

Jon M. Hippe

Bargaining, Politics, and Solidarity: A Different Story?

A Study of Employment Relations
and Occupational Welfare in Norway

Doctoral dissertation

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Contents

Preface	7
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PART 1

Introduction and theoretical perspectives	9
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Chapter 1 Introduction – trade unions, industrial relations, and occupational welfare

11

1.1 The research problem	11
1.2 Defining occupational welfare	23
1.3 Locating occupational welfare in the framework of welfare state and industrial relations research	28
1.4 The welfare state concept	39
1.5 Research design and data	45

Chapter 2 Perspectives on the public–private mix in welfare state research

51

2.1 The puzzle: Understanding the logic of welfare state development .	51
2.2 The logic of industrialism and capitalism	56
2.3 The social democratic model	59
2.4 Politics matters – Alternative interpretations	63
2.5 Welfare State Regimes	68
2.6 Welfare Pluralism	72
2.7 Welfare State Research and the Public–Private Interplay	76

Chapter 3 Trade unions and social policy choices – exit, voice and loyalty

83

3.1 Introduction – the gap between micro– and macro– explanations	83
3.2 Historical context –the political and economic effects of unionism? .	86
3.4 Macro–oriented perspectives on union action	89
3.5 Micro– oriented approaches to unionism	92
3.6 Unions and social policy – the value of loyalty.	100

PART 2

The public - private interplay 107

Chapter 4 The development of occupational welfare in Norway 109

4.1 Introduction.....	109
4.2 The private–public mix in the early phases of modern social policy.	111
4.3 Occupational welfare after the war	119
4.4 The development of occupational welfare 1954 – 1988	126
4.5 Bargaining against markets	132
4.6 Conclusion – dynamic social policy	139

Chapter 5 Do public pension systems influence the growth of private pensions?

A comparison of Denmark and Norway 143

5.1 Introduction.....	143
5.2 Specifying the research question	145
5.3 The structure of public pensions	150
5.5 Conclusion	169

Chapter 6 Trade unions and three crossroads of Norwegian pension politics 175

6.1 Introduction: A broadening of the analytical perspective.	175
6.2 Crossroad 1: The fight over universalism	179
6.3 Crossroad 2: Income relation and social inequality	184
6.4 Crossroad 3: Early retirement pensions – Bargaining or politics?	191
6.5 Conclusion: Dynamic social policy	199

PART 3

The nature of employee benefit provision 203

Chapter 7 The invisible handshake – Perspectives on occupational welfare provision 205

7.1 Introduction.....	205
7.2 Does the firm matter?	208
7.3 Internal labor markets and employee benefits.....	210
7.4 A closer look at employer motives	214
7.5 Employee demand	219
7.6 Can unions boost benefit provision?.....	221
7.7 Elements of the invisible handshake.	225
7.8 A methodological note	229

Chapter 8 Employee benefits in the Norwegian labor market – There is more than meets the eye	233
8.1 Introduction	233
8.2 The welfare menu	235
8.3 Recent developments	245
8.4 Voluntary or contractual schemes?	248
8.5 Identifying dimensions of employee benefits	251
8.6 Conclusion	257
 Chapter 9 The social policy of the Norwegian firm – explaining the variation in benefit provision	 259
9.1 Introduction	259
9.2 A methodological note	260
9.3 The distributional pattern	263
9.4 Explaining company welfare benefit provision in private companies	267
9.5 A mutual underlying logic in benefit provision?	277
9.5 Conclusion – the social policy of the Norwegian firm	284
 Chapter 10 Attitudes on occupational welfare arrangements and union strategies	 289
10.1 Introduction	289
10.2 The value and quality of pension rights	292
10.3 Information and control	299
10.4 Policy strategies	305
10.5 Conclusion	313
 PART 4	
Conclusion	317
 Chapter 11 Conclusion	 319
11.1 Politics, bargaining and Solidarity	319
11.2 The six research questions and the Norwegian story	320
11.3 Can general conclusions be drawn?	332
11.4 A comment on policy implications	338
 Appendix 1	347
Bibliography	389

Preface

During the last 10 years, the opportunity to work with welfare state and labor relations issues has made me increasingly aware that social standards and living conditions are determined by a complicated interplay between labor market conditions, labor relations systems and, what one traditionally focuses on in welfare state research, public transfers and services. No doubt, the future of the welfare state is intimately connected to the development of public policies and labor market strategies that not only encourage employment, but also stimulate constructive labor relations and, hence, reduce the need for traditional social policy measures. In my opinion, this recognition has significant political and theoretical implications.

This work analyzes a very limited part of this overall problem, namely private welfare provision - i.e., labor market based occupational welfare provision. Occupational welfare is in itself important as a remuneration and social policy phenomenon. It can, however, serve as the gateway to a broader discussion of how states and markets come together in advanced welfare states.

My interest in private welfare provision dates back to 1986 when Axel W. Pedersen and I undertook a project on the magnitude of private elements in health care and social security in Norway. That report started a long and very stimulating collaboration with Axel on a range of research projects on the nature of occupational welfare, sponsored by the National Research Council (NFR). During these projects, several data sets measuring various aspects of occupational welfare were collected and several reports published. In 1992, it became evident that I needed to integrate the theoretical and empirical elements of the studies that I had been involved in since 1986. It was especially important to create a conceptual framework for understanding occupational welfare as both a social policy and labor market phenomenon. Luckily, I received funding from the NFR for two years of work, including a one-year stay as a visiting scholar in the US. In addition to the financial support from the NFR, FAFO very generously provided me with good working conditions as well as supplementary financing in 1995.

It was Gudmund Hernes who persuaded me to go abroad and through his kind support, and that of Aage B. Sørensen, I left for a one-year stay at Harvard University in 1993. I am very grateful to Gudmund for putting me under 'pressure' to seek new challenges and to Aage for making my stay as a visiting scholar in the Harvard University Department of Sociology a good and useful one.

In addition to the two already mentioned, I must acknowledge my gratitude to several persons. Axel W. Pedersen has through years of cooperation been of undeniable importance to my work and has very generously shared his strong intellectual capacity with me. Also the opportunity to work together with Kåre Hagen on welfare state related issues since 1984 has been of great importance to me. Kåres analytical skills and knowledge is impressing.

Here I must especially thank Knud Knudsen, for his patience and many comments during the four years that I worked on this study. I have tried to follow their advice to keep a strict focus and to seek a strong link between the theoretical and empirical parts of the study.

I have also received very useful comments and support from several persons to whom I am very grateful: Tone Fløtten, Jens Grøgård, Knut Halvorsen, Ivar Lødemel, Kristine Nergård, Torgeir Stokke and Steven Wood. Kristine was of great help whenever data problems occurred and I found myself in need of advanced support. In addition, Martin Rein has given me comments on papers and articles which have served as the basis for several of the chapters.

And, last but not least, at Harvard I met Janet Gornick who generously helped and encouraged me during my stay in Cambridge, and who also commented on all of the chapters and checked and transformed my written English, as well.

Oslo, December 1996

Jon M. Hippe

PART 1

Introduction and theoretical perspectives

Chapter 1 Introduction – trade unions, industrial relations, and occupational welfare

1.1 The research problem

This work addresses the relationships among trade unions, industrial relations, and occupational welfare in a setting of centralized labor relations and comprehensive public welfare programs, as found in Norway.

The idea that a strong labor movement constitutes the driving force behind welfare state expansion is widely recognized in the welfare state and industrial relations literature¹. Not surprisingly, it is the Scandinavian countries that are put forward as typical examples of how a centrally organized and unitary working class successfully expanded social rights, and hence significantly reduced the importance of private welfare, especially occupational welfare benefits provided by employers². Even though political parties in most cases have been the principal actors in social policy, trade unions and the system of industrial relations are important elements in the underlying causal mechanism. Esping-Andersen, probably the most important proponent of the mobilization perspective, concludes that ‘basic initiatives have emerged from unions, especially where reforms influence the labor market’ (Esping-Andersen 1992:138).

The Norwegian case

Linking trade unions and private welfare provision in a Scandinavian welfare state context is, no doubt, an unusual point of departure. Strong unions are traditionally

¹ Esping Andersen 1992:133-136, Kjellberg 1992, Esping Andersen and Korpi 1987, Shalev 1983.

² A detailed definition of occupational welfare can be found in section 1.2 of this chapter. At this point it should be noted that occupational welfare benefits are provided as a part of the labor contract, hence it can be distinguished from ad hoc gifts to employees (Christmas presents and so forth) as well as from benefits provided because they are made statutory through legislation. This implies that occupational welfare benefits constitute a continuum, ranging from company-based voluntary employer-provided benefits to national or industry-wide arrangements formalized in collective agreements.

seen as important supporters of state dominance in welfare provision, while weak labor organizations have been forced to engage themselves in market-based welfare capitalism. The focus on unions and private welfare arrangements in Norway does, however, make possible a critical perspective on both the **determinants of occupational welfare** and on the **relationship between public and private** benefit provision. This work will analyze the role that trade unions and collective bargaining play in occupational welfare provision in the Norwegian labor market, and on the ways in which the system of labor relations forms a crucial contextual filter for the relationship between public and private welfare arrangements.

Six research questions

The following analyses take up six research questions. These correspond to the most important traditional hypotheses on the nature of occupational welfare, at a macro level as well as at the company level. The first two deal with the development of the public-private mix of welfare provision in Norway. The following four questions deal with the provision of occupational welfare and on the distributional outcomes in the current Norwegian labor market³.

1 The hypothesis of substitution between public and private welfare provision

The capacity to crowd out private welfare arrangements is regarded as one of the features that typifies the Scandinavian welfare state (Esping-Andersen 1990, Rein 1983, Kuhnle 1990). The major critics of this hypothesis have argued that there can be a 'positive dialectic' between public social policy and occupational welfare (van Gunstern and Rein 1985). Dobbin (1992) concluded that the New Deal reforms in the US stimulated coverage of private pensions. The first research question thus asks: is it possible to replace the assumption of a negative interplay between public and private welfare arrangements with a more differentiated proposition? The goal of this work is to examine if occupational welfare is more than a substitute for public welfare. I hypothesize that under certain conditions, the two systems can grow in tandem so to speak, even creating a mutually reinforcing process of growth.

2 The hypothesis of political obstruction.

If broad groups of wage earners are covered by occupational arrangements, it would reduce the support for and the possibilities to expand public welfare systems, and

³The theoretical bases for these six research questions are discussed in more detail in the preceding chapters (2, 3 and 7). They are presented here to provide a broad overview of this work.

vice versa. The underlying logic of the substitution hypothesis is connected to the strategy chosen by a united and well organized labor force, one that uses political means in order to satisfy their welfare needs. The key explanatory factor is the strength of the Social Democratic Party, as trade unions primarily mobilized votes for the party. This perspective on the role of the labor movement has been challenged in the academic debate, but only to a limited degree (see Chapter 3 for a discussion). Rothstein (1990) has argued that the power resource perspective is inadequate because the preferences and behavior of organized workers are not accounted for. The second research question focusses on the role of trade unions in social policy: are trade unions mainly an integrated part of a united labor movement, actively seeking political solutions to further the welfare of their members? Here it will be argued that 'social partnership unions' have taken an active and pragmatic position in the choice between public and private welfare provision.

3 The hypothesis of re-distribution.

A traditional hallmark of occupational schemes is their unequal distribution, benefitting primarily upper level white-collar employees. This is typically found in societies with a decentralized system of industrial relations, one that is fragmented and occupationally segmented, and with a so called residual public welfare policy⁴. Thus, a third question is: do occupational programs go beyond marginal importance, i.e. do they remain primarily class-distinct in the Norwegian labor market? In Sweden, labor unions fought successfully to extend coverage of occupational pensions to about 90 percent of the labor force (Edlebalk and Wadensjöe 1989). I will argue in the following that government regulations and union involvement successfully have altered the face of employee welfare remuneration in Norway.

4 The hypothesis of the union voice effect at the company level.

In sharp contrast to the notion of a negative relationship between union strength and occupational welfare at an aggregate level, several studies have shown a positive impact of unions on the range of employee benefits and their share of the total wage package at the company level (Freeman 1992). These studies have typically been conducted in a setting of more decentralized and fragmented systems of labor relations and less developed public social policy programs than are found in Scandinavia. The fourth research question places this issue in a Norwegian setting by asking if unions and the design of industrial relations systems are central forces behind 'the

⁴ A typical example is the distribution of employee welfare benefits in the US. Detailed documentation is provided by the Employee Benefit Research Institute (EBRI).

social policy of the firm' in the private sector. If it can be shown that union activity and local bargaining significantly change the occupational welfare policy of private sector firms, it will imply a better understanding of how local unions behave in a system of centralized labor relations.

5 The hypothesis of the internal labor market effect.

The dominant perspective in labor economics, standard neoclassical theory, sees occupational welfare benefits as a part of the 'total wage'; the total wage is set at the value of the marginal productivity of the worker. Nevertheless, a growing number of empirical evidence lend support to the idea that differences in pay policies are associated with attributes of employers (Groshen 1991:360). This discussion takes us to an ongoing dispute on the impact of institutions – such as unions, formalized personnel management, the structure of the work force – on wage determination (Sørensen 1993). The fifth research question is consequently: are institutional and structural characteristics of companies, other than their unions, determinants of welfare policies at the company level? Can differences in welfare benefits be ascribed to employer strategies, such as formalized personnel management, typically motivated by the goal of increasing employee loyalty? If welfare benefit determination at the company level can be explained by factors internal to the firm it will challenge neoclassical theory and may contribute to the discussion of the extent to which purely rational choices determine remuneration decisions.

6 The hypothesis of reinforcement of political support.

A basic idea in current welfare state research is that the broad solidarity embedded in the public arrangements forges middle class loyalties as well as working class support (Mishra 1990). Esping-Andersen (1985:245) argues that 'the welfare state may help manufacture broad class (even cross-class) solidarity and social democratic consensus'. A corresponding theory of union behavior is found in political science and sociology; this perspective argues that 'social partner unions' regard socialization of welfare policies as an important factor underlying the transformation of the capitalist system of production (Edwards 1986, Martin 1989). This hypothesis concerning how public welfare policies help to re-enforce and re-produce political support has hardly been challenged in the academic debate. The last question to be asked in this work is closely connected to the issue of political support for Norwegian welfare institutions: do attitudes towards private welfare vary between union and non-union members? Are union members the core supporters of a traditional statism in social policy? Are there systematic differences between people according to their basic social position as men and women, white- and blue-collar workers, members of

different federations, and so forth, in their attitudes toward the role that unions should take in social policy? I will argue that it is not likely that such distinct patterns in attitudes towards private welfare provision and the role of unions in social policy can be found.

These questions address, in different ways, a common underlying focus on unions, labor relations and occupational welfare. As a point of departure, I will outline the assumed causal relationships that existing theoretical approaches offer for the macro- and micro-logic and, through a combination of these perspectives, illustrate the relationships that will be subjected to empirical tests in this work.

The issue of occupational welfare has traditionally been discussed within two traditionally separate traditions – first, the micro-oriented labor economics together with sociological industrial relations tradition and, second, the macro-oriented school of welfare state and industrial relations research. In the macro-oriented welfare state research tradition (see Chapter 2 for a detailed discussion) occupational welfare is generally viewed as a function of the size and character of public welfare policies (Esping-Andersen 1985, 1990). According to the Social Democratic model, strong labor movements in Scandinavia have succeeded in creating «institutional welfare states» which leave little room for private supplements (Shalev 1983, Esping-Andersen and Korpi 1987, Esping-Andersen 1990). The basic assumption is that the relationship between public and occupational welfare is inherently competitive and antagonistic. This is a view also found among scholars who do not adhere to the power mobilization model of welfare state development (Rein 1983, 1993). From the perspective of traditional welfare state research, industrial relations and social policy come together only when workers trade wage restraint for public social security and full employment. In exchange for social reforms and improved material conditions, unions declare themselves prepared to show «social responsibility».

A macro-oriented perspective.

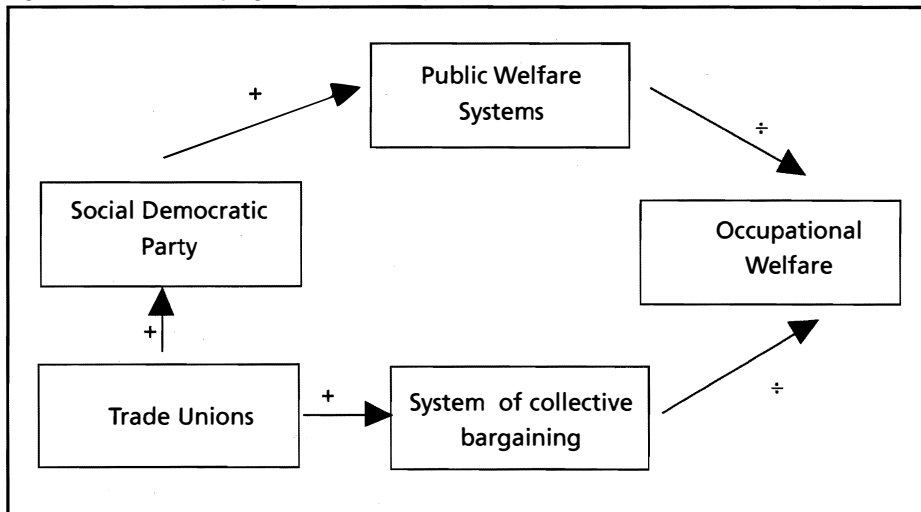
Despite differences in approach, macro-oriented industrial relations scholars seem to share a view of social policy formation as a decision-making process primarily taking place outside the labor market (Baglioni 1990, Crouch 1990, Ferner and Hyman 1992). It has been commonplace among industrial relations scholars to argue that 'social partner unions' or 'comprehensive unions' regard socialization of welfare policies through legislative measures as an important aspect of their goal to transform the capitalist system (Poole 1984, Martin 1989, Edwards 1986). Hence, the interaction between occupational and public welfare schemes, as two parallel arenas of welfare policy, seems largely overlooked.

In other words, the idea of a negative interplay or substitution between public and private welfare becomes an important characteristics of Scandinavian

institutionalism. The underlying logic appears simple and convincing: early growth of labor market based social protection shapes the political interests of unions and employers, thus preventing a political exchange with the government. The success of public welfare expansion in Scandinavia is looked upon partly as the result of an underdeveloped occupational welfare arena which is attributed to relatively late industrialization. Hence, the labor movement was free to choose political solutions to satisfy the needs of their members. As the advocates of the power mobilization approach argue, a united and well-organized labor force, controlling government through «their» labor party, could use political mechanisms to satisfy welfare needs – ‘politics against markets’. The labor movement seems as a coherent actor pursuing increased public welfare responsibility. The key explanatory factor is the parliamentary strength of Social Democratic parties, while the impact of trade unions is considered of a more secondary nature: that of helping mobilize votes for the party. In other words, unions give up the collective bargaining arena as a tool for improving the social welfare of their members, in exchange for a full-employment economic policy and a generous public social policy. In a macro perspective the process can be illustrated in the following way:

Even though the United States is often characterized as a welfare state ‘lag-gard’ compared to other advanced capitalist countries, a similar logic are offered

Figure 1.1 The Underlying Process of Occupational Welfare, the Mobilization Perspective⁵.



⁵ Although not discussed explicitly, the mobilization perspective argues that the ‘natural’ choice is a more liberal labor market and that the labor movement changes this ‘natural’ capitalist solution into a more institutionalized and centralized organization.

to explain the relatively limited expansion of public welfare programs (Esping-Andersen 1990, 1992). Summing up American research on US social policy development, Weir, Orloff and Skocpol (1988:13–27) argue that the US welfare state is linked to the existence of a weak labor movement, the absence of any labor-based political party, strong or even hegemonic business interest along with special features of state formation and state institutions. These factors lead to the establishment of private solutions to welfare needs prior to public programs, which, again, became a hindrance for the growth of a comprehensive American welfare state. Explaining high levels of occupational welfare in the US and Japan, Higgins (1981:136–137) offers the hypothesis of a negative interplay: ‘Indeed, it is precisely because private welfare has proved so satisfactory for certain groups of the population that there has been reluctance to develop public services’.

The micro perspective

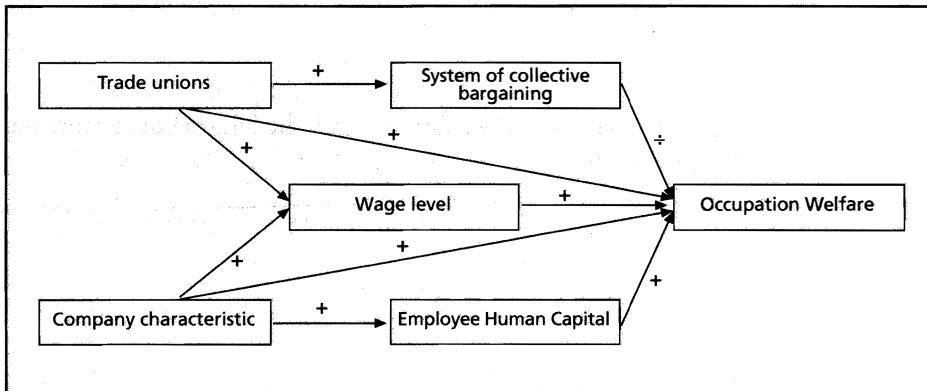
Labor economists and sociologists have put forward a number of explanations for why some employees receive occupational benefits and others do not. The main preoccupation is not the division of labor between public and private provision. Instead, they have focussed on factors that explain differences among individual wage earners and among companies. The basic argument is that most occupational welfare arrangements are used by the employer as an instrument of labor management, and that occupational welfare benefits form a part of labor relations and labor compensation. The most common explanation is that of tax deductions (Ippolito 1986). Favorable tax regimes, found in most OECD countries, provide incentives for high income earners and employers to pay part of the total wage in the form of employee benefits (Dilnot 1992:68). Even so, the most dominant approach in this tradition is the human capital perspective: Employee benefits are a tool used by employers to attract and keep good employees and to remain competitive with other employers in the labor market (Ulman 1992). The human capital approach has been used to explain the observed differences in benefit coverage and benefit costs across occupational groups, among educational levels, and between men and women (Perman and Steven 1989). However, human capital factors offers only a limited explanation of the observed variation in the «social policy of the firm». Sociologically-oriented theories suggest that employers have «a concern for the welfare of their employees beyond any economic motive.» It is also argued that larger firms tend to pay higher wages and to provide more benefits than do smaller firms (Brown and Medoff 1990, Evans and Leighton 1989). Of course, such more «subtle», and seemingly altruistic mechanisms could also play a part in modern Norwegian «Welfare Capitalism», possibly indicating the presence of non-economic motives behind employee benefits.

