply to all four sectors. Source: Based on Svarstad and Oldervoll (2018).

per cent is no guarantee of a living wage. Given that wage structures in these countries are fairly compressed, however, it is more likely that a living wage is attained here than in countries with high wage disparities.

As collective bargaining coverage in these countries varies (see Table 1), however, not all collective agreements will be able to secure a living wage for all workers. As already mentioned, in Finland, Iceland and to some extent in Norway minimum wages are made generally applicable by extending collective agreements. This is not the case in Denmark and Sweden. To a certain extent the effect of the limited scope of collective bargaining is reduced through the normative effect of collective agreements. For employees in companies not bound by (generally applicable) collective agreements, there is no guarantee that the minimum wage level will be achieved. This is most marked in private services. For workers there the collectively agreed wage will nevertheless function as a reference. Data on wage disparity in the Nordic countries show that the growing divergence between high- and low-paid workers mainly concerns the private sector, in which those at the bottom are unable to keep up with the rest of the labour market (Alsos and Nergaard, 2018).

Will collective agreements continue to establish living wages in the Nordic countries in the future?

Living wage debates like those in the Anglo-Saxon world have to date not been seen in the Nordic countries. In Scandinavia the main focus is still on securing low-wage increments and maintaining a compressed wage structure by means of collective agreements and bargaining. Nordic trade unions are reluctant even to discuss statutory wage-setting mechanisms. Furthermore, with the exception of Norway, employers' organisations have so far shown little interest in state involvement in establishing wage floors. Nevertheless, these countries have ratified international laws that oblige them to ensure decent wages. Collective agreements are recognised as securing such rights, but questions have been raised with regard to the universality of such regulations.

Even though minimum rates in collective agreements in low-pay industries seem to meet desired thresholds compared with average wage levels, we do not know whether they in fact ensure an adequate standard of living. A better measurement would be to be able to compare minimum wages with a basket of goods or the median wage. Low wage disparity, high levels of equality and low levels of in-work poverty, however, indicate that the existing systems are able to secure living wages for large parts of the workforce. This could indicate that living wages could be obtained through hard-law mechanisms included in collective agreements. The key to securing minimum wage levels and an adequate standard of living seems to be coordinated wage bargaining supported by strong social partners, with mechanisms to raise low-wage industries, in combination with a generous welfare state. The 'Nordic way' seems to make living wage campaigns superfluous. It would not be easy to export this model to other countries, however, as this will imply a radical change not only in bargaining models but also in the welfare state.

Having said that, the Nordic models may come under threat in the future. First, the decline in bargaining coverage in combination with low-wage competition may reduce the normative effect of collective agreements. In this situation the proportion of employees earning below the minimum wage would increase. At the moment, the risk of such a development seems to be most pronounced in Denmark and Norway, where bargaining coverage is low in private services. Mechanisms to prevent this are therefore needed. One approach would be to boost union density and make it easier to bind companies with industry-level collective agreements. Another would be the extension of collective agreements, as in Norway. The cleaning sector can be used to illustrate the effects of having (or lacking) an extension mechanism in a situation of declining bargaining coverage. Since the extension of the collective agreement for cleaning in Norway, coverage has risen from 60 to 100 per cent, while in Denmark, lacking extension, coverage stands at 40–50 per cent (Trygstad et al., 2018) and a substantial number of employees in the sector are paid below the collectively agreed minimum rate.

Secondly, the success of the collective bargaining approach will depend on whether collectively agreed minimum wage regulations correspond to a living wage. This seems to depend on continuing the combination of a coordinated wage policy with a solidaristic approach that tries to leverage the bargaining power of strong unions to lift wage levels in industries where union bargaining power is low. In other words, a continuing decline in union density in the front-running industries or conflicts among unions on strategy could jeopardise this. Another threat seems to be the dismantling of the welfare state. The downward trend towards less generous welfare states in all Nordic countries (except for Norway, according to Scruggs et al., 2017) may in the end lead to less compressed wage structures as the so-called reservation wage (the lowest wage at which a worker will accept employment) declines and there is a higher risk of minimum wages that do not correspond to a living wage.