In addition, trade unions have been suggested as substantial contributors to the level and composition of remuneration at the company level (Balkin 1989, Freeman 1992). The hypothesis that unionism increases the probability that firms offer pensions and other benefits and that unions increase the fringe benefit share of compensation has been supported by US research (Freeman 1992). It has also been found to hold in other developed countries such as Japan, Canada, the United Kingdom and Norway⁶.

Each of the present micro approaches focusses on one particular and assumed important part of the employee benefit system. In the literature, four sets of variables have been found to have a positive effect on the scope and pattern of occupational welfare: 1) human capital indicators such as education and tenure, 2) wage level, 3) union membership, as well as 4) characteristics of the company, typically size and industry. Taken together these indicate that the provision of occupational welfare can be understood as an outcome of decentralized labor market processes. However, in most cases analyses do not integrate all of these categories of variables; instead, they tend to focus on either the human capital aspect or on the industrial relations aspect. Still, it seems challenging to include these different explanatory variables in a common framework. Figure 1.2 serve as an illustration of the traditionally proposed relationships at the micro level. Factors that have been shown empirically to have an effect on occupational welfare provision are indicated by a plus sign.

The model is set up in order to logically match the previously shown macro model of occupational welfare, by placing trade union membership and the labor relations system «on the top». No doubt, it seems safe to assume that both the scope

Figure 1.2 Occupational Welfare in a Micro Perspective



⁶Freeman (1992) offers a brief overview of studies from Canada, Japan and the UK. Moreover, Green, Hadjimatheou and Smail (1985) find that the entitlement to several welfare benefits is higher for workers who belong to a trade unions. This is also found in analyses based on Norwegian data (see Chapter 7 and 8 of this work, and Hippe and Pedersen 1988, 1992).

and pattern of welfare benefits are strongly influenced by the nature of industrial relations. Even so it is first of all unionization that is used as a measure of industrial relations variables: trade union members not only have a higher wage level, they also have more welfare benefits, other things equal. Trade union membership is consequently included as a variable in the model. Occupational welfare provision can also be affected by what Dunlop (1958:18) saw as the core of the industrial relations system, namely collective bargaining. Is benefit provision systematically linked to collective rather than individual wage determination? And, is the right to conduct local bargaining important for the «social policy of the firm»? This question is especially important in a context of relatively strong and centralized social partners. Moreover, the formalization of employer personnel management at the company level has been shown to trigger increased welfare activities in US companies. Is this the case also in the Scandinavian setting? Including «labor relations» in the model is therefore necessary to map the decision-making process at the company level.

It should be kept in mind that most analyses of employee benefits do not include the entire range of explanatory variables. Earlier Norwegian research has not included the issue of trade unions (Holmer Hoven 1982, Knudsen 1991, Ryen 1984, Øverbye 1985). A more comprehensive approach is therefore important. A positive effect of unionization and collective bargaining suggests that the distribution of benefits could be different from what traditionally is expected, and that a revision of our understanding of how the micro and macro dynamics of occupational welfare are linked in a typical Scandinavian setting is needed.

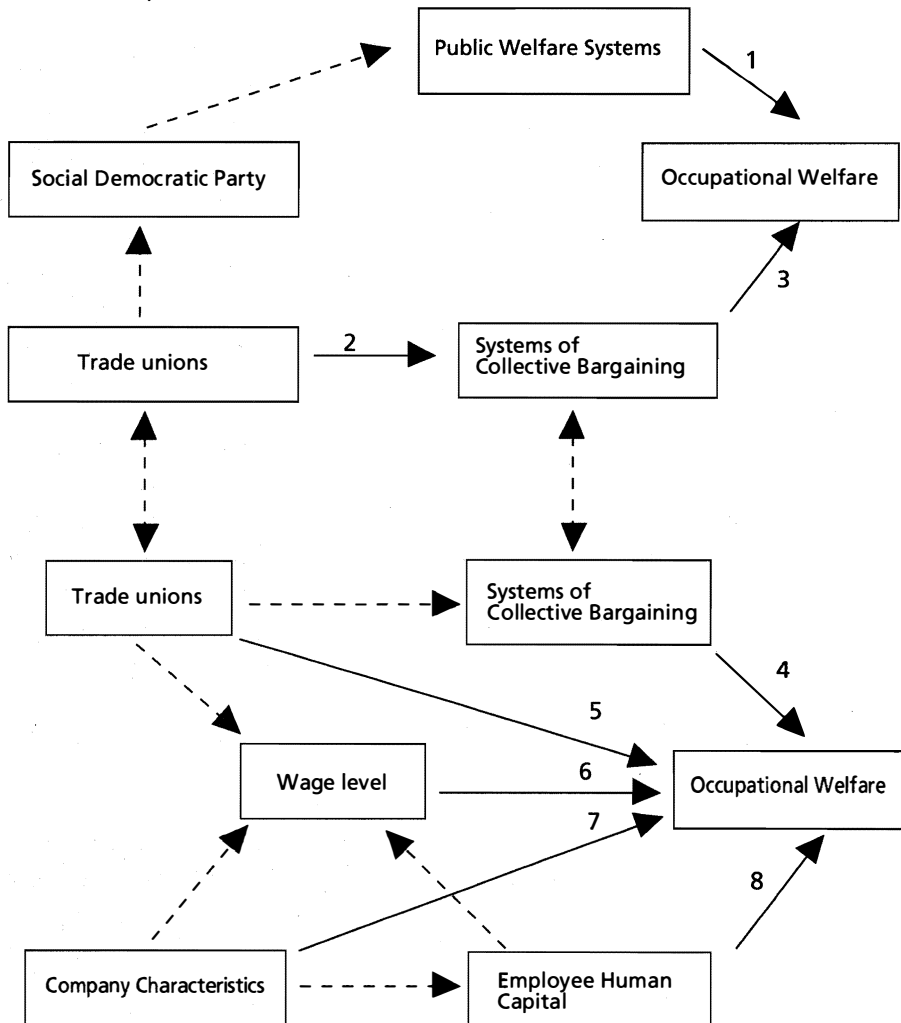
Combining the micro and macro level

Figure 1.3 suggests a conceptual framework for combining aspects of the micro and macro approach. The figure serve three purposes. First, it illustrates that unionization and the organization of labor relations are crucial elements in both macro and micro approaches. Hence, unions can be a relevant focal point when seeking to understand the nature of occupational welfare. Second, the figure should rouse our curiosity about the relationship between the local and macro level processes. Clearly, traditional approaches create what can be seen to be an empirical paradox: At a macro level it has been found that strong unions are correlated with a marginal role of occupational welfare. At a micro level trade unions are shown to have a positive effect on the level of occupational welfare. And third, figure 1.3 provides an opportunity to give a guide to the empirical parts of the study.

The macro-oriented welfare state approach provides an elegant and general theory of welfare state development. However, critical arguments can be raised concerning the conceptualization of the underlying process and the prediction that growing public responsibility will necessarily marginalize occupational welfare

(relationships 1,2 and 3). It certainly cannot be taken for granted that strong trade unions will support legislative political solutions as their preferred strategy, and view collective bargaining as second best. Trade unions face a complicated choice between

Figure 1.3 Occupational Welfare in a Comprehensive Welfare State - An Illustration of Micro and Macro Perspectives⁷.



⁷Research questions 1 and 2 deal with relationships 1,2 and 3 in the model. Research question 3 is concerned with the micro level distribution of benefits (i.e. the dependent variable in the micro model), while research questions 4 and 5 provide hypotheses on the nature of relationships 4,5,6,7 and 8 in this model. The last research question put forward are concerned with attitudes on occupational welfare. Attitudes among wage earners on occupational welfare and public-private mix represent what employees believe should be the nature of these relationships, rather than what they actually are.

bargaining for employment-based benefits at both the local and national levels versus applying political pressure to secure increased welfare benefits for their members and for wage earners in general. In other words, the traditional perspective of the relationship between the labor movement and public welfare expansion should be subject to empirical investigation rather than a priori assumptions.

Figure 1.3 depicts how the trade union movement links the micro and macro levels. This is illustrated by the Bloom and Freeman (1992) analysis of the decline in coverage of occupational pensions in the US. They show that a significant part of that decline can be related to the reduction in union density and changes in the wage structure, while it is fairly obvious that changes in the public pensions benefits have no part in the story. In other words, changes in the public-private mix is a result of declining unionism and the shrinking middle class.

This discussion takes us to the issue of conflict between the role of unions at the company level and at the national or macro level. At the company level, trade unions are shown to have a positive effect on the level of occupational welfare (Freeman and Medoff 1984, Freeman 1992, Hippe and Pedersen 1992). Unions try to raise the total wage, and it can be shown that they would prefer to have a part of the compensation as welfare benefits. Paradoxically, at the macro level it has been found that strong trade unions are correlated with increased public welfare efforts and with a more marginal role for occupational welfare (Korpi and Esping-Andersen 1987). This illustrates the problems of **linking the micro and macro foundations** of welfare state development in traditional welfare state research – a problem that becomes especially critical in attempts to understand the political economy of occupational welfare, involving politics, bargaining and market. Because of its multidimensional nature, occupational welfare cannot be seen as either a labor market micro phenomenon or as a simple linear function of the size and character of public programs.

By implication, clarifying the interaction between the local and national levels becomes central to understanding welfare state development. I will make the case that, historically, the expansion of occupational welfare programs from being a company-level responsibility into the arena of centralized collective bargaining has played an important part in triggering of public social policy progress in Norway. This perspective is in direct opposition to the hypothesis of both political obstruction and of substitution. Neither unions, nor employers, act alone as political pressure groups; they act directly through collective bargaining or unilaterally by providing benefits. Occupational welfare provides an arena for social policy making that can either complement or substitute for the traditional legislative and parliamentary bases of social policy. As will be argued, under certain conditions there can be a positive relationship between public and private welfare, in other words, private welfare growth can actually be a contributing factor behind welfare state expansion.

This perspective is also useful when speculating on the effects of a reduction in public social policy efforts. Will a reduction, for example, in pension rights be compensated for by an expansion of employer-sponsored schemes? Or, would the reduction of public pensions rights lead to reduced willingness among employers to provide pension benefits because of increased costs? Do the strength or density of trade unions, for example, affect how employers respond to reduced public welfare rights? Independent of the answer to these questions, posing them illustrates how closely the macro and micro levels are linked and, furthermore, that no general law of public and private interplay can be stated.

Taken together, this approach represents an alternative understanding by locating occupational welfare in the context of **both industrial relations and public welfare policies**. Because of its multidimensional nature, occupational welfare cannot be seen as either a labor market micro phenomenon or as a simple linear function of the size and character of public welfare programs. In other words, only by integrating industrial relations and public welfare policies can we conceptualize the surroundings, or the structure, in which the employee and employers pursue their interests in occupational welfare.

In Figure 1.3 the major variables of this study are presented, with arrows indicating hypothesized causal processes. Arrows that are assigned numbers signify the relationships that will be analyzed here. The relationships illustrated by arrows number 1,2 and 3 are analyzed in Part II, where I address research questions 1 and 2. In part II, chapter 4 looks into the nature of public-private substitution of welfare provision in post war Norway through an analysis of labor cost data. Chapter 5 offers an analysis of the development of private pensions after the introduction of the statutory supplementary pension scheme in 1967 compared to what happened in Denmark where no such scheme were introduced. In order to analyze union choices between politics and bargaining in more detail, chapter 6 addresses union behavior at critical cross roads of Norwegian pension policies (relationship 2 and 3). The analyses of part II have a historical perspective, focussing on how different levels of decision-making interact with the changing role of occupational welfare.

Part III contains an analysis of the coverage and distribution of benefits in the Norwegian labor market. The core of this analysis concerns the impact of institutional variables versus individual characteristics on the provision of welfare benefits (arrows 4,5,6,7,8). Through the use of individual- and company-level survey data (Chapter 7,8 and 9), the goal is to map the occupational welfare arena, and to identify the impact of union involvement, wage bargaining systems, and other institutional characteristics of the firm on occupational welfare decisions. In other words, this analysis allows us to assess the importance of welfare benefits and other indirect employee remuneration strategies, and also to see the logic of occupational welfare provision in the current labor market. Research question 3, presented earlier,

is concerned with the micro level distribution of benefits (i.e., the dependent variable in the micro model), while research questions 4 and 5 provide hypotheses on the nature of relationships 4,5,6,7 and 8 in this model.

As a follow-up to this analysis, Chapter 10 focus on attitudes toward public and private welfare responsibility and the role of trade unions in social policy formation as put forward in the final research question.

One could, of course, ask why such a limited focus and rather narrow empirical design is chosen. The argument is, first, that «research on this face of the welfare system is rather scattered» (Esping-Andersen 1996). The limits on our knowledge as to how the labor market functions as an arena of social policy provision have been increasingly recognized in recent years (Kohli and Rain 1991, Rein and Rainwater 1987, Shalev 1988, 1996). Moreover, studies of occupational welfare have generally been set in the so-called residual welfare states, typically the US. We have especially little knowledge on the role that occupational welfare has taken in a Scandinavian context. A closer look at occupational welfare in Norway will in itself provide new insights into union and employer social policy behavior and into the development of the welfare state. This makes a more detailed national study a useful contribution at this stage.

Taken together, the goal of this analysis is to deepen our understanding of why occupational welfare benefits differ among individuals and across companies, as well as to why the borders between occupational and public welfare change over time. Hence, the following analyses of occupational welfare contribute to a broader theoretical discourse in welfare state and in industrial relations research.

1.2 Defining occupational welfare

Defining the content of occupational welfare is both complex and controversial (Shalev 1988:2). There are no common standards on either language or definition. In the literature, we find a diverse range of terms – such as employment-based social protection, fringe benefits, employee benefits, company welfare, occupational welfare, voluntary welfare benefits, and voluntary non-wage labor costs – used to describe benefits given to employees that are not mandated. Some scholars also use the broad term private welfare.

To establish a more precise notion of the welfare arrangements connected to the employment relationship, a set of conditions necessary to define the content of occupational welfare will be discussed. I define occupational welfare as a social right anchored in formal employment, in other words in the (explicit or implicit) labor

contract⁸. If a welfare arrangement satisfies the following conditions, it can be defined as an occupational benefit scheme:

- a) It is a supplement or substitute for cash wage payments, and the costs are paid fully or partly by the employer. Some direct payments or contributions by the employee does not challenge the status of an arrangement as occupational welfare.
- b) Employers are not mandated by the government to provide the benefits. The welfare scheme is established voluntarily by the employer or as a result of individual or collective agreements.
- c) The arrangement can not be exclusively funded and administered by public authorities. When the state as an employer provides benefits to its employees, it will, however, be regarded as occupational welfare.
- d) Occupational welfare is designated for purposes which normally have a counterpart in public welfare policy, such as income maintenance, or services like health care, family services, education, housing, and social and economic counseling.

This conceptualization implies that the occupational welfare benefits:

- are part of a labor contract, directly or indirectly, and hence are a part of the employment relationship;
- are voluntary or contractually-based;
- may cover either all workers, or just some groups, within a certain corporation;
- may be company-based, industry-wide, or centralized, and in some cases, may even cover the whole labor force;
- may be found in either the public or private sector;
- are both wages and welfare, and a part of the total wage.

Hence, occupational welfare benefits constitute a social right connected to the explicit or implicit employment contract. The nature of this social right varies from fully voluntary employer-sponsored benefits provided at the company level via firm-based contractual arrangements, to nation-wide contractual agreements. In Norway,

⁸ This definition is based on the work of Shalev (1988:2), but I have introduced some additional criteria to allow us to draw more precise boundaries between the different systems of welfare provision.

early retirement pensions can be found in all of these forms, from ad hoc company based schemes to the national contractual early retirement scheme (AFP – Contractual Early Retirement Pensions).

Figure 1.4 illustrates that occupational welfare represents a continuum where the level and form of control over the social right varies considerably. The different characteristics of occupational welfare could therefore differ among sectors of the labor market and across countries. There are critical differences between the centralized and contractual system of occupational welfare in Sweden and the decentralized, mainly voluntary, system found in both Norway and the US.

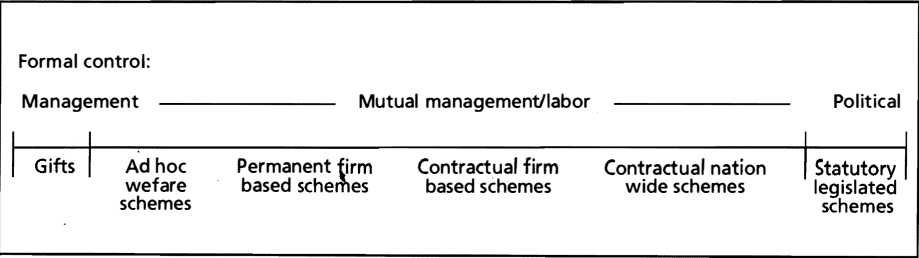
The question as to whether occupational welfare constitutes a part of the wage has been a matter of some disagreement. However one chooses to label these benefits, they must be considered as a part of the total remuneration or the total wage, and hence what Michael Shalev terms a form of «wage in disguise» (Shalev 1988:3). This ambiguity is a central part of the phenomenon of occupational welfare, and it cannot be easily clarified in a definition.

Employment-based social protection typically serves as a synonym for occupational welfare. The term employee benefits, on the other hand, is usually used for both statutory and «private» benefits, while fringe benefits covers a broader spectrum of benefits than does occupational welfare, including such benefits as company cars, rebates, subsidized cafeterias, and so forth. One could, of course, use the phrase social fringe as a parallel to occupational welfare. It should also be noted that the terms indirect wage cost or remuneration cover both statutory benefits as well as the voluntary or contractual occupational benefits.

The boundaries of occupational welfare.

Three pure forms of collective welfare production can be identified: public schemes, occupational welfare programs, and union mutual benefit systems. (If we move outside the labor market, non-profit voluntary work is a fourth option.) Different actors are traditionally linked to each of the arenas of welfare production. The state is responsible for implementing public schemes, employers for providing employees with

Figure 1.4 The nature of occupational welfare - provision and control.

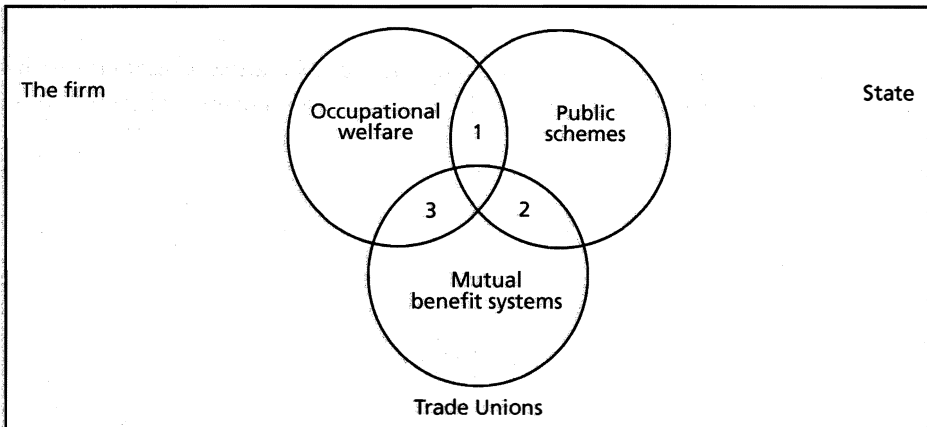


benefits without any form of government financing, and trade unions for offering their members benefits without employer or state contributions. In the case of pensions and health care, the capital/insurance industry should also be taken into consideration. In Figure 1.5 the circles represent what could be called pure forms of social protection.

Public schemes are legislated programs based on different forms of mandatory financing, such as general taxation, or employers' and/or employees' payroll contributions. Occupational programs exist side by side with the public programs. They are not financed by the state, even though they are afforded favorable tax treatment and in other ways regulated by the government. At the same time, trade unions maintain their own systems of welfare based on membership activity and solidarity. Such collective systems of, for example, life and home insurance are related to employment (i.e. membership), but as long as they are not financed by employers, they should not be viewed as occupational or employment-based social protection. Union mutual benefit systems are often regarded as a phenomenon only of historical interest. But, both in the US and the UK there have been increased efforts to devise new benefits to attract workers to unions (Freeman 1990:318), a trend which can also be observed in the Scandinavian countries.

These three forms of collective welfare provision must be separated from a market-based system of welfare provision operating at the level of the individual consumer. Individuals can buy pensions, social services, health care, and so forth, in the commercial market. But as long as the contracts between the buyer and seller of these benefits are settled without employer participation or financing, they should be treated as part of an individual market-based system and not as part of the occupational welfare system or of union mutual arrangements. The borders are, however, more and more blurred because insurance companies increasingly try to open new

Figure 1.5 Forms of Collective Social Policy Provision and Social Policy Actors.



markets by linking 'favorable' individual offers to the occupational arrangements and to union membership.

There are, in addition, welfare schemes that are mixtures of these three pure forms of welfare production. Figure 1.2 shows three of these (marked 1, 2, and 3). The first mixed form is what might be called tripartite welfare. It can be exemplified by the system of Contractual Early-Retirement Pensions (AFP) in Norway. Even though it is a contractual agreement, the government pays part of the expenses, and the scheme is administered by the national social security institution.

Another problem arises when governments put pressure on labor market actors by saying, in effect: either you make a «voluntary» contractual agreement, or we (the state) will mandate a solution to the problem (or the other way around). It is, of course, very hard to determine if and when these sort of dialogues take place. What makes it even more complex is that, in some cases, collective agreements are based on the anticipation of certain government action if unions and employers fail to agree, and the premise of voluntary action becomes basically an illusion. The problems involved in drawing the exact boundaries between public and occupational welfare might be seen as further support for the need for a broad, and flexible, perspective on the welfare state. No doubt, the border between occupational welfare and public sector programs is especially blurred. Martin Rein even concluded that the close interaction between public and private sectors through tax incentives and public regulation creates a new institutional form which is neither public nor private. «They are mixed forms for which we do not have an adequate vocabulary to describe» (Rein 1993:3).

Obviously, occupational and public programs are closely interrelated. Even so, they can in most cases be distinguished from one another. The system of transforming the costs of sickness benefits from public sickness funds to employers directly, found in Germany and Norway, and also introduced in Sweden, has been used as an example of shifting benefits from the public to the private sector. In the case of Germany, Immergut (1986:57) argues that this reform «constitutes an interesting test case for comparing some of the effects of state versus market schemes for social protection». In accordance with the definition given earlier, a mandated system must be seen as public even though it is financed and administered at the company level. In other words, sickness benefits paid by the employer as a result of legal enforcement are not occupational benefits.

The second mixed form is that of union-administered state programs. This is perhaps the most well-known of the three, especially the so-called Gent system of union administration of (public) unemployment benefits found in Belgium, Denmark, Finland and Sweden.

A third mixed form is that of occupational welfare benefits provided exclusively for union members. Normally, employers would not agree to exclude

non-union members from occupational welfare programs. Examples of such programs in different industries and countries can, however, be found.

Attention should be directed to the interplay among the systems of welfare production. The existence of mixed forms illustrates that we need to avoid drawing sharp distinctions between the private and the public sectors, and to avoid making *a priori* assumptions about the nature of the interplay between them.

1.3 Locating occupational welfare in the framework of welfare state and industrial relations research

By combining welfare state and industrial relations research, the goal of this work is to establish a theoretical basis and to mark off the important elements in the forthcoming analysis. The most appropriate theoretical framework for understanding occupational welfare and its relationship to public welfare is far from obvious. Some guidance has been given thus far by Michael Shalev, and by Martin Rein and Lee Rainwater. Taken together, they argue that we need to broaden the traditional perspective if we want to understand the many faces of occupational welfare and the public-private mix. Rein and Rainwater (1987:143) argue that⁹:

«Our understanding of these mixed institutional forms can be understood conceptually by locating them in a holistic framework of the evolution of market societies where social policy, labor markets and industrial relations are unified.»

Rein and Rainwater (1987:150) also point to a pattern of shifts back and forth between arenas of welfare production, rather than to one of continuous and steady evolution towards increased state responsibility. The boundaries between the state, the firm, and households, are shifting as the responsibilities for and costs of social protection move among these arenas of welfare production.

Michael Shalev (1988, 1996), sees the study of occupational welfare as a way of highlighting the dynamics of the interactions among union, firm, and government

⁹ Even though not discussed by Rein and Rainwater, it is an interesting link to Polani's (1944) 'The Great Transformation' when arguing that evolution takes place in a holistic framework of market societies where social policy and labor markets are unified. Polani's basic point was that classical liberalism separated the economic system from the remaining function of the society. A natural response was social tensions which was met by authoritarian attempts to control social life. Modern social democracy is first of all a new attempt to balance economic and social aspect of society.

in the development of welfare systems: «One of the most fruitful ways of taking seriously the links between social policy, labor markets and industrial relations is through the prism of occupational welfare» (Shalev 1988:2), thereby bringing together research traditions that too long have been separated. Especially the trade union movement and its impact on the development of modern capitalist societies is a common denominator across the different traditions of research in industrial relations, labor economics, and the welfare state.

Shalev (1996:1) stresses the limited knowledge that we have of the interaction between social policy and industrial relations:

«Because not only multiple actors, but also multiple agendas are involved, the study of occupational pensions is obliged to contend with a heavy dosage of uncertainty and contingency».

Michael Shalev and others are obviously pointing in the right direction, but we are still left with a considerable need to clarify a theoretical perspective and to sharpen the analytical focus.

One could, of course, ask if it is useful to treat industrial relations as a separate and well-defined research tradition which in one way or another can be integrated with another tradition. Perhaps the most striking feature of the industrial relations literature is the absence of a consistent theoretical framework and a common dependent variable. There is an ongoing discussion on the orientation of industrial relations research: Is it a discipline in its own right guided by a grand theory, or is it a meeting ground for a number of disciplines with a common interest in issues related to labor relations such as unionization, industrial democracy, work organization, strikes and so forth (see Beaumont 1990 and Kaufman 1993)? According to Beaumont (1990), industrial relations is concerned with institutional determination and regulation of the term and conditions of employment. Based on this broad definition of industrial relations it is obviously important to identify more precisely what an integration of industrial relations and welfare state research implies.

Dunlop (1958) argued in his now classical work 'Industrial Relations Systems', that industrial relations can be seen as the environment in which the actors interact with each other to determine the rules of the work place. He argues that 'any genuine understanding of industrial relations systems requires a penetrating familiarity and appreciation of the negotiation process. Negotiations are the grease that makes the system work' (1958:18). In this work the phrase industrial relations is used with reference to what can be seen as a core element of this research tradition, namely unionization and collective bargaining. It is important to stress that negotiations may involve formal processes, but negotiating is also an informal process

used by representatives of all actors. The organization of employee, employer and government interaction represents a crucial filter for the relationship between public welfare policies and labor market based welfare activities. Therefore, the industrial relations aspect is taken into account as an independent variable, rather than as the dependent variable, as is customary. In other words, I will not seek to explain why union density varies over time or between companies or the institutional development of collective bargaining, but will include these elements in an understanding of company-based welfare decisions and how public and private welfare provision interact.

Theoretically, the contemporary divorce between social policy and industrial relations research is unsatisfactory both for industrial relations scholars as well as for the current tradition of social policy research. The social wage contains the direct wage, voluntary and contractual indirect remuneration, as well as statutory social rights. An industrial relations strategy is therefore also a social policy strategy and vice versa. On the other hand, the study of social policy loses an important aspect of the micro foundations of social policy when separating industrial relations and social policy. It is, for example, impossible to grasp why the Norwegian statutory system of sickness benefits still provides 100 percent wage compensation from the first day of absence without having knowledge of collective agreements that have been concluded to reduce absenteeism in order to prevent the parliament from reducing the benefit level.

The classical works on unions and labor relations did not differentiate between the social policy and labor market aspect of industrial relations in the same way as is done today. In the works on the British trade union movement by the Webbs before the turn of the century, social policy and industrial relations are seen as closely integrated:

«The regulation which we have described in our chapters on the Standard Rate, the Normal Day, and the Sanitation and Safety, are but different forms of one principle – the settlement, whether by Mutual Insurance, Collective Bargaining, or Legal Enactment, of minimum conditions of employment, by Common Rules applicable to the whole bodies of workers» (Webb 1897:301).

As then, the importance of broadening our theoretical perspective could be illustrated by asking a simple question: What do union leaders or employers take into consideration when choosing specific social policy strategies? The answer includes, obviously, many aspects of social policy and labor relations. Before selecting a specific strategy, a union leader would carefully consider the possibilities of finding a legislative or political solution versus the chances of establishing a collective agreement, the impact of each of these solutions on the union's organizational strength and

development, as well as the social dimension of improved security for specific groups. A collective agreement on, for example, early retirement pensions might restrain direct wage increases more than would a legislated scheme. At the same time, the establishment of an occupational early retirement plan could contribute to improved attitudes towards the unions in the population at large as well as among potential and actual union members. The social policy strategy is also an industrial relations strategy.

What union leaders, employers, and governments do, in fact, is to combine elements from a variety of approaches. This broad concept of welfare politics has, however not characterized the academic discourse on social policy. On one side, traditional social policy research focusses heavily on the development and effects of public programs, where industrial relations traditionally has been given little consideration (see Chapter 2 for a discussion). Overall, one could conclude that traditional welfare state research has been macro-oriented, with a tendency towards excessive generalization and broad theorizing. Welfare state research concentrates on public programs and expenditures, making the public sphere the dominant arena of welfare production, and it tends to focus on political parties as the main actors. Trade unions as well as employers have been seen as political pressure groups, rather than as separate policy actors.

In contrast, in the broad field of industrial relations two sets of questions, both relevant for the study of occupational welfare, can be identified:

First, a core issue is the analysis of collective decision-making at the central or local level in the labor market, focussing on the processes and outcomes of negotiations. «Especially the 1980's have been a critical period of experimentation and new strategies for management, labor and government decision makers» (Kochan and Katz 1988:47). Understanding the relation between labor and management and the actual processes of collective bargaining, on both the local and national levels, is crucial to the study of occupational welfare. Such an understanding supplements the traditional macro-oriented and state-focussed perspectives in welfare state research. It focusses on unions and employers as separate players interacting with one another as well as in tripartite collaboration with governments. Thus it contributes to a multi-actor perspective in the study of social policies as well to a focus on both central and local decision-making. In the analysis of occupational welfare, increased understanding of the company level is of great importance especially in Norway where the system is highly decentralized compared to both Denmark (Scheuer 1992) and especially Sweden (Wadensjö 1993).

Second, there is a growing interest in the question: Do national systems of industrial relations show signs of increased convergence or divergence, and are there 'models' of industrial relations systems, some of whose features could be exported successfully to other countries.

Baglioni 1990) Ferner and Hyman 1992). Historically, there has been considerable cross-national variation in the standardization of employment regulations. This has led to several attempts to define models of industrial relations throughout Europe and the US. As in the welfare state literature, the paradigmatic Swedish case of a so-called «Nordic model» plays a central role in the discourse (Ferner and Hyman 1992:xii). The crucial element of the Nordic model of industrial relations is the compromise between capital and labor based on close cooperation in the industrial arena and, as can be argued, remarkably limited state regulation (Kjellberg 1992:89–95).

The discussion of changing industrial relation systems in a comparative perspective bears a close resemblance to its counterpart in the welfare state research literature. As in welfare state research, the question of different mixtures of self-regulation and state regulation takes us to the heart of the industrial relations debate. Even though one can argue that there are significant differences between the role and nature of self-determination in the Scandinavian countries it is the «basic agreements», the far-reaching labor agreements which regulate conflict between the labor market parties and which set the rules of the employment relationship that are put forward as the typical example of self-regulation. The preference for self-regulation over state intervention in the form of extensive labor laws is explained by Kjellberg in the following way:

«An obvious advantage of self-regulation was that it gave employers and unions some freedom of maneuver. The unions could retain a function in the eyes of their members, while employers avoided regulation of industrial relation by a social-democratic government; and the government believed that union members were more likely to accept labor peace and pay restraint if the unions preserved a degree of autonomy» (Kjellberg 1992:95).

The goal here is not to take part in a discussion on the extent of actual self-regulation in each country or the obvious differences that exists in this field between Norway, Denmark and Sweden. No doubt, there are important differences that can be exemplified by the fact that both Norway and Sweden have far-reaching labor environmental acts, while this is based in collective agreements in Denmark. My goal is, first, to stimulate critical analysis of the role of unions and collective bargaining in the development of the Norwegian welfare state. In traditional welfare state research, the issue of self-regulation is turned upside down. The basic argument in the Social Democratic welfare state model is that unions and the Labor Party would use their common strength to replace the system of self-regulation of welfare in the labor market with state legislation.

If both traditional welfare state and industrial relations research provide a basically correct description of the Scandinavian peculiarities, that commonality opens the door to a categorization of models of welfare and industrial relations systems.

These are, of course, ideal–typic models¹⁰ serving mainly illustrative purposes. First of all, some countries straddle these categories. Even though Norway is often seen as representative of the Nordic model of industrial relations, the degree of state intervention in collective bargaining is considerably higher than in Sweden (Dølvik and Stokland 1992). Second, structural change and cyclical economic crises have brought about marked changes in both welfare and industrial relation regimes, thereby increasing the variety and heterogeneity within national models.

Examples of these four categories can, however, be found – except for what one could label ‘classical liberalism’ where both labor relations and welfare schemes are based on self– regulation from the parties in the labor market, i.e. employees and employers and their respective organizations. There is, however, a development toward this position, most typically found in New Zealand and Australia (Jilstad 1993). In Australia all public social security programs are now subject to means–testing, and labor market regulations have been significantly liberalized. To a large extent, the United States fits the combination of self–regulated welfare policies and legislatively–based industrial relations policies, even though the US has a highly developed national old–age pension system. The rules of the employment relationship are set by public legislation, while welfare policies to a large extent are determined in the labor market through self–regulation. Denmark could serve as an example of a predominantly legislatively–based welfare policy combined with self–regulated industrial relations. Finally, Germany provides an example of a model using state intervention through legislation in both welfare and collective bargaining.

Figure 1.6 Models of Welfare and Industrial Relations Regulation

		Labor Relations Policies	
		Self-regulation	Legislation
Welfare policies	Self-regulation	Classical liberalism	US
	Legislation	Denmark	Germany

¹⁰ In the social sciences, an ideal type serves two functions. First, it has traditionally a didactic function, simplifying empirical observations into groups or categories which have a distinct basis in certain empirical facts. Second, it should also be recognized that the ideal type can serve a function by constituting an idea or concept. In this discussion this element is of importance. No analysis of the actual empirical bases for these ideal types will be undertaken. Even so, combining welfare policies and industrial relations represents an important conceptual framework for the analysis of occupational welfare.

The existence of labor relations and welfare regimes or models represents an important future research challenge. The primary goal here is not to answer this question, but to illustrate that all policy actors face a wide range of options, and to argue that there is no reason to believe that one mode of regulation is necessarily preferred by any of the policy actors. At a theoretical level, this raises questions about the robustness of the Social Democratic welfare state model, where union strength is seen as positively correlated with the degree of state regulation. Why did Swedish and Danish unions, among the strongest in the world, choose to preserve a relatively large autonomy in one arena and not in the other?

Furthermore, the discussion of 'models' illustrates that welfare policies and labor relations systems have been closely interrelated, and that this relationship, historically, has followed a variety of developmental paths. In order to understand the outcomes of these models we must take into consideration both industrial relations practices as well as the design of social security programs. An equal income distribution is not primarily the result of tax and transfer systems, but of the nature of collective wage determination, of the importance of solidaristic wage bargaining.

This again, leads to a question of how different models will respond to the ongoing changes throughout the world in economic and political conditions. How will cutbacks in public welfare programs affect the systems of industrial relations? And how do decentralization, deregulation, and internationalization affect the possibility of establishing market-based welfare solutions or reforming public welfare systems?

Taken together, the development of the public-private mix must be placed in the context of both labor market relations and welfare policies in order to understand the forces producing changes over time and among sectors in the economy.

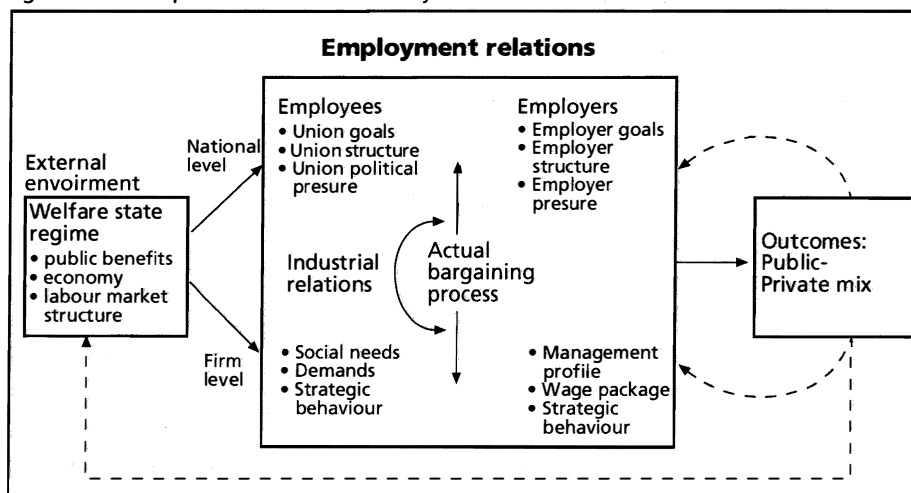
A conceptual model of occupational welfare policy making

How can the actual process of policy-making be conceptualized? It is through the institutional structures and processes of collective bargaining, or in a broader sense the employment relationship, that the parties interact and make choices. We therefore need a model of how employees and employers interact at the firm level, as well as at the national policy level. Kochan and Katz (1988:5) have put forward a model of the institutional structure of industrial relations within a firm. Drawing on their work, I propose a conceptual model of labor market decision-making as a framework for the study of the shifting public-private welfare mix.

The model illustrates that not only governments, but also employers and unions, intervene to shape the social rights and claims of individuals and thus what Esping-Andersen (1990) would call the system of decommodification. Social policy is not solely a question of decentralized market solutions versus centralized political

solutions. As does public policy, occupational welfare takes on a variety of forms. The important explanatory variables in this framework are linked to features of the external environment and to the «internal» institutional features of the labor market decision-making system.

Figure 1.7 Conceptual Model for the Study of Public Private Mix



The external environment

The regulatory welfare state and industrial relations regime, combining public welfare programs, labor law and the structure of labor relations, constitute an important environmental context in which the parties interact. In other words, the choices made by the actors are dependent on external environmental factors such as welfare retrenchment or decentralized collective bargaining. As shown empirically by Esping-Andersen (1987) and Kangas and Palme (1989), the quality of the public pensions systems is one important determinant of the size of the private pension sector (but not the only one). Another aspect of the external environment is the unique and distinct history of the welfare state. The range of choices open to the parties at any time depends on the strategies implemented previously. As argued by Stevens (1984:17), «the neo-classical model of wage determination and, for the most part, the segmented labor market models also falter in that they treat the construction of compensation as being independent of the passage of time».

Both economic conditions and labor market structure have impacts on the dynamics of the decision-making process. Reduced economic growth rates together with demographic developments have sharpened distributional conflicts. Economic growth made social improvements, both public and private, possible without threatening expectations of increased disposable income. Moreover, growing

international economic integration sets new conditions for both national welfare policies and the behavior of business firms. The combination of economic stagnation and intensified international competition may create pressure to reduce statutory welfare expenditure and, at the same time, may block attempts to compensate the loss through centralized collective bargaining.

The significant changes in labor market structure and performance alter the conditions for the interaction among unions, employers, and government. The era of full-employment welfare capitalism seems to have come to a definite end when Sweden also ushered in lasting unemployment. Thus, an important determinant of union strength and of centralized collective bargaining has been seriously weakened. Furthermore, the rapid growth in female, white collar, and public sector employment, changed the face of labor and altered the basis for social needs and economic interests.

The employment relations – A two-tier model

The next step in the model is the system of decision-making in the labor market, sometimes referred to as «employment relations». The term employment relations is chosen because it covers a broader set of institutions and outcomes than those traditionally associated with industrial relations¹¹. Thus, one could seek explanations for the outcomes within the field of human resources focussing on organizational behavior and human resource management, as well as from the traditional study of unions and collective bargaining. I propose a two-tier approach to understanding employment relations and their impact on the politics of occupational welfare.

The first tier, called the enterprise or corporate level, comprises the activities taking place in each enterprise in which workers and/or their unions interact with management over social policy issues. It is this local level that traditionally is involved in attempts to explain the existence of occupational welfare programs. At this level, social policy has at least three different dimensions. First, employers can unilaterally provide their workers with benefits as part of a wage and management policy to compensate and to motivate workers, and not as a consequence of work force or social pressures. Second, employers can take part in consultation or direct bargaining over social policy issues from day care to old-age pensions. And third, there is a process of strategic adaptation to the rules of public legislation on the company level. This is typically found when employers try to shift costs from their company to the state

¹¹ In the book «The Origins and Evolution of the Field of Industrial Relations», Bruce E. Kaufman (1993:194) proposes to replace the term industrial relations with the new label employment relations. Hence, his goal is to remove «this fault line that divides the subject into human resources and industrial relations». This approach is clearly relevant to the study of occupational welfare, since it is best understood as more than a question of simply union pressure and collective bargaining.

by, e.g., providing incentives for employees to choose invalidity pensions as a way to ease redundancy problems, or when public sickness insurance is used as a way to solve internal manpower conflicts (Waldrop 1992, Dahl 1993). This process of strategic adaptation alters the actual results of the public schemes as originally intended by the legislation.

At the enterprise level, the external environment can be viewed as given. The decision-making process will be limited to optimization of the wage packet given a certain level of public welfare provision, tax regulations and so forth.

The second tier takes us outside the arena of the individual firm. The actors will have a broader perspective on their goals and on the options available for pursuing them. This union and employer interaction typically takes place at the national level but, to some extent, also at the industrial level. In this sense, this model can also be seen to encompass three tiers: national, industry and company. The core aspect of the model is that unions and employers act on behalf of the collective, and are faced with strategic choices as to how to best pursue their goals, whether through political pressure, centralized bargaining, bargaining at a lower level, or various combinations of these. Whether this should be labeled two or three tiers is of less importance.

In effect, unions do more than just raise wages. In addition, they have a collective voice where conflicting loyalties – company-level and union loyalties, and overall national and ideological loyalties – unavoidably will affect union decisions. Union social choices can be seen as a process of exit, voice and loyalty on different levels of decision making, following Hirschmann's original concept of how organizations are governed by an interaction between membership or consumers exit, their ability to use voice and the extent of their loyalty to the organization (Hirschmann 1970)¹².