Funding

This work was supported by the Norwegian Ministry of Labour and Social Affairs [grant on collective actors].

References

Ahtiainen L (2016) *Työehtosopimusten kattavuus Suomessa vuonna 2014. Työ- ja elinkeinoministeriön julkaisuja 11/2016*. Helsinki: Ministry of Employment and the Economy.

Alsos K and Eldring L (2008) Labour mobility and wage dumping: the case of Norway. *European Journal of Industrial Relations* 14(4): 441–459.

Alsos K and Eldring L (2016) Minstelønn i Norge og Europa. In: Mulder BJ et al. (eds) *Sui Generis. Festskrift til Stein Evju*. Oslo: Universitetsforlaget, pp. 36–47.

Alsos K and Nergaard K (2018) *Lönebildningen i de skandinaviska länderna, Rapport*. Stockholm: 6F – fackförbund i samverkan.

Andersen SK, Dølvik JE and Ibsen CL (2014) *De nordiske aftalemodeller i åbne markeder – udfordringer og perspektiver. Nordmod2030. Delrapport 9*. Fafo-report 2014:08. Oslo: Fafo.

Barth E and Moene KO (2016) The equality multiplier: how wage compression and welfare empowerment interact. *Journal of the European Economic Association* 14(5): 1011–1037.

Dansk Arbejdsgiverforening (2016) *Arbejdsmarkedsrapport 2014*. Copenhagen: Dansk Arbejdsgiverforening.

Due J, Madsen JS and Jensen CS (1993) *Den Danske Model. En Historisk Sociologisk Analyse af det Kollektive Aftalesystem*. Copenhagen: Jurist- og Økonomfurbundets forlag.

Due J, Madsen JS, Jensen CS et al. (1994) *Den danske aftalemodel: decentralisering og nye arbejdsorganiseringer*. Copenhagen: FAOS, University of Copenhagen.

Due JJ, Madsen JS, Jensen CS et al. (1995) Adjusting the Danish model: towards decentralized decentralization. In: Crouch C and Traxler F (eds) *Organized Industrial Relations in Europe: what Future?* Avebury: Aldershot, pp. 121–150.

Dølvik JE (2013) *Grunnpilarene i de nordiske modellene. Et tilbakeblikk på arbeidslivs- og velferdsregimenes utvikling*. Fafo-rapport 2013:13. Oslo: Fafo.

Dølvik JE (2016) The Danes' uneasy relationship between collective bargaining and legislation in implementing EU workers' rights: the case of minimum wage setting. In: Ilsøe A and Larsen P (eds) *The Danish Model seen from Outside*. Copenhagen: DJØF, pp. 103–126.

Dølvik JE, Marginson P, Alsos K et al. (2018) Collective wage regulation in northern Europe under strain: multiple drivers of change and differing responses. *European Journal of Industrial Relations* 24(4): 321–339.

Eldring L and Alsos K (2012) *European minimum wage: a Nordic outlook*. Fafo-report 2012:16. Oslo: Fafo.

Elvander N (1988) *Den svenska modellen löneförhandlingar och inkomstpolitik: 1982–1986*. Stockholm: Allmänna förlaget.

ETUC (2014) Discussion note on minimum wages in Europe for the Warsaw Conference of the ETUC collective bargaining committee. 27–29 October 2014. Available at: https://www.epsu.org/sites/default/files/article/files/141119_DISCUSSION_NOTE_WARSAW_CONFERENCE_final_changes_18_11_2014.pdf (accessed 5 May 2019).

Eurofound (2017) *In-work poverty in the EU*. Luxembourg: Publications Office of the European Union.

Eurofound (2018) *Concept and practice of a living wage*. Luxembourg: Publications Office of the European Union.

European Parliament (2016) *Report on social dumping in the European Union (2015/2255(INI))*. Luxembourg: Publications Office of the European Union.

Fjellvik E (2008) *HK 100 år*. Oslo: Handel og Kontor i Norge.

Furåker B (2017) The issue of statutory minimum wages: views among Nordic trade unions. *Economic and Industrial Democracy*. Epub ahead of print 7 June 2017. DOI: 10.1177/0143831X17711769.