The outcomes

The last step in the conceptual model concerns the institutional outcomes and their feedback effects on both labor relations and on the welfare state regime. The outcomes include the level and structure of occupational welfare, which again contributes to the overall public-private mix of welfare in the society. Figure 1.7 shows the various institutional forms, combining the different arenas of decision-making with a centralized or decentralized level of implementation. Although different combinations may produce the same outcome (for example, the amount spent on pensions or health care), they differ greatly in who bears the costs and benefits, and in their political implications. An interesting example is the fact that Sweden and the US

¹² See Chapter 3 for a detailed discussion of unions and exit, voice and loyalty in social policy.

have reached a high level of total health spending despite very different institutional systems. Hence, a discussion of the implications of choosing one solution, or a mixture of solutions, over another, can help us to understand what is at stake in the decision-making process, and, to show, that occupational welfare arrangements can not be treated as a one-dimensional phenomenon.

Figure 1.8 Outcomes: Combining Arenas and Levels of Decision-Making

		Decision-making level	
		Centralized	Decentralized
Decision-making arena	Politics	1	2
	Bargaining	3	4
	Non-market/ Households	5	6

Most of these categories of welfare provision could be found in all advanced capitalist countries, but the practical relevance of them varies considerably. Category 1, the centralized political arena, is typically illustrated by a national public old-age pension system found in Norway, as well as in other industrialized countries. Benefit provision is based on political decisions concerning eligibility, benefit levels, financing, and so forth. Even though a system is politically-based, governments can choose to decentralize the actual implementation – suggested by category 2. Private medical practitioners and private hospitals have this decentralized (and often market-oriented) function in national health care systems. Another example is found in public sickness benefit systems in Germany, Norway, and, from 1991, in Sweden, where wage compensation for the first weeks of sickness is paid directly by the employer, and where control of absenteeism is solely the employer's responsibility because there is no reimbursement from a national insurance programs.

The third category is a centralized market-based system. To simplify the discussion, I will concentrate only on labor market based provision, leaving aside individual insurance and commercially produced welfare services (which would fall within category 4). The main features of the centralized provision of occupational welfare benefits are the possibility of treating all (or large groups of) wage and salary earners simultaneously, and closely linking the different agreements, thereby extending coverage of benefits. Such centralized arrangements are found in the Australian system of contractual maternity leave, and the Swedish contractual system of additional pension and sickness benefits. Category 4, the decentralized labor market solution, leads to higher welfare provision in areas with strong unions, large and more profitable companies, and so forth. The result is large differences in benefit coverage

and quality. Moreover, this decentralized implementation does not facilitate a national (macro-) economic compensation policy, or any form of solidaristic wage policies. A decentralized system of occupational welfare is typically found in the private sector in the US and, as I will argue, in Norway.

The last decision-making arena is called «non-market», implying that in all societies welfare are provided through the household or in non-governmental organizations (NGOs) on the national or local level. I have included this arena in the figure because union mutual self-help programs can play an important supplementary role as part of individual wage earners' total welfare packages, and because these programs may constitute a strategy for reinforcing union strength.

The combination of these welfare arenas has important social, economic, and political implications. The institutional mixture has direct impact on the distribution of social security between those in the labor market and those engaged in non-paid work, and among different groups of employees. Furthermore, there are distinct economic effects on the level of labor costs and on the wage differentials in the economy. And, last, the different institutional outcomes have repercussions on the political support given to public programs as well as to unions and employers. Therefore, these social, economic, and political consequences must be taken into consideration when discussing the strategies of the actors and the impact of the environment on the possible implementation of these strategies.

The basic assumption in this work is that all the actors would focus on, from their point of view, the best or optimal combination of the different arenas of welfare provision. Thus, changes in one arena, be it growth of company-based programs, or cutbacks in public programs, will affect decisions taken in other arenas.

1.4 The welfare state concept

The attempt to integrate welfare state and industrial relations theory has implications for our analytical concept of the welfare state. In this section, I will briefly comment on the problem of defining the welfare state. We need a welfare state concept that can serve as a point of departure for an analysis of both occupational welfare and also of the interplay between public and private arrangements.

The term welfare state is often used interchangeably with public sector welfare programs and expenditure. One can also find welfare state used to refer to all public programs, and thus as a synonym for the public sector as a whole. The significance of this definition is exemplified by the fact that books about the welfare state are usually limited to discussions of public services or transfers. One can, of course, ask how much state responsibility a country must take on in order to rightfully be

labeled a welfare state. Is the US a welfare state? This discussion is of limited analytic usefulness, because it does not embody an attempt at developing a theoretical framework of the nature of the welfare state development, or of its future prospects.

The use of the phrase welfare state raises the question of defining both terms, welfare and state. The boundaries of welfare policies cannot be decided definitively by theoretical argument. The analysis should focus on the role of the state. One approach to this analytic task would be to break the discussion into four elements of what constitutes a welfare state, all of them closely related.

First, we have to take into consideration different dimensions of state activity related to welfare. Second, there are several mechanisms through which welfare is generated in all societies, and these arenas of production each have their own spheres of political and social justice. Third, different combinations of state activities and welfare production have important effects on the social transformation and social stratification of society. And, last, underlying the operation of the welfare state is a multi-actor process.

a) Dimensions of state activity

Welfare state activity can be divided into three dimensions: welfare state as regulator, welfare state as producer, and welfare state as employer. «The state defines the territory and membership of a society, regulates its internal affairs, conducts relations with other states and provides it with identity and cohesion» (Jordan 1987:95). This regulatory role, which affects all systems of activity, makes a (welfare) state more than merely a provider of benefits. It regulates the rules of all of the different arenas of welfare production in a country, and also affects the borders among them. One of the most important issues of the twentieth century has been the extension of the regulatory role of the state. Does the state have a responsibility to guarantee protection for all citizens from the insecurities of the market, providing both full employment and extensive social security?

A second key dimension of the state is its role as a producer and provider of social welfare benefits, such as health care, pensions, and so forth. This is the most common conception of the welfare state. But, a country with what may be viewed as a very limited «welfare state» (i.e., one with limited state production) may have a highly developed system of tax rules and legislative regulations and thus an extensive «welfare state» in a regulatory sense.

A third dimension of the state is its role as employer. In addition to the state providing direct employment opportunities, public employees in most countries benefit from welfare systems different from those provided to the other members of the work force. The benefits given to state employees have played an important role

as a point of reference for improved social security for private sector wage earners throughout this century (Schuller 1986, Øverbye 1990). In addition, in its frequent role as the dominant employer in the economy, the state contributes to the development of the overall labor relations climate as well as to income development.

b) Arenas of welfare production

The discussion of the multiple dimensions of the state is closely connected to the notion of multiple arenas of welfare production. In all countries, welfare is produced in different arenas: in the household, or in the local community, as part of non-economic exchanges with family, friends or voluntary organizations; in the individual market where one can buy old-age pensions or health benefits; in the labor market where welfare benefits are an important part of the total wage; and last, in the public sector, where state and local authorities produce a wide range of welfare benefits.

An important component of the regulatory role of the state is the balancing of the welfare arenas. A dominant view in modern welfare state research depicts the inevitable gradual evolution of social protection from the household, to the firm, and finally to the state. Because of its tendency to crowd out occupationally-based provision the ideal-typic Scandinavian welfare state should contribute to a more egalitarian distribution of welfare (Titmuss 1976) than would other countries, as well as greater and more stable support for the welfare state, since all segments of the labor force rely on public programs for income replacement (Esping-Andersen 1990). An alternative view could be found among welfare pluralists, arguing that the predominance of public programs damages the delicate balance between the arenas instead of increasing the total welfare in society and, hence, is a threat to the functioning of the family and the market (Rose 1986).

The different arenas are based on different moral foundations. What is fair or just in the family, may be regarded as unjust in the market, and in the state arena. Combining the arenas of production thereby implies combining «spheres of justice» and thus establishing an increasingly complicated moral basis for welfare policies. Shifts in responsibility among arenas is closely connected with conflicts over justice.

c) Social stratification

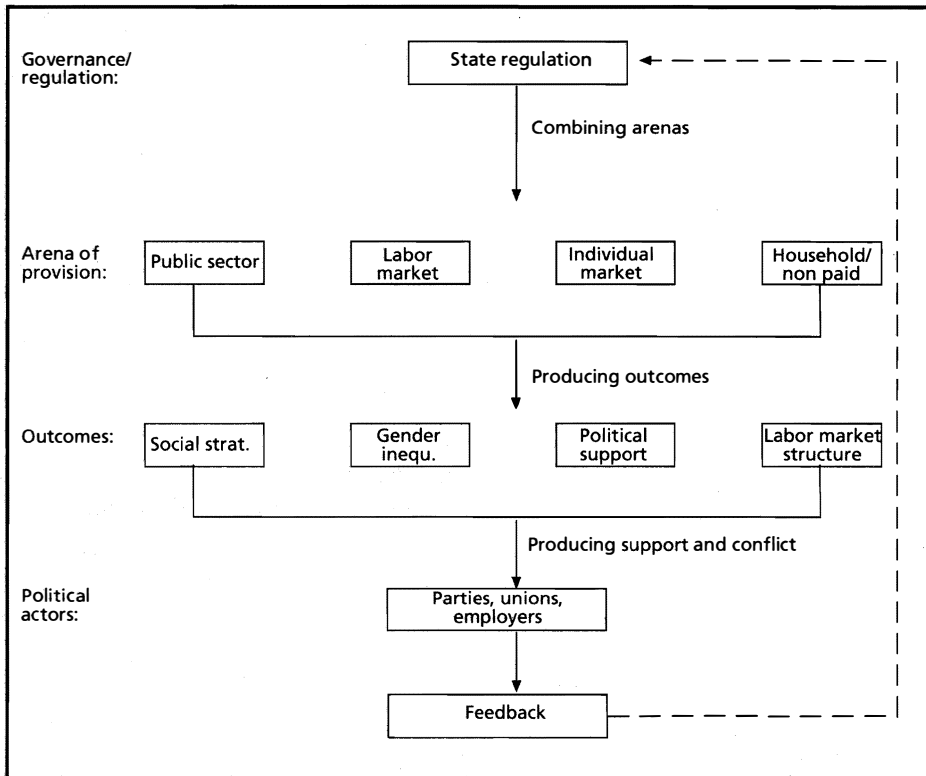
The combinations of production arenas has important repercussions on the social transformation of the society at large. Traditionally, scholars have focussed on the potential for welfare politics to change the income distribution. Among others, Stein Ringen has concluded that Scandinavian welfare states have used «the possibilities of politics» to change the market distribution of income to a larger extent than have

other countries (Ringen 19887). But the systematic differences in the combination of welfare arenas have also changed patterns of gender inequalities (Whitehouse 1992), labor market structure (Kolberg 1992) and political support (Esping- Andersen 1990).

d) Political process

Changes in the combination of arenas take place through a complicated political feedback process. First of all, there are several actors – political parties, unions, employers, civil servants, and social movements – that take part in the ongoing battle over the structuring of the welfare state regime. Second, this political process is not just an attempt to alter state regulations by using the traditional channels of political pressure and parliamentary participation. An important part of the process takes place directly in the labor market and to some extent in the individual market.

Figure 1.9 The Dynamics of Welfare State Development: A Multiple Actor and Multiple Arena Model¹³.



¹³ This figure is based on a proposal by Kåre Hagen.

Employers develop their own social policy at the firm level, as does the state as employer; unions use their bargaining power to supplement public welfare through collective agreements, and the insurance industry actively maneuvers in both the public and private spheres.

The feedback process could therefore be seen as one of interaction between the outcomes of a given regime and the capacity of the various actors to change the logic of welfare production directly in each arena. Actors can effect change directly through collective agreements and management policies or as consumers in the individual marketplace, as well as indirectly by shaping government policies.

The model of the welfare state as having multiple actors and multiple arenas is illustrated in Figure 1.9.

Esping-Andersen (1990) has argued that there are systematic clusters of policy characteristics across countries. This constitutes what he calls policy regimes. This theory is based on a macro-oriented understanding of the development of the policy regimes. First, the key actors are political parties trying to control the regulatory mechanism of government, and the focus is almost exclusively on the aims and resources of labor, with a corresponding neglect of the roles of capital and of the state. Second, roots of change are related to a Social Democratic experiment to decommodify labor. The political capacity to establish more or less decommodification differs systematically across nations, thereby constituting three clusters of welfare state regimes (For a discussion of this theory see Chapter 2).

This perspective offers no direct explanation for the development or provision of occupational welfare. Occupational welfare is regarded as simply negatively correlated with the extent of public programs. The theory implies that both the institutions of occupational welfare and the public-private welfare mix should show little variation throughout Scandinavia which, with a closer look, seems not to be the case (Kangas and Palme 1992).

The welfare state as social transformation

An important aspect of the regime theory is the explanation for how the welfare state becomes a mechanism of social transformation; hence, it provides a framework for understanding the reorganization of society. Among social scientists, there have been diverse approaches to the logic of this transformation process and to the most crucial determinants of change.

Marxist-oriented scholars focus on both social policies and systems of industrial relations as strategies for controlling the working class, thus reinforcing the stability of the state. An early Collin Crouch quote could illustrate this approach in a good way:

«The involvement of the unions in policy-making, and consensus over post-war reconstruction, the welfare state and the removal of industrial relations from political conflict provided a moral unity among government, employers and union leaders, leading these last to be willing to use their organizational centralization and strength to restrain rather than press the demands of their members.» (Crouch 1978:124)

Walter Korpi, a prominent advocate of «power mobilization theory», emphasizes the gains made by the labor movement through changing the arenas of welfare production. The process of social transformation is seen as a part of a three-stage path to reformist Socialism. The first stage was political democracy, opening the regulatory tools of government to an alliance of workers and peasants. The second was the development of universal and generous public welfare programs financed by progressive taxes thus redistributing income. And, the third stage on the road to Socialism is economic democracy, which so far has proven more difficult to establish. Sweden's famous wage-earner funds were never adopted by other countries and, at home, they were dismantled by the non-Socialist government.

Among institutional economists, the process of social policy development has been viewed largely as the process of balancing a desire for equality against the need for efficiency. Okun's famous metaphor of the leaky bucket (Okun 1975) presents the welfare state as based on a moral imperative, using politics as a tool for promoting equality at the expense of efficiency. From the Social Democratic perspective, the beauty of the Scandinavian welfare state is that equality is viewed as promoting efficiency which, of course, challenges the neo-classical economic doctrine. The broad concept of the welfare state that I have put forward here does not necessarily embody an exact logic of, and direction for, welfare state development. The welfare state is seen as a mechanism for social transformation, one that gives a variety of actors a focal point for the creation of social change. The ultimate direction of this change is a question of economic and political power, in conjunction with the existing pressures and constraints that exist in different periods.

The battle over public and private responsibility is an important part of the process of social transformation. Private welfare production is often seen as tending to increase social inequalities. But there are examples of occupational welfare arrangements which cover more or less the entire labor force, as do the negotiated Swedish occupational pension and sickness benefit schemes (Wadensjö 1993).

A final question concerning the logic of social transformation is whether welfare policy in industrialized countries will converge or diverge over time. If the welfare state regime types have different capacities to reproduce themselves, advanced capitalist countries will become even more divergent. An improved understanding of the underlying mechanisms of welfare development, especially the impact of labor

market organizations, is important for predicting the future development of the welfare state. This work, analyzing the Norwegian case, obviously cannot provide an answer to the question of international convergence or divergence. Studying a selection of countries would be an important next step toward increasing our understanding of the future of welfare.

1.5 Research design and data

As already noted, the research design laid out in this work is guided by a theoretical model placing occupational welfare in a framework of industrial relations and welfare state development. This theoretical perspective entails a methodological procedure based on a **combined approach** using both an historical perspective and a cross-sectional empirical analysis. The analysis, therefore, will proceed on two levels. The local level is especially well suited for statistical analyses of company and individual survey data. In this way we can depict both the significant decision-making factors at the firm level, as well as the individual distributional outcomes.

However, the local system of decision-making can trigger national action through collective bargaining or political pressure, depending on the nature of the industrial relations and the public welfare system. We are thus left with a need to understand and interpret diverse historical processes and their significance for current institutional arrangements at both the industrial and national levels. In the latter case, we must turn to an approach which requires a research design that is historical in nature (Ragin 1987:35).

This combined approach is necessary to grasp the multi-level nature of occupational welfare. The historical and cross-sectional approaches serve different purposes. The historical perspective allows us to see the impact of the actors and of the structural conditions on the changing role of occupational welfare, and hence, increases our understanding of the underlying dynamics of change. Cross-sectional data provide evidence that describes patterns of difference, but not the process of change that produces these differences. Therefore, it is not uncommon that scholars using highly quantitative methods to add historical perspectives to their analyses (see for example Kangas (1991) or Myles (1984)). In this work, the historical perspective enables us to increase our understanding of the behavior of the actors and the actual development in the private public mix, and, thereby, to create more plausible hypotheses for the cross-sectional analysis of the provision of benefits in the current labor market. Through the use of labor cost data and a detailed database on private pensions the historical analysis will be dominantly quantitative in its approach.

It should also be noted that there is an implicit **comparative element** in this analysis of employer relations and occupational welfare. I have chosen to focus on Norway, except for the comparison with the danish development in chapter 5. This implies that Norway mainly serves as a comparative case study. As argued by Skocpol (1992) and Ragin (1987:4), a single case study can be thoroughly comparative if used to test hypotheses developed in a comparative framework. Skocpol (1992:39) argues that «ideal typical conceptions of the welfare state have been abstracted from certain understanding of a few national histories, and then turned into general explanatory variables.» She concludes that «Applied to the American case such conceptions have been especially harmful.» The choice of Norway as a case for this study follows Skocpol's line of reasoning. It is motivated by the existence of the widely accepted hypothesis that Scandinavian welfare states are providers of inclusive and generous public social security programs, and that, accordingly, occupational welfare plays a marginal role. It is reasonable to believe, as Skocpol argued in the case of the US, that the Norwegian case can contribute to a revised understanding of Scandinavian politics in a comparative perspective. Moreover, comparative welfare state as well as industrial relations research have, almost as a general rule, chosen Sweden as the Scandinavian model case. Our understanding of Scandinavian welfare state development has thus a definite Swedocentric bias (For a discussion see Shalev 1983, Therborn 1987, Allardt 1990).

Taken together, a research design combining historical and cross-sectional data can be a useful way to improve our understanding of decisions on both a local and a national level that are involved in the development of occupational welfare. This research will therefore proceed along two levels, an historical analysis of the development of occupational welfare arrangements and the interplay between occupational and public systems (Part II), and a cross sectional analysis of the current role of occupational welfare (Part III).

Part II of the analysis: The changing role of occupational welfare

The first level of this study focus on the development of occupational welfare and the interplay of occupational and public welfare with special attention given to the role of unions (chapter 4,5 and 6). The closely related question of the changing boundaries between public social policy responsibilities and the non-profit sector and the households will not be discussed¹⁴.

The historical approach gives an opportunity to identify the timing of the different developments, thereby providing clues to how both different levels of decision-making and how different arenas interact. The development of occupational

¹⁴ For a discussion of these issues see Kuhnle og Selle 1992, Kramer et al 1993.

welfare cannot be seen as independent of the passage of time; ignoring historical forces is a common pitfall in cross-sectional studies.

The historical perspective is also important to see how policy feedbacks come into play. It can reveal how feedback effects on policies on subsequent politics are shaped. When studying, for example, how the provision of pensions have shifted among the firm level, collective bargaining at the national level, and the political arena, this perspective of feedback response to previous policy is important. The Norwegian case provides an example of how a feedback process across arenas of decision-making have been important determinants of the growth of both old age pensions and sickness benefits.

The analysis of the changing role of occupational welfare in Norway will be based on several data sources:

First, labor costs statistics are a useful source of information on the historical development in the post-war period. Since 1954, the Norwegian Employers association has registered the size and composition of total labor cost in mining and manufacturing companies. Since the late seventies, similar labor costs statistics have been collected for other important segments of the labor market. After 1983 no labor cost data are available. Chapter 4 offers a discussion of the shifts between statutory and voluntary welfare arrangements, based on an analysis of labor cost data.

Second, information on different aspects of private pensions provide an opportunity to undertake a detailed analysis of the relationship between public and private pensions. A private pensions database is established as a part of this work and offers information on coverage, pension payments, pension premiums, and assets in Norway. These data provides an opportunity to analyze the changing public-private interplay up to the present time, which is of important since labor cost data is not available for the last decade. This data on private pensions in Norway also offers an opportunity to compare the development of private pensions in Norway with Denmark where such data have been made available. Chapter 5 presents an analysis of various aspects of private pensions in Norway compared to the situation in Denmark where no statutory supplementary pension scheme was introduced. The comparison with Denmark is undertaken because it represents an unique possibility to compare two highly similar countries that have introduced fundamentally different public pension arrangements¹⁵.

Third, historical documents from the Trade Union movement serve as an important data source. Internal background and discussion reports provide both empirical data as well as a window to how the choice between public and private responsibility actually was conceptualized and approached at that time. Moreover, individual company histories contain important information on how and why benefits were developed at the firm level, the role of unions and employers, how and if

¹⁵Chapter 5 is a revised version of paper written in collaboration with Axel W. Pedersen.

these systems where incorporated into centralized contractual agreements and public schemes. In Chapter 6 the trade union choices related to three important cross roads of pension politics are made subject of closer investigation.

Part III of the analysis: The politics of occupational welfare provision

The second level of analysis focusses on the provision and distribution of occupational welfare benefits in the current labor market, as well as attitudes towards labor market based welfare arrangements. This analysis is based on survey data collected among corporations and individuals. The goal of this empirical work is, first, to study the distributional outcomes among private and public sector employees. A second goal is to understand the process of decision-making on occupational benefits that is taking place in the private labor market. The third goal is to assess attitudes among union and non-union members towards occupational welfare, and to consider possible union strategies.

These analyses are based on five original data sets on Norwegian occupational welfare, presented in more detail in Appendix 1. The data sets are collected in the period 1989 to 1995. Together they offer an opportunity to give a broad picture of occupational welfare in the current Norwegian labor market.

The strength of these data sets are, first, that results can be compared between different surveys. This is of crucial importance in a field of study where there are significant uncertainties related to the quality of data based on individual wage earners' responses. Second, these surveys are based on samples of both individual wage earners and of companies. Using both individual-level data and company-level data is crucial when analyzing occupational welfare or employee benefits. This is because individual-level differences can be attributed to differences across companies. It is the 'choice' of employer rather than individual characteristics which is of importance. Hence, the characteristics of companies such as educational or labor force structure, or the organization of personnel policies are important as explanatory variables. In this case company based data provide a necessary supplement to individual-level data.

The weakness of these data is primarily that the company surveys do not contain detailed data on the actual employer costs related to the different employee benefit programs. The fact that this analysis is confined to coverage restricts our understanding as to how welfare benefits affect total labor costs and the distribution of total wages. Moreover, none of the surveys provide an opportunity to model the interaction between the two levels of decision-making; the individual and the company. However, when focussing only on welfare benefits, such as pensions and life and accident insurance, this problem is less important because welfare benefits are, as a rule, provided to all employees in Norwegian companies (due to tax

regulation). In the case of other types of fringe benefits, such as free cars and newspapers, employees' individual characteristics do matter in a causal sense.

The first data set is based on a survey conducted by Fafo/MMI in 1990/91. This survey includes a representative sample of 450 private companies with 10 employees or more. The survey was specifically designed to study occupational welfare in private sector companies.

The second data set is based on a national survey on a broad range of voluntary and contractual employee benefits; it was conducted by the Norwegian Social Science Data Service (NSD) in 1992 in collaboration with a selected group of researchers¹⁶. The survey covers 1689 cases, of which 1019 were employed in the private sector. The cases were randomly selected from the national register of employees, where all employments lasting more than six months must be reported.

The third data set is the Labor and Company Survey (ABU) conducted by Statistics Norway in 1989 of which the employee part was reproduced in 1993. The survey is conducted by the Statistics Norway and covers in 1993 3865 employees, of whom 2227 are private sector employees. The sample was drawn from the same employee register as the NSD-survey. These surveys covers a broad range of issues related to labor relations and work environment. They do, however, contain some questions connected to the use of employee benefits which are included identically in the 1989 and 1993 survey.

The fourth and fifth data set are two surveys conducted among public and private sector employees regarding attitudes on voluntary and contractual employee benefits and the possible role of trade unions. The first of these surveys was conducted in 1993 in order to measure a broad range of issues of strategic importance to the trade union movement. Therefore, some questions regarding occupational welfare and the union choice between public or private responsibility were included in the survey. In the summer of 1995 a new survey was conducted to analyze attitudes on occupational pensions among public and private employees; this survey covers only issues related to occupational pensions.

These data sets are the basis for the analysis of the nature of employee welfare provision that is undertaken in chapters 7,8,9 and 10. Chapter 7 offers a discussion of how to understand the incidence and distribution of voluntary and contractual employee benefits in the Norwegian labor market and presents selected data on the nature of employment relations in private sector companies. Chapter 8 presents a detailed analysis of the coverage of different benefit categories, of the extent of systematical grouping of benefits, and a discussion of the recent developments in benefit coverage. Chapter 9 provides an analysis of the variation in private sector

¹⁶ Together with Axel W. Pedersen from FAFO I was a member of the research group that were responsible for the design of the survey. The other members were Einar Øverbye (INAS) and Anne Ryen (ADH).

companies' provision of voluntary and contractual welfare benefits. And last, chapter 10 identifies differences in attitudes toward occupational welfare among union and non-union members, as well as toward possible union social policy strategies.

Before turning to the empirical analysis, the next two chapters will discuss the theoretical background in more detail. Welfare state research is taken as a point of departure for this work. Hence, chapter 2 provides a review of the main theoretical traditions and a discussion of how public and private interplay in welfare politics is approached in these traditions. Chapter 3 focus in more detail on a crucial aspect of both welfare state and industrial relations theories related to welfare state developments, namely how and why unions act in social policy.

Chapter 2 Perspectives on the public-private mix in welfare state research

2.1 The puzzle: Understanding the logic of welfare state development

As argued in Chapter 1, understanding the nature of modern welfare states – conceptualized as modes of combining states, markets, households, and non-profit activities to produce and distribute welfare among individuals – provides an important framework for the study of occupational welfare and the interaction between public and private welfare components. The dual nature of employee benefits leaves us with no choice but to focus on the interaction of state and market. From one perspective, occupational welfare arrangements are rewards for work, an alternative form of remuneration that comes in the form of pensions or insurance. From another perspective, employee benefits are the creation of a private sector welfare system that substitutes and supplements public programs (Stevens 1984:18, 1986:1). Therefore, welfare state research is a natural point of departure for those who wish to understand the political economy of occupational welfare.

Broadly speaking, this branch of social science is concerned with the relationships among social policy, social classes, democratic institutions, and markets. During the last three decades, a growing number of scholars have tried to explain the underlying dynamics of welfare state expansion in modern capitalist countries. No final answer has been given, and no consensus has been reached on the logic of growth or retrenchment. There is no doubt that welfare state research has failed to «produce conclusive answers as to either the nature or the causes of welfare state development» (Esping-Andersen 1992:92). Scholars from disciplines like economics, sociology, political science, and history have contributed to what has become a heterogeneous and vivid tradition of welfare state research.

The abundance of theories on welfare state development has increased considerably our understanding of the political and economic processes behind the growth of the welfare state and its effect on the economy, distribution, and labor markets. The multitude of approaches are impressive and intellectually stimulating. Some researchers find that the welfare state marks the end of capitalism, fundamentally transforming capitalist societies into a welfare society in the shape of the Social Democratic model (Shalev 1983, Esping-Andersen 1985, Korpi 1981). Others see

the welfare state as the conscious invention of elites to keep the working class at bay and, therefore, as an essential feature of modern capitalist societies (Gough 1979, Offe 1984). Yet others see it as a result of economic development, social harmony, and political consensus (Kunhle 1983). Even though the theories do not always address the same problem, they have a common denominator in their interest as to why welfare arrangements have developed and why some countries have come to mix state, market and households in a way very different than others.

This divergence in perspectives has inspired a number of scholars to write reviews that discuss the major trends in welfare state research¹. My goal is not to offer another general overview as such, but to explore specifically the ways that the various approaches deal with the question of public-private interplay. For each tradition, I will ask **how** it approaches the study of private welfare components, discuss **why** this perspective is chosen, and comment on its implied predictions about the role of public and private welfare provision. This has not been done on a systematic basis. Doing this, I want to focus on either the lack of hypotheses, the explicit or implicit theories of the relationship between public and private welfare arrangements, and their consequences.

Moreover, there has been rapid change in welfare policies as well as in the approaches to the study of welfare states. This presents a continuous challenge, i.e., to rethink traditional interpretations of the political economy of contemporary welfare states. We are dealing with a dependent variable that is a moving target, closely integrated with changes in economic conditions and in the ideology of social policy. An intellectual process of renewal cannot take place in a vacuum, but has to relate to, and build on, the cumulative knowledge that exists.

Taken together, the main concern of this discussion is to pinpoint the development of theoretical perspectives and their relevance for the study of occupational welfare, rather than to describe the empirical results and the methodology used. As stressed by Skocpol and Amenta (1986:132):

«In the social sciences, changing questions and ways of seeking answers are just as important as accumulations of research findings».

Underlying this discussion is a belief that a study of the political economy of occupational welfare could contribute to our understanding of how and why modern welfare states develop and change. Closer attention to the struggle over social security in the labor market, as well as in the political arena, gives us an opportunity to revise some of the basic assumptions in current welfare state theory. These include

¹ Interesting reviews have been written by Jens Alber (1982), Michael Shalev (1983), Hanno Uusitalo (1984), Theda Skocpol and Edwin Amenta (1986), Jill Quadagno (1987), Kåre Hagen (1991), Esping-Andersen (1992), Jon Eivind Kolberg (1994). See also Peter Baldwin (1990) for a critical discussion of perspectives in current welfare state research.

the anticipated role of a homogeneous labor movement, the hypothesis of a negative interplay between public and private welfare arrangements, and the resulting crowding out of the private sector in highly developed welfare states. The goal is not to rewrite the theory of the welfare state, but rather to contribute to an improved understanding of the dynamics underlying the development of modern welfare states.

The bases of modern welfare state research

The roots of modern welfare state research can be found in the political economies of Smith, J.S. Mill, and Marx. Gøsta Esping-Andersen comments that all the important questions about the welfare state were asked more than 100 years before this society could rightfully be said even to exist (Esping-Andersen 1992:93). Of course, there are features common to classical political economy and modern welfare state research, such as an interest in the relationship between the state and the market, and the impact of democracy on capitalist development. Because of the tremendous growth in modern welfare states, it is understandable that it has become an important test case for current interest in political economy.

However, another point of departure should be taken into consideration, namely the British social policy tradition. Shortly after World War II, the British sociologist T.H. Marshall wrote of the division of citizenship into three components – civil, political, and social. The development of social rights, guaranteeing all individuals a minimum standard regardless of their position in society, was the latest phase in the evolution of citizenship taking place during more than two centuries. The welfare state can therefore be seen as a part of a long struggle for equal citizenship (Marshall 1965). The concept of social citizenship was not only based on an ideal of moral equality, but also on the idea of the interrelationship between civil, political and social rights. Without a basic level of economic security, classical civil rights could not be effective. Beveridge's (1943) idea of a universal basic security system matches this liberal, but collectivist, view of the political responsibility for the well-being of all members of society. The Fabian Socialists' ideals of equality, freedom, and fellowship brought them to a similar approach to social policy (for a detailed discussion see George and Wilding, 1985). Tawney (1964) and later Titmuss (1976) argued that every citizen should have an equal chance, and that a basic social security system plays an important role in creating this fair start. But given a fair start, there should be maximum scope for individual self-advancement. The liberal and Fabian traditions share a common view of the social values underlying the welfare state and the role of government. It is a tradition that focuses on the moral basis of social policy and it tends to separate the political and economic spheres of society. This is the basis for an optimistic view of the possibilities of politics. Marshall illustrates this view

when writing: «The welfare state did not reject the capitalist market economy, but held that there were some elements in a civilized life which ranked above it and must be achieved by curbing or suppressing the market (Marshall 1963:298, cited from Goodin 1988:7).

Because of its leaning towards philosophical and moral questioning, this British tradition did not develop any distinct theory of welfare state development. It is concerned not with the developmental factors, but with the reasons that can be offered for the welfare state. Even Titmuss does not provide a theory of welfare state development. In his writing, he gives a variety of explanations for the growth of social policies (George and Wilding 1985:86). The importance of this tradition must thus be found elsewhere. First, it did contribute significantly to the transformation of the British welfare state after the Second World War. But secondly, it can also be seen as an inspiration for other branches of social science closely related to welfare state research. Level-of-living studies, poverty research and, to some extent, feminist approaches, have found their roots in this tradition (Erikson and Uusitalo 1987:179). Level-of-living research has been highly developed through large scale sample surveys, and has contributed significantly to our understanding of the quality of people's lives in welfare states. This gives us the important opportunity to measure welfare outcomes at an individual level, rather than welfare outputs. And thirdly, the British social policy tradition's focus on the moral basis of social policy has met renewed interest in recent years. After 50 years the circle is closed. High and lasting unemployment, and demographic and political changes in the western world, have led to an intensified struggle over the legitimacy of social security programs. Neo-conservatives are trying to establish an ideological critique of the state-centered welfare state and have put forward a new welfare pluralism as their answer. Left-wing writers are on their side trying to establish a «new» (to me it seems rather old) justification of the welfare state. Goodin (1988:19) argues that «the moral duties of the strong to protect the weak leave the welfare state's basic institutions safe against the onslaught of the new right». To a large extent we are still faced with what Hegel in 1821 called the «moral dilemma of the market» (Moon 1988:28). There is a moral contradiction between the principles of a market society where one supports oneself by renting one's labor or other assets and the principles of supporting people without demanding anything in exchange. Whatever the policies invoked to solve this dilemma of the modern welfare state, this renewed moral philosophy debate brings together current welfare state research with longstanding debates on citizenship, equality and freedom.

Even though Titmuss recognized that distribution occurs in three sectors (social welfare, fiscal welfare, and occupational welfare), he focused on public social policy. He de-emphasized the analytical importance of occupational welfare because

he believed it undermined redistribution and thus threatened the aims of social protection. Only in the public sector could effective redistribution be achieved. This is a highly normative conclusion that has played an important role in modern welfare state research. The influence of Titmuss could be one of the reasons that, despite the extensive welfare state research tradition, we are still left with a fragmented and underdeveloped understanding of occupational welfare (Rein and Rainwater 1987, Shalev 1988, 1996). But, even though private welfare systems are looked upon as a second best solution, they play an important role in today's welfare states. This fact has to be integrated into our analysis of the welfare state. Conclusions about its social and political consequences should be based on empirical research rather than on *a priori* concerns about its nature.

Two or three generations of welfare state research?

The first generation of what traditionally is labeled welfare state research is the study of industrialization, urbanization, modernization, and the development of welfare states. This functionalist tradition postulates that social policy arises in response to social problems brought about by the rise of modern industry and the decline of family structures. Neo-Marxist scholars offer a strikingly parallel analysis of welfare state development. Both traditions rest on an understanding of social policy, where public policy is perceived as an almost automatic response to economic changes and where countries, therefore, tend to converge over time.

It is, however, hard to produce evidence that a logic of industrialism is forcing a convergent pattern on the eventual policy outcomes in advanced industrialized countries. This recognition triggered a second generation of research into the political economy of the welfare state based on the idea that «politics matters». This Social Democratic model focused on a class-based and conflict-oriented interpretation of the political process. The theory of class mobilization has become one of the leading approaches in contemporary welfare state research. The concept of politics matters has also been given other interpretations, such as the influence of the entire party structure, the strength of right-wing parties, the role of the welfare bureaucracy, and the fact that some countries have been able to establish a high degree of political consensus. The politics matters traditions have to a large extent used public welfare expenditure as their dependent variable.

Not until recent years has this focus on variation in total welfare state spending been challenged. Current research has shown growing concern for the institutional characteristics of welfare states such as the rules of entitlement, the strength and scope of rights, and coverage. Of particular interest is the theory of three distinct different clusters of welfare state regimes (Esping-Andersen 1990). Social policy is looked upon

as an arena of continuous conflict over the roles of state and market. The degree to which wage-earners have been decommodified, and the extent to which the boundaries of social citizenship have been expanded, are seen as resulting from varying constellations of political forces.

During the last years, there has also been a growing interest in examining welfare states as independent, causal variables: «How do different types of welfare states systematically influence social and economic behavior in advanced capitalism?» (Kolberg and Esping-Andersen 1992:5). This widening of the theoretical and empirical focus has definitely given renewed inspiration to welfare state researchers. The studies of Kolberg and Esping-Andersen could be seen as a follow-up to the Social Democratic model and as an interesting expansion of this school of thought. Other scholars are using characteristics of welfare states as key independent variables for predicting labor market development, without hypothesizing the existence of distinct regime clusters. This new interest in the interaction between the welfare state and the labor market constitutes the core of the developing third generation of welfare state research.

The regime theory is however not taking the stand alone. A new focus on multi-sectoral, or holistic approaches, to the study of welfare states has received growing attention. This school of welfare pluralism strongly disagrees with the focus on public programs and argues that if one takes into consideration all sectors of welfare production in a society the idea of different welfare models breaks down (Rein and Friedman 1993:5). The notion of an ongoing process of divergence among countries is questioned and replaced by a hypothesis of convergence. Welfare states are looked upon as systems with a continuously changing balance in the production of welfare by the state, enterprises, households, and non-profit organizations. The welfare pluralists clearly aspire to create a new generation of welfare state research. They have, however, not yet managed to establish a necessarily empirical base for their argument. This leaves us with several competing interpretations of how politics matter in the development of the welfare state.

In the remainder of this chapter I will discuss these different theoretical perspectives and their relevance for studying the political economy of occupational welfare.

2.2 The logic of industrialism and capitalism

These studies approach social policy as primarily a functional response to the problems raised by the rapid development of capitalism in modern societies. The

establishment of public programs reduced the social insecurity brought about by industrialization and modernization (Kerr et al 1964). First, industrialization theories argue that all advancing industrial societies must develop public social security systems, thereby rejecting that specific historical circumstances play a crucial role in the development of national welfare policies. Furthermore, the expansion of the public programs is driven by an internal logic. Once started, the different welfare schemes develop automatically as a result of economic growth, demographic changes, and the age of the system. Wilensky claims that ideological factors are largely irrelevant as determinants of social policy. He concludes that «Over the long pull economic level is the root cause of welfare state development, but its effects are felt chiefly through demographic changes of the past century and the momentum of the programmes themselves once established» (Wilensky 1975:47). As a consequence, the prediction given by this approach is that of convergence: countries may differ because of demographic and economic conditions, but they all converge towards a welfare state.

The key to Marxist political economy is the understanding of the market as a mechanism of deepening class divisions. The state exists to defend the authority of capital. Marxist functionalists explain the establishment and development of public social policy in Bismarckian terms. Social policy is a necessity to reproduce the work force and to uphold the social order of the society. It is the masterpiece of the elite, their tool to maintain a capitalist economy. Most Marxists would, however, agree that left-wing governments can implement radical policies and make some inroads into the privileged terrain of the upper classes². This is due to the fact that the capitalist state must try to fulfill both accumulation and legitimation demands (O'Connor 1990:15). But even though the ruling class loses some battles, it has so far always been able to win the war (George and Wilding 1985:8). Since even a generous social policy ultimately counteracts the long term interest of the working class, there is no way out of this conflict, except socialism. «It is not Marxist analysis of the welfare state that is contradictory, but the welfare state itself» (Gough 1979:11).

These approaches can to some extent explain why public social policy programs were established. A certain level of industrialism might be a precondition of the welfare state. A major unanswered question is, however, why were important welfare state arrangements established a long time after the traditional community was destroyed by industrialization? The Norwegian system of public old age pensions, for example, did not come into effect until 1936. Another problem is the fact

²A good illustration of this view is given by Ginsburg (1990:15) when he says: «It is difficult to concede that the patriarchal, capitalist and racist imperatives structurally embedded in Western welfare states can be shed, short of a radical transformation to a quite different political economy, critical analysis is therefore open to the accusation of «wanting its cake and eating it» – celebrating social policy reform and defending the welfare state as positive gains while portraying the functions of the welfare state as fundamentally oppressive.

that these approaches cannot explain the very different national stories of social policy development and why social policy can expand beyond the minimum necessary to maintain the existing order. Why do some capitalist countries spend as much as 30 to 40 per cent of GNP on public welfare programs? Most mainstream Marxist analyses of recent developments in the political economies of Western European nations appear seriously inadequate, in particular in their treatment of social policy as «fundamentally oppressive».

Functionalistic approaches of all kinds are repeatedly challenged as a way of explaining differences among modern welfare states, especially their use of varying measures of public expenditure as their operationalization of the welfare state³. It is, however, important to remember that Wilensky and others used industrialization to explain differences among all types of countries, not just developed industrialized countries. Industrialism could explain cross-sectional difference between countries at a certain time, but hardly when looking at it as a question of historical development. It should be noted, however, that attempts are being made to reintroduce new versions of non-Marxist convergence approaches. One example is Einar Øverbye (1994) who argues that, in the case of pension politics in Europe and in the Anglo-American countries, a tendency toward convergence can be seen despite persistent variation in institutional arrangements. Øverbye (1994:168) argues that convergence is «hard wired» to technological innovations plus an ever-increasing division of labor. Of course, one problem is that most phenomena tend to look similar when viewed from a distance, i.e., when including all countries in a 200-year perspective. Nevertheless, this debate shows that, among academics, no «convergence» seems to have developed with respect to pensions policies or welfare state developments.

Functionalist theories focus on the state, and therefore on the political arena as the primary scene for the struggle over welfare issues. Implicit, private welfare provision is seen as a function of public systems. This state-centered functionalist approach results more from the employment of a narrow definition of social policy, than from an analytical investigation into the actual interplay between state and market.

A broadening of the perspective is, however, close at hand. The focus on industrialization and economic growth as the driving forces behind public welfare expansions can give some guidance to the study of occupational welfare. The processes of industrialization and modernization played important roles in the development of both mutual benefit arrangements as well as occupational benefits schemes. To a large extent, it was the welfare programs organized by the enterprises and the state

³A critical discussion these public expenditure models can be found in Brym and O'Connor. 1988. Public welfare expenditure in OECD countries.

as employer that gave the first response to the social needs of workers and civil servants. In many cases employers had no alternative but to provide housing, health, and social services, to convert peasants into industrial workers and city dwellers (Zoetewij 1986:18). The state as employer has a long history of offering social protection in addition to direct wages. And also in the private sector a range of social security schemes for white-collar workers developed years before the first state programs. This is a story one could find throughout Europe and the United States. Beth Stevens (1984) concludes, in the American case, that employee benefits developed in response to industrialization. It led employers to provide benefits as a substitute for traditional ties among family, firm, owners and workers.

Today, enterprises may be more able to adapt to changes in family structures and social relations due to modernization, than are governments through mandatory labor and social security legislation. The link between modernization and occupational welfare is therefore not only of historical interest. Private and public employers play a pioneering role in social policy in adapting new work and family strategies, tailoring employee benefit packages, and so forth. Examples of this could be found both in the dominated Scandinavian welfare model and in the residual American welfare state.