Ibsen CL (2012) *Trade Unions in Denmark*. Study. Berlin: Friedrich Ebert Foundation. Available at: http://library.fes.de/pdf-files/id-moe/09431.pdf (accessed 25 February 2019).

Ibsen F, Ibsen CL and Andersen SK (2015) *Den Danske Aftalemodel i samspil med Lovregulering og Trepartssamarbejde: Fagbevægelsens og Arbejdsgivernes mål og Værdier*. Copenhagen: Foreningen Norden.

Jalali S and Lindberg P (2016) *Ett anständigt liv*. Stockholm: Arena idé.

Kjellberg A (2018) *Kollektivavtalens täckningsgrad samt organisationsgraden hos arbetsgivarförbund och fackförbund. Studies in Social Policy, Industrial Relations, Working Life and Mobility 2018*. Lund: Department of Sociology, Lund University.

Konjunkturinstitutet (2012) *Kollektivavtal och arbetsmarknad: Minimilöner och flyktinginvandrares arbetsmarknadssituation*. Fördjupnings-pm No. 17. Stockholm: Konjunkturinstitutet.

Medlingsinstitutet (2016) *Avtalsrörelsen och lönebildningen 2015. Medlingsinstitutets årsrapport*. Stockholm: Medlingsinstitutet.

Medlingsinstitutet (2019) *Avtalsrörelsen och lönebildningen 2018. Medlingsinstitutets årsrapport*. Stockholm: Medlingsinstitutet.

Nergaard K, Alsos K and Seip ÅA (2016) *Koordinering av lønnsdannelsen innen de nordiske frontfagsmodellene*. Fafo-notat 2016:25. Oslo: Fafo.

Nergaard K (2018) *Organisasjonsgrader, tariffavtaledekning og arbeidskonflikter 2016/2017*. Fafo-notat 2018:20. Oslo: Fafo.

Parker J, Arrowsmith J, Fells R et al. (2016) The living wage: concepts, contexts and future concerns. *Labour & Industry* 26(1): 1–7.

Schulten T and Müller T (2017) Living wages – normative und ökonomische Gründe für einen angemessenen Mindestlohn. *WSI Mitteilungen* 7:/2017 507–514.

Schulten T, Müller T and Eldring L (2015) Prospects and obstacles of a European minimum wage policy. In: Van Gyes G and Schulten T (eds) *Wage bargaining under the new European Economic Governance*. Brussels: ETUI, pp. 327–359.

Schulten T, Alsos K, Burgess P et al. (2012) Pay and other social clauses in European public procurement. An overview on regulation and practices with a focus on Denmark, Germany, Norway, Switzerland and the United Kingdom. Study on behalf of the European Federation of Public Service Unions (EPSU). Available at: https://www.boeckler.de/pdf/wsi_schulten_pay_and_other_social_causes.pdf (accessed 10 April 2019).

Scruggs L, Jahn D and Kuitto K (2017) *Comparative Welfare Entitlements Dataset 2. Version 2017-09*. University of Connecticut and University of Greifswald.

Stokke TA (1998) *Lønnsforhandlinger og konfliktløsning. Norge i et skandinavisk perspektiv*. PhD thesis. Fafo-report 246.Oslo: Fafo.

Stokke TA, Evju S and Nergaard K (2013) *Det kollektive arbeidslivet: organisasjoner, tariffavtaler og lønnsoppgjør (2. utg.)*. Oslo: Universitetsforlaget.

Svarstad E and Oldervoll J (2018) *Mellom lov og avtale. Minstelønnsreguleringer i Nord-Europa.* Fafo-notat 2018:12. Oslo: Fafo.

Traxler F (1995) Farewell to labour market associations? Organised versus disorganised decentralisation as a map for industrial relations. In: Crouch C and Traxler F (eds) *Organised Industrial Relations in Europe: what Future?* Aldershot: Avebury, pp. 3–19.

Trygstad S, Larsen TP and Nergaard K (2018) Dealing with austerity and migration in the northern European cleaning sector: social partner strategies to strengthen wage floors. *European Journal of Industrial Relations* 24(4): 373–389.