2.3 The social democratic model

To Marxists the crucial question is the foundation of class dominance and its ability to transcend the capitalist mode of production. The question of class has however been important for the entire contemporary debate on the welfare state. Leaving aside the idea of revolution, scholars have been asking the question: under what conditions could the social division produced by capitalism be changed through democratic political action? This question is of course closely related to the extension of full political citizenship in western capitalist countries.

The Social Democratic model of welfare state development argues that politics matters. Democracy makes it possible for a well organized working class to shift class struggle from the industrial arena to the political arena. Controlling the state through a Social Democratic party, the labor movement then uses the state as a non-market instrument for establishing universal welfare arrangements, redistributing income and wealth, and promoting a full employment Keynesian economic policy. The strength of the Social Democratic model is of course that several studies have proven it a useful tool for explaining welfare state development in Scandinavia. Above all, Sweden has been put forward as the prototype of the Social Democratic process:

a high proportion of wage and salaried workers became organized into centralized unions, supporting a Social Democratic party financially, and as voters. This organized strength in the labor market and in the political arena was used to expand taxation, to increase welfare spending, and to change state economic policy.

During the last ten to fifteen years the Social Democratic model has dominated cross-national research on social policies (Shalev 1983). According to Esping-Andersen (1992:95) «it puts forward one of the leading hypotheses of contemporary welfare state debate: the argument that parliamentary class mobilization is a means for the realization of socialist ideals of equality, justice, freedom and solidarity.»

In the research literature, empirical work concludes that the Nordic countries exemplify the Social Democratic model. Several studies have given substantial empirical support to the causal arguments in this model (Esping-Andersen 1985, Korpi 1978, 1981, Korpi and Shalev 1980, Stephens 1979, Myles 1984). Also, in more recent studies, such as Ramesh Mishra's (1990) work on welfare retrenchment and maintenance, the Social Democratic model is the dominant perspective. «It appears that in Sweden social democracy has been willing and able to defend the commitment not only to a high level of social welfare, but also to full employment.... What the best social-corporatist regimes, such as Sweden, have shown is that a combination of industrial and parliamentary struggle for the social rights of welfare can succeed in defending the welfare state in a way not possible without linking the interests of the non-propertied masses in the work place and in society at large» (Mishra 1990:118). Mishra has however missed the current problems in the Swedish economy. There has been an increase in unemployment, and cutbacks in social programs, both at levels that are unprecedented in post-war Sweden. These developments, combined with a sharp rise in unemployment in the other Nordic countries as well, offer at least a partial challenge to the traditional success story of the Social Democratic model.

The crux of the model has been the proposition that social policy is not only emancipatory, but that it is also economically efficient. The full employment welfare state is both the precondition for, as well as the result of, a social contract between labor and capital. The close links among security, welfare, and productivity have played a major role in the political philosophy of the Scandinavian labor movements. The argument was put forward by the Swedish economists Alva and Gunnar Myrdal (1936) related to public child care. The general efficiency argument can be given different explanations. One is the relationship between strong centralized trade unions and the control of real wage increases. Strong unions and centralized collective bargaining made it possible to link productivity and wages on a macro level. It can also be explained by the positive effect of labor control within the state on disruptive protests such as industrial strikes (Korpi and Shalev 1980). Cameron (1984) shows in a study

of OECD countries (1965–1981) that strongly corporatist societies with a high organizational strength of labor, low strike rates, and modest shifts in the rate of change in earnings, are associated with stable prices, high levels of employment, and high and expanding «social wages».

Despite its importance in academic discourse, the Social Democratic model has been facing several rather strong critical arguments. «Yet for all the favorable evidence, the pure Social Democratic model has not been established beyond question as a sufficient guide to when, how and why industrialized capitalist democracies created and expanded social policies (Skocpol and Amenta 1986:142). It cannot provide a full explanation for the origins of European social insurance programs (Flora and Alber 1981). The labor movement was in many cases not the agent of early welfare state construction. In Norway the Liberal Party (Left Party) played a major role in this period (Kuhnle 1981, Seip 1984). Another set of arguments is related to the understanding of the political process. First, the importance of a left-center coalition has been advocated (Weir and Skocpol 1985) and, second, it has been argued that the structure and strength of the non-Socialist block, such as Catholic party strength, has a significant impact on welfare state spending (Schmidt 1982, Wilensky 1981, Castles 1978, 1982).

These problems could be caused by an exduring «Swedocentrism» in this research tradition. The tendency to define the process of power mobilization too much on the basis of the rather extraordinary Swedish experience can result in oversimplifications of the general process underlying welfare state development (Shalev 1983). In Norway the union density has never exceeded 60 per cent in the post war period, a level far below the Swedish density of more than 80 per cent. Neither can the Social Democratic party show a record of continuous rule after the Second World War. During the 1960s Norway saw two periods of non-Socialist governments combined with a continuous welfare state expansion. During the 1970s and 80s, Socialist and non-Socialist governments have changed several times. In the 1990s, Social Democratic governments have been minority governments seeking case-by-case support in a non-Socialist controlled parliament. In other words, the Social Democratic position is first of all a result of non-Socialist conflicts. Norwegian scholars are often critical of the proposition that there is a common Nordic mechanism which is supposed to constitute a separate model. Lars Mjøset (1992:661) concludes, rather strongly, that: «In strength of social democracy, social mobilization, and party system, the Nordic countries appear to be more dissimilar than similar. In postwar labor market centralization, the postwar welfare state, and the historical pattern of socioeconomic transformation, the similarities prevail but not to the exclusion of non-Nordic countries» (See also Mjøset et al 1994 for a discussion).

In addition to these theoretical problems, the empirical research has been criticized because of its use of public expenditure as a dependent variable, its use of linear models of the association between dependent and independent variables, and the treatment of political and economic variables as additive. First, Social Democratic countries might show higher spending than other countries but high spending is not necessarily social democracy. Second, the linear view of power mobilization has been challenged (Shalev 1983, Esping-Andersen 1992, Quadagno 1987). Statistical testing of linear associations between labor strength and welfare state efforts in cross-national data does not support the underlying theoretical view of the causal relationship seen as a dynamic process over time. In a dynamic perspective, the ability to establish solidaristic social policy has important feedback on the mobilization potential as such. This implies that the effect of mobilization over time would be curvi-linear (positive) rather than linear. And third, there are interactions between politics and other independent variables (Shalev 1983:330). One would not expect that politicians would come up with the same answers to economic or demographic changes independent of their ideological bases. Their «ideological spectacles» will decide their policy responses (Hansen 1980). This means that politics is not just an additive variable, but that it should be modeled interactively.

There has not been raised much criticism against the fact that the Social Democratic model focuses heavily on the political arena, thereby excluding other arenas from the struggle for increased welfare. Political parties are the actors in a parliamentary struggle for expansion of state responsibility. But labor class power might be manifested in other arenas as well. Collective bargaining has been one of the most important roads to increased social security for both white and blue-collar workers in the private as well as public sector. One cannot take for granted that the labor movement would necessarily prefer political solutions to increase their members' welfare level.

The focus on the political arena of decision making is closely linked to another important aspect of the Social Democratic model, namely the notion of a homogeneous labor movement. The party and the trade unions are looked upon as two branches of a unified movement. This also means that the trade unions do not see social policy as a way of building and strengthening their own power base. Social policy is not viewed as a mechanism to recruit new members; it is a question of ideology. Therefore, with respect to social policy, the unions are seen to behave as ideological actors. Members are recruited first of all by bargaining for higher wages. But, unions have alternative means at their disposal to achieve social policy ends for their members – including both mutual insurance and collective bargaining. As will be shown in Part II, it is an undue simplification in the Norwegian context to treat the unions as simply a branch of a homogeneous labor movement.

Moreover, the focus on political parties as actors also crowds out employers and their organizations from the social policy process. Employers have played an important role in the welfare state development throughout this century developing employee benefits systems, taking part in collective bargaining on welfare issues and as a powerful interest group.

Taken together, the Social Democratic Model leads to a more or less implicit hypothesis of the gradual marginalization of private welfare in countries with strong labor movements. The stronger labor is, the more private welfare arrangements will be removed by universal and generous public schemes. The mechanism of marginalization could be found in a negative interplay between public and private arrangements. Since the labor movement preferred political solutions to social problems, occupational welfare schemes were not developed to the extent that would prevent the establishment of public social policy. This hypothesis of negative interplay can also be used to explain so-called US exceptionalism. A highly developed occupational sector prevented the establishment of a broad political alliance necessary to develop generous public programs.

In the Social Democratic perspective, occupational welfare is seen as residual. The size of it depends only on how far Social Democratic governments have managed to increase the scope of public welfare. Implicitly, this is a theory of a zero sum game between public and private responsibility.

2.4 Politics matters – Alternative interpretations

The politics matters perspective has been given several other interpretations than the one of power mobilization. These scholars also recognize that politics matter and that different political dynamics can lead to divergence in welfare state development. What separates them from the class mobilization perspective is a broader view of the dynamics underlying the development of the welfare state. The welfare state is seen as the result of a complex set of political, cultural and economic variables that differ both by society and decade. A grouping of these theories under a common label is obviously an oversimplification that emphasizes unity rather than the obvious variation in approaches that exists. Their main common denominator is, first, that they offer an alternative to the Social Democratic model and, second, that they assume that policy is conditioned by the democratic process.

These alternative interpretations focus on the role of the entire party system, rather than just the left parties and to some extent popular movements and protests. Furthermore, they introduce actors other than the working class to the struggle for

solidaristic welfare policies, such as the middle class. Others bring in administrative factors and see the state as an independent actor. Taken together, they offer an important broadening of perspectives and approaches in the field of welfare state research. I will argue that three different politics matters perspectives can be distinguished. First, there is a growing interest among researchers to rewrite the class mobilization theory by bringing in the middle class and by focusing on competition between left-wing and non-Socialist governments as well as popular movements. Secondly, several scholars have left the notion of class conflict and replaced it with a theory of political consensus and the diffusion of ideas. And third, the attempts to «bring the state back in», arguing that bureaucracy is a major actor in policy innovations and policy formation have played an important role in contemporary welfare state research. These different approaches are of importance because they have managed to complicate our understanding of the dynamics of welfare state developments.

Peter Baldwin is often said to turn the whole notion of working class mobilization upside down. That is however not his goal. To use his own words: «It is, rather, to develop further a social analysis that the laborist account has cultivated well, but too narrowly, to explore the broader social logic of the of the welfare state's evolution» (Baldwin 1990:9). The welfare state is, according to Baldwin, the result of conflict and political struggle because it benefits the needy and risk-prone. The idea of risk categories combined with different groups' abilities to shoulder their burdens unaided are the two fundamental elements of his theory. The redistribution of costs is not just of importance to the working class. Farmers and the emerging group of white-collar wage earners were also concerned with the battle for solidaristic solutions. The actors in the struggle for social security «may be classes, but only as they pursue their interest as risk categories» (Baldwin 1990:17). Their fight for solidarity is not one of idealism, but of selfishness. The labor movements in the Nordic countries only continued a process started before the left had much say in the development of social policy. The solidaristic (tax-financed and universal) characteristics were determined by farmers narrow but persistently pressed demands. According to Baldwin, the class identity of the actors who most need risk redistribution has varied remarkably with historical circumstances. The welfare state has therefore been founded on different combinations of social bases.

Even though Peter Baldwin's analysis is centered around state policies and political parties, his concept of risk and capacity for self-reliance could have wider relevance. If we see the trade union movement as a separate actor, its choice between bargaining for occupational welfare arrangements or seeking political solutions is dependent on its capacity to «shoulder its burden» unaided by the government. The more self-reliant, the less the need for political solutions will be. This can to some

extent explain why professional unions of white-collar workers have shown less interest both in establishing and in defending public security programs.

While Baldwin focuses on the historical changes in middle class needs for risk distribution through social policies, others have focused on the role of political parties supported by the middle class. The fact that the Dutch welfare state shows spending levels nearly as high as the Nordic countries, even though it has no history of Social Democratic hegemony, has inspired scholars to undertake further inquiry into the role of non-Socialist parties. Wilensky (1981) analyzed social security spending and found that left party dominance in the government had no effect, whereas Catholic dominance did. He argues that the alternation in rule by Catholic and left-wing parties has strongly increased welfare state efforts. Stephens (1979) also found a (small) positive effect of Catholicism on non-military spending. The validity of the measures used in these studies has however been questioned (Uusitalo 1984:410). Again, other authors have argued that the weakness of the non-Socialist parties has to be taken into account, rather than only the strength of the left (Castles 1978; Cameron 1978). McKinly (1979:168, from Higgins 1981) argues that «a small party of the right is a necessary condition of high levels of welfare provision». Van Kersbergen (1995) argues that post-war Christian democracy in power has fostered a distinctive political economy, what he labels social capitalism. Van Kersbergen (1995:233) concludes that «Christian democratic parties have managed to establish cross cleavage co-operation without diluting social status and identity. In the course of their policies they have moderated the political salience of class and have forced the left into a defensive position». These studies show not only that the middle class is part of the game, they show that politics matters in more than one way.

Other studies have focused on social policy change as a response to pressure from interest groups, such as the women's movement and welfare rights movements. This view has played an important role, especially in the United States. Early well-known examples of such analyses are those of Piven and Cloward (1971, 1977). However, in recent years, analyses of the role of women – individual women and women's groups – as political actors in the process of social policy formation has grown. Leaving behind the early «discrimination critique», feminist writers increasingly incorporated concepts and methods from mainstream research on the role of political actors in welfare state expansion shifting the spotlight from the role of political parties and trade unions to the influence of women's organizations and individual women actors (Gordon 1990). Moreover, Esping-Andersen's (1990) book, *The Three Worlds of Welfare Capitalism*, have catalyzed a wave of feminist critiques of mainstream welfare state research and provided a focal point for scholars seeking to integrate gender into comparative welfare state research (See Gornick 1995 for a review). A core element in this feminist critique is the that Esping-Andersen and

other power resources analysts characterize the crucial division as between state and market, rather than fully developing the division as tripartite: state – market – family (Orloff 1993). In addition Orloff argues that mainstream research has focused on the effect of public provision on class hierarchies and have largely ignored stratification in relation to gender.

Another perspective in the politics matters tradition is the focus on political consensus and diffusion rather than political conflict. Kuhnle (1981, 1983) has to a large extent described the development of the Norwegian welfare state as a result of political consensus. Studies of the party programs after the second world war in Norway show a strikingly high degree of unanimous support for the expansion of the welfare state (Hagen and Hippe 1989, Kuhnle and Solheim 1981). During the 1960s and 70s, the Conservative Party (Høyre) criticized the labor governments for the slow growth in the public sector health system rather than setting up an alternative based on increased private sector health supply (Hagen and Hippe 1989:). The Norwegian consensus could be seen as a result of the non-Socialists being afraid of losing the political battle over voters' support. Esping-Andersen argues that the Norwegian Conservative Party did not protest against the establishment of an income-related pension scheme in 1967 (even though it wanted to) because of the prior defeat of its sister party in Sweden (Esping-Andersen 1985). It is, however, very hard to prove that their support for income-related pensions was purely tactical. The Conservative Party was first of all afraid of state control over savings and investments in a funded system. The introduction of a strict pay-as-you-go system solved this problem and made broad political support possible.

The concept of political learning plays an important role if one wants to explain welfare development as a result of consensus. First of all, prior reforms shape future goals because of «policy feedbacks». Heclo (1974) argues in the cases of Sweden and Britain that policy makers learn from experience, building on former successes. And second, ideas tend to move across countries, a process referred to as «transnational learning». The consensus approach does not necessarily advocate that all countries will follow the same path of development because of diffusion and learning. The external surroundings of national policies differ. Katzenstein (1985) and Cameron (1978) argue that the welfare state emerges more easily in small, open economies, which are particularly vulnerable to international markets. These countries are forced to find solutions to survive in a highly international and competitive market. This could be the external precondition for the observed political consensus in welfare policies. Also, one could argue, that the smallness itself may be critical for high level of consensus. Moreover, the welfare state can be seen as an «institutional buffer» necessary for small open economies to survive. In a period of in-

creased internationalization of the economy one could ask if public or private arrangements will represent the most appropriate institutional buffer.

The idea of political learning is of importance to the study of the private–public mix, seen from another angle. The original idea is that prior state action shapes future goals. But I will argue that prior action in the labor market shapes future state policies. The success of the trade union in expanding the occupational–based sickness benefit system was perhaps the single most important factor behind the establishment of a generous public sickness benefit system in Norway (see Chapter 4).

A third group of studies attempts to «bring the state back in» to the analysis of the welfare state, thus leaving the traditional notion of politics matters. Several studies have found that the state bureaucracy has been an important actor in the development of social policy. Heclo (1974) argues that civil servants contributed to policy innovations both in Britain and Sweden providing what can be seen as the classic study of political learning focusing on bureaucratic knowledge. Along the same lines, one could find the argument that the timing of both democratization and bureaucratization has had significant impact on social policies (Orloff and Skocpol 1984). This could explain why the United States, in contrast to Britain, did not develop an early welfare state – because, in the US, democratization preceded bureaucratization (Pierson 1992). On the other hand, some have argued against the proposition that the US is a welfare state laggard (Skocpol 1992).

Summing up the importance of these last perspectives, one could say that they broaden the perspective mainly by introducing new actors into the political process and underline the process of learning as a part of welfare state development. In addition, they also show that social policy outcomes cannot be seen merely as the result of conflict; it is also a challenge for every society to find joint solutions, thereby reducing conflicts and increasing economic performance. A common denominator is, however, a focus on the political arena and on public welfare policies. Their contribution to understanding occupational welfare is first of all through the discussion of «independent variables». I will argue that by integrating industrial relations and social policy perspectives new light can be shed on the level and impact of political conflicts in social policy. To a large extent, conflicts over social security expansion in Norway have taken place in the collective bargaining system. The later socialization of social policy responsibility, based on broad political support, can only be understood as a result of the long process already taken place in the labor market (See Chapters 4 and 6). Or turned the other way around, the high level of conflict over income–related pensions in Sweden may be due to the fact that the Swedish LO chose at an early stage to pursue a political solution. Moreover, I will argue that by introducing labor market based welfare program into the analysis we can contribute to increased understanding of gender based differences in modern welfare

states. And, at the same time, gender is a possible important explanatory variable behind company differences in welfare provision.

2.5 Welfare State Regimes

Combining Richard Titmuss' famous typology of ideal types – the residual welfare model, the industrial achievement model, and the institutional redistributive model – with the class mobilization perspective, Esping-Andersen (1990, 1992) argues that there are three models of welfare capitalism. The Scandinavian welfare state is identified first by the extent to which needs are satisfied through political mechanisms rather than through the labor market. This is understood as decommodification, defined as the ability of individuals and families to uphold a normal standard of living regardless of their performance in the labor market. In this way citizenship and need increasingly become the sufficient conditions for welfare. Second, the Scandinavian model is identified with a broader solidarity than in other countries. A universal social policy embraces the whole population and it tends to be re-distributive. And third, the boundaries of public responsibility are more broadly defined than in other welfare states.

The second so-called regime cluster consists of the corporatist continental European countries, such as Austria, France, Germany and Italy. This continental welfare state has preserved a strong link between social rights and status differentials. This is due to the upholding of status differences in the public social security systems. «Private insurance and occupational fringe benefits play a truly marginal role» (Esping-Andersen 1992:112). In addition, the state is said to guard the traditional family structure to a far larger extent than in Scandinavia. Day care and family services are underdeveloped and social insurance systems are shaped in order to preserve traditional family structures.

A third cluster is the liberal or marginal welfare state. The typical examples of this model are the US, Canada and Australia. These welfare states offer their citizens only modest universal transfers or social insurance plans. Furthermore, the extent of means- and income-testing is larger than in the other regime types. The welfare state is designed for the working class and the poor, while the middle classes depend on occupational welfare and private insurance. Thus the liberal welfare state is said to minimize decommodification and create a highly uneven distribution of social rights.

Esping-Andersen argues that «we must recognize that no single case is pure» (Esping-Andersen 1992:113). On the one hand, he argues that one will find that

each country to some extent blends elements from the different regime types. He is obviously correct: there is not a generous earnings-related second tier pension scheme in Denmark; Canada has a well developed national health insurance system; France and Germany have reduced the status differentials in their social security systems; and so forth. On the other hand, he argues that the regime type is not supposed to be an ideal type system, in the Titmuss fashion. The crux of the theory is precisely that it seems «empirically clear that welfare states cluster» according to these regime types (Esping-Andersen 1992:113), i.e. it is empirically testable as a theory is supposed to be. Esping-Andersen has explored a lot of comparative data, thus giving the model of welfare state regimes a distinct and clear empirical base. The double notion of both ideal type and empirical fact is, however, a problem because the notion of models can hardly be falsified. Moreover, Ragin's (1994) re-analysis of Esping-Andersen's data, using cluster analysis, «cast serious doubt on the idea of three types of welfare capitalism». According to Ragin (1994:341) the analyses «indicate especially that the corporativistic category is a mixed bag».

Despite these important critical arguments to the «three world theory», it has no doubt contributed to current welfare state research. To me, two contributions are striking. First, it has made an important contribution to our understanding of the welfare state as a dependent variable. It argues that it is necessary to replace the focus on public spending with a broader analysis of institutional features, such as decommodification, solidarity, and the range of social policy (Esping-Andersen and Korpi 1987:40). An argument also put forward by Peter Flora (Flora 1986). Spending money can never be anything but a means, not a goal of social policy. During the last years of research an increasing number of studies use more sophisticated measures of welfare policies (Palme 1990, Kangas 1991).

Second, the tendency to see the welfare state only as a dependent variable is questioned. The idea of a close relationship between systematic differences in institutional features and outcomes is perhaps the most striking feature of the welfare regimes theory. The welfare state is regarded as an independent variable that has important effects on labor market developments, class structure, gender inequalities, and so forth (See Kolberg 1991, 1992 a,b). Kolberg and Esping-Andersen (1992:10) argue that the modern welfare state has developed new patterns of welfare state and labor market relations. The different welfare state regimes create clusters of labor market outcomes, such as rates of public sector employment, female labor force participation, and early retirement. Therefore the regime types are not only clusters of social politics, they are also labor market and social stratification clusters.

The theory of welfare state regimes is an ambitious attempt to understand welfare state development and, not surprisingly, it plays a important role in current research debates. Numerous papers and articles have taken the three world approach

as their starting point in an attempt to show that either policies or outcomes, such as labor market participation, gender or income inequality, do not fit the predictions of the regime model. The bottom line seems to be that it is very hard to identify exactly how much variation within regime clusters, as well as among them, can be tolerated before the theory should be rejected. The elegance of the theory is also its weakness. It is hard to test empirically because the variable of decommodification could be operationalized in different ways. And even if one could measure decommodification, what level is necessary to be identified as belonging to a Scandinavian model?

Esping-Andersen's theory of welfare regimes is to a large extent a follow-up of the Social Democratic model. The central focus of the analysis has, however, shifted from the causal processes underlying the development of the welfare state to differences in policies and its results. But, the basic assumptions from the Social Democratic model still exist. The labor movement is viewed as a homogeneous actor determined to use the political arena to improve welfare. The struggle over social policies takes place between political parties and deals with legislation and expenditure. Neither the employers nor the trade unions play a direct role in the process.

It is interesting to see that Esping-Andersen has changed his view somewhat on the role of the working class. Earlier, the notion of working class mobilization as the single most important variable was striking. «The degree to which the Scandinavian welfare states have moved in the institutional direction is strongly related to the power position of the Social Democratic labor movements in these countries (Esping-Andersen and Korpi 1987:72). Dealing with the broader concept of regime types, greater importance is placed on the ability to create political coalitions and the importance of the middle class. The causes of welfare state clustering are found in a so-called interactive approach. The nature of class mobilization and the ability to create political coalitions is the major elements of the causal theory. «For social democracy the challenge was to synthesize working class and white-collar demands without sacrificing the commitment to solidarity» (Esping-Andersen 1992:117). The working class is still the primary motor for welfare state development, and not the middle class, as is the case in Peter Baldwin's theory. But, their positions have definitely moved closer.

If the concept of working class mobilization has changed, that has not been the case with the hypothesis of public-private interplay. Private welfare provision is looked upon as a function of the range of public social policy; i.e. the more public provision, the less private provision. The range of social policy has, in fact, been defined as to the extent to which governments successfully manage to limit and eradicate private provision. «Accordingly, the difference is a question of public versus private or of politics against markets» (Esping-Andersen and Korpi 1987:41). This

close link between public programs and the maturity of the welfare state must be questioned. The ability of individuals and families to uphold a normal standard of living regardless of their performance in the labor market can be improved not only through public programs. Decommodification is to a large extent achieved through collective agreements in the labor market. The typical example used is the Swedish system of occupational pensions where coverage is almost complete. Another example of decommodification through labor market arrangements is the Norwegian system of early retirement pensions (AFP), agreed upon by the LO and NHO (the employers' organizations) in 1988. This scheme has improved the older workers' ability to uphold a normal standard of living if they choose or are forced to leave the company before the regular retirement age.

As already noted, several scholars have tried to show that the concept of three worlds of welfare capitalism lacks an empirical base or that Esping-Andersen's empirical approach was too narrow. Very few have paid closer attention to another aspect of this theory, namely the reproduction of the regimes. A crucial question is whether the differences that can be identified between regime types tend to be stable over time. If these models have different abilities to reproduce themselves, advanced capitalist countries will become even more divergent. «In consequence of different constellations of political forces, cross-national variation seems to be widening, and to be likely to widen still further, in the degree to which wage-earners are decommodified and the boundaries of social citizenship are expanded.» (Goldthorpe 1984:9). This prediction is based on the idea that «the class coalitions in which the three welfare states were founded explain not only their past evolution, but also their future prospects (Esping-Andersen 1992:119). The universal character of the Scandinavian welfare state forges middle class loyalties as well as working class support. Thus, it does not depend only on the loyalties of the numerically weak groups of targeted welfare program recipients. Mishra (1990) finds that Sweden has been able to defend a high level of welfare to a larger extent than what has been the case in Austria, Britain, The United States, Canada and Australia. Pierson (1992:385) shows that Thatcher had far more success in her attack on the old age pension system because «the unifying role of Social Security (in the United States) made it much easier to mobilize the elderly in opposition to retrenchment proposals». The fragmented British system made it possible to minimize the political costs associated with a fundamental change in the public responsibility of old age pensions. The effect on middle class loyalties on welfare state defense should, however, not be taken for granted. The Swedish and Norwegian stories of strong welfare state support could also be caused by the relatively good economic performance in these countries reducing the financial pressure on the welfare programs. Especially in the Swedish case this has changed, and the economic crisis has lead to freezes (e.g., family poli-

cies) and cutbacks (e.g., sickness benefits, unemployment benefits). The question of the logic of regime reproduction should therefore be given closer attention in future research efforts. An improved understanding of the underlying mechanism of welfare state development, especially the impact of labor market organizations, could contribute to our understanding of how and why welfare states change.

Taken as a whole, the theory of welfare state regimes is, to a large extent, state-centered. The private sector is treated as a residual in the sense that the relationship between public and private systems is uni-directional. The growth of public programs crowds out private schemes. This is clearly an oversimplification. Kangas and Palme (1992:232) have, in the case of old age pensions in the Nordic countries, shown that «the level and structure of the legislated pensions are not the only factors affecting the expansion of the private pensions».

Another consequence of the state-centered approach is the focus on political parties as the primary actors in the development of social policy. The formation of labor market organizations has conditioned the development of social policies through the private schemes and as pressure groups in the political decision-making process.

2.6 Welfare Pluralism

An alternative approach to the study of social policy could be found in the theory of welfare pluralism. The welfare pluralists claim that welfare or social protection in any given society is a result of the interactions among a multitude of sources. Thus the total provision of welfare in a society is a result of the division of responsibilities between government, enterprises, voluntary organizations and kinship networks, including the family. Increased state welfare programs may only substitute for another source of welfare instead of producing a net increase. This school of thought has been given several different labels such as welfare pluralism, the welfare society perspective, and the mixed economy of welfare. It is often associated with scholars such as Richard Rose, Martin Rein, and Lee Rainwater.

The research tradition of welfare pluralism has been regarded as closely related to neo-conservative ideology because it can be used to legitimize the withdrawal of state responsibility. The most radical policy proposal in this tradition is perhaps Charles Murray's (1984) proposal to abolish federal social programs in the United States. This has made both welfare pluralists and neo-conservatives a target for criticism. Among others Ramesh Mishra (1990:108) has put forward such an argument: «Often the reduced role of the state in welfare is viewed with approval as it may result

in a more decentralized and plural form of welfare mix....they tend to gloss over the implications of shifting from one form to another». It seems however inadequate to treat this tradition as just a neo-conservative policy proposal. I will argue that the welfare society approach represented, among others, by Richard Rose differs from a private/public mix approach advocated by Martin Rein and Lee Rainwater.

Rose (1986, 1989) argues that the total level of welfare resources used in a society is a function of the economic situation and that an expanding public welfare policy simply crowds out other arenas of welfare production. The expansion of state responsibility could be a threat to the functioning of the family or the market. «Yet insofar as a plurality of sources provide welfare, then an increase in welfare from one source may simply substitute for rather than increase total welfare in society» (Rose 1986:22). Thus one of the major problems with the state, as the dominant producer of welfare, is the risk that the cost of welfare will grow faster than the nation really can afford. According to the welfare pluralists, the size of the total welfare sector is a simple function of the economic level in society and economic growth provides the simplest and most pervasive theory to explain the increase in welfare. «Without economic growth, total welfare in a society can hardly increase» (Rose 1986:22). Because no charge is made for merit goods, state systems increase demand, and thereby, supply. If the market rather than the state had been selling health, education, and pensions, then the economic slowdown would have put the brakes on demand and forced adjustment in supply. There is therefore a risk that the cost of welfare may grow faster than the political capacity of the state to meet these costs by taxation.

The theory of welfare pluralism does not necessarily contradict the proposition that a well organized labor movement can expand the public responsibility for social security. It simply states that this will lead to overload problems in the public economy because this policy ruins the balance between state, market, and families. In the long run, however, economic and demographic forces will tend to overrule these attempts to bypass the logic of the market forces, apparently implicitly supporting the theory of convergence. It is no coincidence that Rose and Shiratori would use the title: «Welfare in Society: Three Worlds or One?» (Rose and Shiratori 1986:22).

This research tradition of welfare pluralism is closely related to neo-classical economic theory. They are both based upon the view that state interference in most cases only disturbs the natural balance of a well functioning market. For the neo-classical economists, it is the notion of a market equilibrium, for the welfare pluralists it is the idea that there exists a natural balance between the three sources of welfare; state, markets and households.

Rein and Rainwater, in spite of their common starting point with the neo-conservative anti-state perspective, offer another argument. They propose an approach «which takes account not only the action of the state, but the private sec-

tor as well» (Rein and Rainwater 1987:149). In their view, welfare states should not be described as either Beveridge-type programs, based on the principle of solidarity, or Bismarck-type programs, based on the competing principle of equivalence where benefits are related to labor market position.

This so-called holistic or multi-sectoral approach is first of all an analytic perspective. It does not argue that one sector is preferable to others, or that ineffectiveness necessarily is embedded in public welfare schemes. In addition, it stresses the fact that market-based solutions can produce different distributional outcomes than public programs.

By introducing social protection activities as different forms of social control of consumption, Rein and Rainwater avoid the state-oriented approach to the welfare state. It is not only the institutional arrangements in the public sector that protect workers against treatment as commodities. The welfare society is one that mobilizes both public and private sectors to provide social security to individuals and families. In all societies, a part of total labor cost is set aside and specially earmarked for the social wage, i.e. the part of the total labor costs that is not used for current consumption. The larger the social wage, the more consumption is constrained. An increased level of social protection, and thereby reduced take-home pay, is the result of a struggle on the part of governments, employers, employees and social movements. According to Rein and Rainwater, the main goal of all these actors has been «that of decommodifying labor in the sense that the livelihood of individuals is not to be completely dependent on current sale of labor power» (1986:19). They are using the same concept of decommodification as Karl Polanyi (1944) and later Esping-Andersen, but the tools of providing this protection against the market forces could be found in different sectors.

The evolution of social policies is thus understood as part of a «broader process where social policy, industrial relations and labor markets comprise a single whole» (Rein and Rainwater 1987:145). Thus, they introduce a broader set of actors into the welfare state arena: workers, enterprise, and the state. This multi-sectoral approach triggers a focus on the boundaries between the different sectors. How can we draw the lines between the state, the labor market, the households, and the non-profit sector? Is it possible to do it? So far, research has been concentrated on the borders between the state and labor market in areas such as sickness benefits (Immergut 1986) and early retirement and old-age pensions (O'Higgins 1986). These studies conclude that the research agenda should call for a blending of public and private institutional systems rather than separate sectoral analyses. Especially in a time of economic problems and welfare policy retrenchment, the phenomena that Rein and Friedman (1993:9) call cross-overs is interesting. Cross-overs refer to the transfer of responsibility for social protection from one sector to another, from the state to firms, or to households. There will always be struggles over who will foot

the bill, the employers, the wage earners, or the tax-payers in the case of phenomena such as early retirement, work retraining, sickness benefits, and so forth. Each actor attempts to pass on the visible cost to the others. Cross-overs will to a large extent be a politics of cost-shifting.

A multi-sectoral or holistic approach is not in itself contrary to the Social Democratic model. The important point of difference is that Rein and Rainwater do not see the development of the private sector as a simple function of the scope of public welfare programs. «It exists a definite discrepancy between the rich diversity between different national histories of welfare state development and the theoretical literature's tendency to reduce comparative welfare state developments to one or few common denominators. Thus the great diversity reveals convergence or divergence» (Rein and Rainwater 1987:148). But, in his more recent writings, Martin Rein has moved towards a neo-convergence approach. He concludes that «the model breaks down when all the sectors are taken into account» (Rein and Friedman 1993:5). Rein argues that even though regime differences can be identified, none are stable over a long time period because social protection as a system is inherently unstable. In other words, he is taking the opposite stand of Esping-Andersen's on the question of the reproduction of regime types over time.

A second hypothesis, or prediction, based on this approach is that a decline in one sector is always picked up by a growth in another sector. Rein draws the rather strong conclusion that «the level of spending remains roughly constant» (Rein and Friedmann 1993:7). This hypothesis of a «zero sum game» has so far not been empirically tested. The ability to do so would depend heavily upon the availability of household data. If we limit this hypothesis to the interrelation between the state and the labor market I would doubt that this sectoral pick-up always would take place. One test case could be the reduction in the compensation rates in the Norwegian public system of income-related pensions that came into effect in 1992. Several employers have declared that they are not willing to compensate for this reduction through increased benefit levels in their occupational schemes. The Norwegian Employers Association (NHO) has also, at several occasions, advised its members to keep down their costs and not to increase pension benefits.

The relevance of the pluralist approaches to the study of the trade union movement and the welfare state is striking. The conclusion that «the development of the welfare state must be understood in the context of the development of labor relations institutions more generally» (Rein and Rainwater 1987:152) stresses the importance of both employers and unions as actors and the need for a unification of social policy, labor markets and industrial relations. This theoretical perspective has, however, not yet resulted in much empirical research. We do not have appropriate knowledge of either the historical interplay between the private and public sector in different policy areas, nor of the comparative differences in public-private mix across

countries. This means that welfare pluralists do not offer a separate explanation for the development of the modern welfare state. Therefore, there are possibilities for integrating this multi-sectoral perspective with other branches of current welfare state research.

2.7 Welfare State Research and the Public-Private Interplay

Despite the rapid growth of both case studies and comparative welfare state research, no theoretical synthesis has emerged on the development of modern welfare states. With regard to occupational welfare and the mechanisms of public-private interplay, existing theory is even more inadequate. The study of occupational welfare is guided by theoretical controversies. There seems to be no way to bridge the gap between a model of the gradual crowding out of the private sector and that of welfare pluralism, or between the idea that the differences in welfare policies across countries are increasing and that of welfare state convergence. A study of the Norwegian experience obviously cannot solve all of these problems. But, it can offer some guidance for different approaches in making reliable predictions.

Taken together, this review highlights several important aspects of modern welfare state research. The most striking feature is the general focus on public sector programs as the dependent variables. The majority of existing studies have taken into account only public expenditure. The expenditure approach has to a large extent been replaced by more sophisticated studies of the institutional characteristics of the public programs. This has, however, not solved the problem of excluding the private sector from the analyses.

The state-centered approaches give private social policy arrangements only a residual role, totally dependent upon the development of the public welfare programs. Thus, even when integrating the private sector into their analyses, the concept of public-private interplay has been marred by a rather simple characterization of the political economy of the private sector. On the other hand, welfare pluralists have not yet managed to establish a comprehensive strategy for conducting empirical research in the field of public-private interplay. This is not to say that there has not been progress made. Current research has definitely demonstrated that the line between public and private is harder to establish than we formerly realized.

Another aspect of this «dependent variable» discussion should also be noted. To a large extent, it is only the public programs of cash transfers that are taken into consideration, typically pensions, sickness benefits, unemployment benefits, and so

forth. Of course, these cash transfers play an important role in all welfare states. But the welfare state also offers its citizens extensive services, from day care to nursing homes, and especially health care. We know very little about how different welfare states have developed their social and health services. Can we find parallel models of welfare state regimes in the services sector? Or, is there a trade-off between transfers and services? Denmark did not follow in the footsteps of Sweden and Norway by establishing a generous income-related public pension scheme. On the other hand, they have developed services for the elderly that far exceed those of Norway and Sweden. But, Sweden has the largest public health sector in the world (as per cent of GNP) along with a generous transfer system.

Several questions arise. Could high spending on services be explained by higher wages to welfare state employees or by higher quality of services delivered? What is the role of the public sector unions in the development of welfare state services? And how do welfare states behave as the largest employer in the labor market? In the popular discussion of welfare state retrenchment, scholars have focused on income maintenance programs. In the future, the underlying process of social and political conflict over reduced and rebuilt public services will open an interesting field of welfare state study. In Sweden, layoffs of public employees have become a reality. These questions will not be the topic of this work, but they are an interesting avenue for further research.

Choosing the independent variables has also created controversies in welfare state research. Functionalistic approaches play no major role in current research. Politics is accepted to matter, but in a variety of ways. This, of course, does not imply that economic and demographic variables are not important determinants of welfare state development. Their impacts are, however, mediated through various political filters in unique national contexts.

The many different approaches to the underlying process of welfare state development – the Social Democratic model, politics matters revised, and welfare state regimes – incorporate many actors. Political parties, bureaucrats, trade unions, employers and insurance companies are all seen as taking part in the struggle over welfare state development. But, despite the important inclusion of multiple actors, current research still focuses on the political arena of decision-making. The focus is on political parties as actors in the legislative arena, and the majority of studies have focused on the strength of the labor parties. Unions play a part, but as a rule, they are looked upon as part of a greater labor movement. Their main task is to support the labor party financially and as voters. This notion of a homogeneous trade union movement fits with the idea that the Social Democratic dominated unions would prefer political solutions to achieve social policy ends for their members. Treating the trade unions as purely ideological actors also leads to the exclusion of employers

and their organizations from the analyses. Those who do not exclude them tend to look upon employers' organizations as interest groups trying to change legislation, taxation, or spending, and not as actors directly taking part in the social policy process in the labor market.

I will argue that there are not just multiple actors taking part in welfare state development; the struggle also takes place in multiple arenas of decision-making. In the labor market, social policy is a part of centralized collective bargaining, as well as of agreements made at the company level. Including the actors, but leaving out the arenas of decision-making, will affect our view of how welfare states develop. One obvious example is that the state as employer has had profound effect on social development during the entire last century (Øverbye 1990/1991).

Hypotheses of public-private interplay and the research questions.

In current welfare state research, there are three interrelated but distinct hypotheses related to public-private interplay. They can serve as a useful starting point for an analysis of public-private interplay.

1. The hypothesis of political obstruction: if broad groups of wage-earners are covered by occupational arrangements, it would reduce the support for and the possibilities of expanding public welfare systems, and vice versa. In other words, this hypothesis concerns the underlying mechanism of welfare state change.

The idea of a negative interplay between public and private welfare components is an important part of traditional welfare state research. It has been used to explain both US exceptionalism and Scandinavian institutionalism. The logic is simple and convincing: early growth of labor market based social protection shapes the political interest of unions and employers, thus preventing a political exchange with the government. The United States is often used as the typical example of this negative interplay. Another example is the British experience of resistance to establishing a public income-related pension scheme. Similarly, the success of public welfare expansion in Scandinavia is looked upon as partly the result of an underdeveloped occupational welfare arena which is attributed to relatively late industrialization. Thus the labor movement was free to choose political solutions to the social needs of their members.

Explaining the high level of occupational welfare arrangements in Japan and the United States, Higgins (1981:136-137) offers the hypothesis of negative interplay: «Indeed, it is precisely because private welfare has proved so satisfactory for

certain groups of the population (usually professional, high-income groups) that there has been such reluctance to develop public services which these groups fear would result in a 'leveling down' of standards.»

The hypothesis of political obstruction is the basis for the next hypothesis, namely that of substitution.

2. The hypothesis of substitution: a generous universal public welfare system would marginalize welfare schemes in the labor market.

The ability to crowd out private welfare arrangements is regarded as one of the most typical features of the Scandinavian welfare state model (Esping-Andersen 1990). This view is also found among scholars who do not adhere to the power mobilization model of welfare state development (Kuhnle og Selle 1992).

It is perhaps more surprising that advocates of welfare pluralism also could agree with this theory of crowding out. This is because total welfare provision is seen as fixed in any given society, i.e. it is a zero sum relationship between public and private provision. If this is the case, countries would look more alike than we used to believe. «The welfare societies of Western Europe look much more similar when both private and public benefits are taken into account. Even the United States does not differ significantly» (Rein 1983:11).

The major critics of this hypothesis have argued that there are several examples of a «positive dialectic» between public social policy and occupational welfare (van Gunstern and Rein 1985). Dobbin (1992) suggests that American employers responded to the development of a national Social Security program by further extending private benefits.

3. The hypothesis of re-distribution: the less market-based welfare, the more equal will be the distribution of welfare benefits and welfare entitlement in a society.

This hypothesis is closely related to Titmuss' (1976:42) famous essay on «The Social Division of Welfare». Even though the content and functions of occupational welfare may be similar to that of public systems, they are believed to have very different distributional outcomes. Public social policies may be based on needs, and financed by general taxation, while occupational welfare, by nature, reflects labor market position. Therefore, the balance between public and private welfare will have a significant impact on the overall distributional logic of welfare.

The hypothesis of negative distributional effects of occupational welfare has, to a large extent, not been questioned in the research literature. Several studies have shown that coverage is not comprehensive, and that many groups of workers do not

participate in occupational systems. Occupational welfare does not, however, necessarily mean an uneven social division of welfare. In Sweden, the labor unions fought successfully to extend coverage of occupational pensions to about 90 per cent of the labor force (Edebalk and Wadensjoe 1989). On the other hand, one also has to take into account that public welfare programs do not necessarily cover the entire labor force. Recent US legislation mandating the introduction of 12 weeks of unpaid family leave covers only 50 per cent of employees because companies with fewer than 50 employees are excluded (New York Times 2.3.93).

These three hypotheses provide an interesting point of departure for a closer investigation of the logic of public-private interplay. They offer predictions that are of special relevance for the Norwegian case as a representative of the Scandinavian model. On the other hand, as a theoretical guide to the analysis of occupational welfare these traditional welfare state research hypotheses cause problems. The main problem has been the tendency to give private welfare arrangements a residual role, determined fully by the size and character of the public programs. Both the hypotheses of obstruction and of substitution should be given closer attention in historically-oriented studies.

Moreover, the extent of coverage and the distribution of occupational welfare benefits cannot be answered satisfactorily from the perspectives of welfare state research. Despite the fact that Titmuss addressed this issue more than 30 years ago we are still left with a fragmented and underdeveloped state of literature on occupational welfare (Shalev 1988:4). This could be explained by the long-standing dominance of the hypotheses of a negative interplay.

This, of course, does not imply that we are left without relevant theoretical approaches from the broad field of welfare state research. There are important elements in current research that are highly relevant for the analyses of the employment relationship and occupational welfare. The approaches discussed in this chapter offer at least four elements that can improve our understanding of the political economy of occupational welfare:

First, the growing interest in the interaction between the welfare state and the labor market has shifted the focus from a statist approach to a focus on how public policy and labor markets interact (Kolberg and Esping-Andersen 1992). Hence, social policy is no longer interpreted as intervention by the public sector outside the market.

Second, a growing research literature on the complicated nature of occupational welfare argues that it is a much more complex phenomenon than most welfare state research has made it out to be (Esping-Andersen 1996), and that its role varies across countries. It should not be understood simply as a form of social welfare (Shalev 1996). Besides social policy, it is an issue of management policies and collective

bargaining. And as von Nordheim Nielsen (1988,1991a) has pointed out, occupational welfare arrangements affect capital formation and the control of investments, for example, depending on whether pension benefits are partly or fully funded. These different aspects of occupational benefits are closely interrelated. The Danish trade union proposal for the establishment of income-related pensions brought this out very clearly. The union proposal made a direct link between wage moderation and increased savings on the one hand and the social policy goal of increased old-age pensions on the other (von Nordheim Nielsen 1988).

Third, Rein and Rainwater argue that the study of social policy and industrial relations must be integrated, and they suggest that the accurate battleground is the «social wage», rather than public expenditures alone. Their concept of the social wage is a useful starting point for a discussion of how to integrate private and public welfare components. It allows us to include both a multiple-actor and a multiple-arena perspective. The wage could come in the form of direct take-home pay, statutory social expenditure, or voluntary expenditure by the employer. Rein and Rainwater argue that the agenda of study should be the blending of public and private institutional arrangements. This public-private mix could be understood conceptually by seeing them in the holistic framework where social policy, labor markets and industrial relations are unified. «The existence of two intellectual traditions, one concerned with labor politics and the other with social protection politics, has inhibited our appreciation of the evolution of the ways in which the state has penetrated into civil society» (Rein Rainwater 1987:143). The challenge remains, however, to develop an integrated theory of industrial relations to produce empirical work on social policy processes in the labor market.

Kuhnle and Selle (1990, 1992) have contributed to a multi-arena perspective by analyzing the so-called third sector of welfare provision, the non-profit work done by voluntary organizations in the community. Despite the lack of reliable data, their goal of combining state-, market-, and community-based efforts into an analysis of total welfare provision, should be kept in mind for future research.

And last, Peter Baldwin's (1990) concept of self-reliance and the ability to pool social risks contributes to an understanding of unions' strategies for improving social security. A strong union movement does not only have the ability to support political action, it also has the capacity to pool risks through contractual arrangements. Thus self reliance, in the sense that all members are covered by the same standard of social security, could be achieved through both bargaining and politics. Occupational welfare is therefore not just the result of welfare state residualism and trade union political failure. There is no reason to believe that trade unions would systematically disfavor occupational arrangements. If politically weak unions had no choice but to pursue the path of private welfare, strong centralized unions could

choose their strategies more freely. Unions would hardly choose their welfare strategies based on idealistic notions of solidarity, but on pragmatic evaluations of their own capacities, or self-reliance, to pursue the social interests of their members'.

Therefore, Chapter 3 begins by asking: How can we improve our understanding of social policy actions taken by unions at both the local and centralized levels?

Chapter 3 Trade unions and social policy choices – exit, voice and loyalty

3.1 Introduction – the gap between micro- and macro- explanations.

The trade union movement has from the turn of the century been placed at the center of social change. Even so, there is no consensus as to how trade unions act to increase the welfare of their members and of wage earners in general. A macro-oriented perspective on union behavior is found in industrial relations theory, specifically in union models, in which it is argued that there are systematic differences in union behavior across countries (Kassalow 1965, Edwards 1986, Martin 1989). It has been commonplace among industrial relations scholars to argue that «social partner unions» or «comprehensive unions» regard the socialization of welfare policies through legislative measures as an important aspect in their goal to transform the capitalist system of production.

In welfare state theory a corresponding version of this perspective is found in the power resources model, which links the strength of organized labor to the development and expansion of modern welfare states. This macro-oriented approach to organized labor argues, first, that unions typically prefer political solutions to market-based solutions and, second, they prefer to use their organizational strength to support a social democratic party in order to achieve a broad, universal, public social policy. The most intriguing aspect of this theory is perhaps its third element, namely how political institutions determine class structure. Esping-Andersen argues that «the welfare state may help manufacture broad class (even cross-class) solidarity and social democratic consensus» (Esping-Andersen 1985:245). Hence, welfare state and industrial relations scholars have to a large extent a mutual understanding of a so-called Scandinavian «social partnership» unionism that engages in a broader political struggle to increase the welfare not only of all wage earners, but of all citizens.

What has been most criticized is the structural explanation that these macro-perspectives provide, i.e., the nature of the actual process of social change (Rothstein 1990:319). Rothstein (1990:320) argues that the power resources perspective is inadequate because «the mobilization of workers seems in this perspective to be a structurally determined process». To some extent, the preferences and behavior of

organized workers are simply taken as given. This criticism of the mobilization approach points to the importance of establishing a micro-level basis for union social policy action.

When actually confronting the macro-oriented approach to unionism with micro-oriented theories of union behavior, the gap between the two perspectives is striking. Economic theories on the role of unions in wage determination predict a positive relationship between unions and the level of market-based welfare arrangements (Freeman 1992). Moreover, rational choice explanations of collective action see the strength of organized labor as determined by its ability to control labor supply by recruiting members who see unions as furthering their own interests (Olson 1971). The socialization of welfare arrangements could, in both of these perspectives, negatively influence union strength by removing vital functions from the trade union movement. Do unions actually trade short-term interests for long-term institutional power when supporting welfare state expansion?

The theoretical gap between the micro- and macro- role of organized labor illustrates that we have not fully grasped the role of unions in welfare state development. The present state of theory on unionism and social policy is underdeveloped. Moreover, in a situation where public welfare is being cut and union density and collective bargaining systems are rapidly changing in many countries (Ferner and Hyman 1992), it is important to understand in greater detail the processes of change. The gap between the micro- and macro- role of organized labor brings us to the core question of this chapter: **why and how do trade unions act to increase the welfare of wage earners?** In other words, how can we conceptualize the role that unions play in the process of changing the private- public mix of welfare institutions, by linking micro- and macro- elements of unionism?

We need to develop theory on how union welfare choices are shaped, and later mediated and channeled, by institutional arrangements. This discussion is important in order to remove us from the traditional macro-oriented and a priori ideological approach to the role of organized labor in social policy. The goal of this chapter is to build a bridge between a micro-oriented individualistic approach and a macro-oriented structural approach to trade unionism.

Exit, Voice and Loyalty – Bridging the Gap?

In this chapter, Hirschman's (1970) concept of exit, voice and loyalty is offered as a possible framework for a discussion of the role that trade unions take in social policy. Freeman and Medoff (1984) have, inspired by Hirschman, developed the concept of a «collective union voice». This is done in order to establish a broader approach to trade unionism than found in traditional economic theory. Their perspective is simple, but important: unions do more than raise wages. They have a

social role within an enterprise, significantly contributing to the performance of the firm. However, Freeman and Medoff do not engage themselves in a broad discussion of the impact of possible individual membership exit. And, they do not take into consideration at all the issue of loyalty, which is of core importance to Hirschmann's original concept of voice. It is, according to Hirschman, first of all loyalty that «as a rule holds exit at bay and activates voice» (1970:78). I will argue that it is important to include also the concept of loyalty in order to fully appreciate the complicated mechanisms that determine the role that trade unions play in developing social policy. This is especially relevant in a setting of «comprehensive organizations», even though Hirschman himself did not consider these types of organizations. He was primarily concerned with the behavior of firms. Conflicting loyalties among company-level, inter-union, and overall national and ideological loyalties will, however, inevitably dominate union decisions more strongly in a centralized than in a decentralized system.

Hence, Hirschman's theory must be taken a step further in order to grasp fully the role of comprehensive trade unions. Hirschman did focus on how individual consumers or members chose between exit or voice. I will argue that exit takes place at different levels; at the individual member level, at a union federation level and at a national political level when unions and labor parties form a mutual labor movement.

Clearly, unions are constantly faced with the issue of individual membership exit and of individual membership loyalty. However, as members of a larger union confederation, individual unions can exit by choosing an independent role or by joining a competing confederation.

The third level of exit is of special relevance, even though traditionally not discussed in the welfare state and industrial relations literatures, namely the question of exit from the broader social policy partnership in the social democratic welfare state, i.e., at the macro-level. Should unions follow a separate collective bargaining strategy to improve the social rights of their members, or should they be loyal supporters of public solutions to welfare needs? From this perspective, the nearly complete lack of protest (voice) from the Norwegian Confederation of Trade Unions (LO) when the Labor Party Government significantly reduced pension rights in 1992 is especially interesting. Do the LO leadership and the different unions see possibilities of strengthening their position when state responsibility is rolled back? Whatever answer is given to these questions, they illustrate that exit, voice and loyalty are also crucial at the national level.

The proposition that there are three levels of the exit and voice trade-off introduces a broader political aspect to the voice face of unions in a setting of centralized social partnership, as found in Scandinavia. These are aspects that would be difficult to actualize when union activity is located at the plant or firm level and,

of course, also when unions are seen as simply aggregating rational individual interests in wage bargaining.

Clearly, there is a need for empirical research on the roles that unions and employers have taken in social policy formation. The impact of unions and employers only becomes visible through an exploration of specific conflicts and their resolution. This of one of the main goals of the remainder of this work.

As a point of departure, section 3.2 places the discussion of union social policy action in a broader historical context. In sections 3.3 and 3.4, macro-, and then micro-, oriented perspectives to union action are discussed. The final section discusses the role of unions in social policy and argues that it is possible to bridge the gap between the micro- and macro-levels.

3.2 Historical context –the political and economic effects of unionism?

Theoretically we are still left with fundamental disagreements on union motives, union behavior and the effects of unionism on economic and political variables. The discussion of the political and economic impact of unions has been an interdisciplinary debate where economics, sociology, political science and labor history come together (See Poole 1984, McNulty 1984, Rees 1977, Kaufman 1993, Marsden 1986). Despite the long history of this debate, no theoretical synthesis has emerged. It is not possible to present a theoretical consensus on the role that unions play in the shifts between public and private welfare arrangements (or in any other matter). This is clearly illustrated by the fact that Richard Freeman in 1992 could ask the following question: «Is a less organized workforce good, bad or irrelevant?» (Freeman 1992:144)).

The academic interest in unions can be traced back to the classical economists and political theorists. Even so, in classical political economy, unions are not given an important role. Rather, the classical economists generally assumed that the natural long run price of labor was a subsistence wage and regulated by «natural laws» such as the theory of a given wage fund¹. However, by the nineteenth century, this was widely recognized to be a culturally determined level. The fact that work-

¹Even though Marx saw unions as one of several weapons in the class war, unions were in no way the most important tool for creating revolutionary change. Marx saw them as day-to-day efforts by workers to restrict the effects of competition in the labor market. Unions were a means for mobilizing the strength of labor against the capital class. They were themselves a result of industrialization and a mode of capitalist production. In that sense Marx has a theory more about why unions appear than of their role in a capitalist society. One (Continued)

ers might have a higher standard of living and social security was increasingly being supported. Nevertheless, by the turn of the century «analysis of unions was not yet considered to be properly the undertaking of the economist» (McNulty 1984:81).

Sidney and Beatrice Webb's analysis of British unions in their work «Industrial Democracy» and Richard Ely's work on «The Labor Movement in America» contributed to putting unions at the center of labor history and labor economics. The new element in their analyses was the acknowledgement of the importance of institutional factors in the functioning and outcomes of the labor market. Fueled by growing conflict and tension related to the industrialization of western economies the term «labor problems» came to be used after the turn of the century. The labor problem perspective emerged in economics and sociology as a reaction against the doctrines of classical economics and social Darwinism, both justifying the prevailing system of *laissez-faire* capitalism and a hostile attitude towards union activity (Kaufman 1993:4–5). The labor problem approach became the intellectual and policy core of the new field of industrial relations, engaging labor economists, sociologists and, later, political scientists. To a large extent, the «labor problem» approach has survived and can be found in contemporary industrial relations research. Typically, many writers have an implicit normative component in their analysis (Poole 1984, Martin 1989).

The term industrial relations was from the outset little more than a shorthand for «the relations between labor and capital in industry» (Kaufman 1993:1). However, the meaning of the term expanded quickly and came soon to represent an academic field of study, covering a broad range of research on unions, collective bargaining and the political and economic effects of unions. As an academic discipline, industrial relations is heterogeneous².

First, the tradition of labor economics has engaged itself in a continuous debate over the role of institutions (unions and collective bargaining) in the labor market. Can unions be integrated into an interpretation of the labor market as a process of supply or demand based on marginal wage determination? Neo-classical

(Continued) can say that in a Marxian perspective unions are unreliable allies in the revolutionary struggle because of their tendency to choose short-term improvements over revolutionary action. This point is stressed also by neo-Marxist scholars. Kelly, for example, writes in his book on trade unions and socialist politics that: «Marx and Engels never developed a single, coherent and rigorous theory of trade unionism which enabled them to promote and develop a line of analysis through the ups and downs of class struggle» (Kelly 1988:12).

² One should be aware of the fact that the term industrial relations is used in a variety of ways. It can be used to refer to both labor economics and more sociologically-oriented studies of collective bargaining and trade unionism (see Kaufmann 1993) or, alternatively, it is used in a narrower sense referring to the institutional sociology of labor relations (see Poole 1984).

economists would argue that unions want nothing but more, in economic terms, and that their primary economic impact is to raise wages at the expense of unorganized workers and to negatively affect the efficient functioning of the labor market. Institutional economists would, however, argue that «unions have beneficial economic and political effects» (Freeman and Medoff 1984:3). This conflict has been at the heart of the debate between labor economists since the turn of the century and is yet to be resolved (Kaufman 1993, Marsden 1986, McNulty 1981, Rees 1977).

A second and closely related approach to the nature of trade unionism could be found in individual based theories of collective action (Olson 1971, Elster 1986, Pizzorno 1986). These theories do not attempt to answer if unions are compatible with the optimal functioning of a (free) labor market. Rather, the debate on «the logic of collective action» raises the question of the individual component in unionism and thereby puts forward an understanding of the determinants of union action in order to survive as voluntary membership organizations. More than the limited rational choice perspective in itself, it is the discussion of how to introduce a broader range of motives behind wage earners' inclination to join unions that has contributed to an increased understanding of the possibilities of and restraints on union action. This individual perspective is important because it focusses on the fact that unions are separate actors also in a social partnership system, and that their strength lie in the ability to control the supply of labor.

However, both of the former approaches tend to keep the union itself in the background as the passive object of individual choice. An important alternative is to be found in the sociologically dominated traditions within industrial relations. A tradition of union and industrial relations scholars have been engaged in a discussion on the nature of unionism and the determinants of union development and action. This tradition is largely macro-oriented and the debate has centered around the impact of structural, organizational and subjective factors on union behavior. Are unions relatively similar in their ambitions and goals, but shaped differently by environmental and structural conditions? Or do subjective factors such as ideology, norms and culture have significant impact on the character of unions? Modern welfare state research has a close resemblance with this macro-oriented industrial relations school through its theory of an ideologically-oriented homogenous union movement acting in social policy, not as a separate actor, but as a branch of a joint labor movement.

The debate over trade unionism has taken a very different path. In labor economics there has been a long-running discussion between neo-classical approaches and institutional perspectives, on whether the labor market can be perceived adequately as ruled by market forces and understood by general price theory. In sociology and political science the debate has to a much larger extent focused

on the role of unions as social partners and the determinants of «social action» taken by unions. The rational choice perspective can to some extent be seen as a mixture of economic and sociological perspectives by basing an analysis of social and institutional phenomena on individuals' maximizing self-interest.

3.4 Macro-oriented perspectives on union action

Industrial relations theory is largely based on the concept of models of unionism, where class, state and market are linked together systematically. A classification developed over fifty years ago by Haxie is still relevant. He defined three main functional types: «business», «uplift» and «ideological» (Mayhew and Turnbull 1989:124). Business unions – the primary interest of labor economists – seek to influence the terms of the employment relationship in a narrow sense. «Uplift» unions seek, in addition, to increase their members' social welfare and status, while «ideological» unions are concerned also with transforming society. It is interesting to see that Haxie's classification corresponds with more recent classifications. Edwards (1986:10) differentiates three types of Western-style unionism. First, unions may act primarily as bargaining agents for particular groups of workers, as is often the case in the U.S. and the U.K. Second, unions may serve as a constituent element in systems of «political unionism» as found in France and Italy. And, third, unions may operate as partners, even junior ones, within social democratic governing arrangements, as we find in Sweden and Austria.

Cella and Treu (from Martin 1989) argues somewhat in the same fashion in their model of unionism, differentiating «opposition» unionism (France, Italy), «business» unionism (U.S.), «competitive» unionism (Britain) and «participatory» unionism (Germany, Austria, Scandinavia). The nature of union structure, union density, collective bargaining and work place organization vary systematically across these models of unionism. Typically, business unions are a mixture of craft unions and industrial unions, with a low union density operating in a decentralized system of collective bargaining. Participatory unionism is characterized by the combination of occupational and industrial unions, with high union density in a system of centralized collective bargaining.

An important part of the concept of models of unionism is that both unions' goals and strategies varies systematically. In the famous «Development of Western Labor Movements», Kassalow (1965) argues that there is a distinct difference between union strategies in Europe and the United States:

«It is fair to say, however, that in their bargaining and industrial activities they do have a different attitude toward government action and political action than do American unions. Typically, for example, in many of these countries the unions accept government legislation as the regulator of such items as paid vacations and paid holidays. They also look to the government almost exclusively for social security items such as pensions, health and welfare in contrast to Americans which also bargain «privately» on many of these items» (Kassalow 1965:321)

A version of this argument is put forward by Freeman (1990:305) arguing that «in contrast to business firms, which behave similarly in all capitalist countries, maximizing profits or something closely to it, trade unions have a «national» dimension, operating under distinct institutional arrangements across countries». In other words, union motives and ambitions vary systematically across countries, producing distinct different models of unionism.

It has become commonplace to argue that «ideological» unions or «social partner unions», which organize a large proportion of the labor force – in Mancur Olson's formulations, «comprehensive organizations» – are more likely to pursue class-compromise strategies than will unions with narrower constituencies (Pontusson 1992:311). An important part of this class compromise is traditionally regarded to be the socialization of welfare policies through legislative measures. Sweden and Norway are typically seen as representatives of the so-called social partner type unionism. An important feature of both «social partner unions» and «political unions» is the idea that transforming the capitalist system of production is the overall goal of the union. It is not more than 18 years since Walter Korpi (1978:16) argued that the future of capitalism in Sweden was uncertain because the large majority of wage earners are members of unions, and because the competition between white and blue collar unions had been reduced.

This approach can be labeled an «ideological theory» of the union role in social policy change. It covers both why unions behave as they do and how they achieve their goals. In other words, the socialization of welfare policies comes about because of a) an ideological preference for political solutions and b) unions' ability to abdicate from the bargaining arena and instead support political solutions, i.e., unions are able to remain loyal supporters of the welfare state regime without losing membership strength. Hence, a critical question must be asked: How can unions create internal discipline in national union federations, and to avoid exit from the social partnership? According to the industrial relations perspective the glue in the system is first of all of an ideological nature. Party and unions are branches of a mutual labor movement with common goals of a full employment welfare state.

This ideological approach to unionism can be traced back to the Webbs' notion of «collectiveness» as the goals of union action. It is fascinating to see the resemblance between the classical works on unions before the turn of the century and the current debate on social democratic corporatism. The Webbs saw the major function of trade unions as being «the higgling of the market» and sought as a fundamental objective the protection afforded by mutual insurance, collective bargaining, arbitration and legal enactment in order to reduce the evil effects of industrial competition (from Poole 1981:56). They saw a movement towards collectivism through a process in which collective bargaining would gradually be replaced by the method of legal enactment. Korpi and Esping-Andersen currently argue in the same fashion, when postulating that the strength of organized labor is vital to understand why and how occupational welfare arrangements are marginalized by generous public welfare arrangements in order to «decommodify» labor. Therefore, it is not only a theory of the effects of unionism, it is also explicitly and implicitly a theory of how public policy develops.

Before concluding this section, the difference between how unions and employer organizations are approached should be noted. In contrast to unions, employers are generally seen as following the same logic across countries and over time. Paradoxically, this implies that industrial relations scholars tend to share the same basic assumptions of employer behavior as those underlying neo-classical economic theory. This is a questionable assumption. The apparently greater willingness to join forces among European employers, compared with their counterparts in the U.S., could be explained by differing national traditions. Parallel to the argument that unions have unique national dimensions, this could also be true for employers. Scandinavian employers would hardly want to import the U.S. system of health care, once strongly supported by U.S. employers. Why? Is it because they possess some distinct national character? Pontusson (1992:316–320) argues that, in the Swedish case, that at least there was a «normative consensus» between labor and capital that provided a basis for a class collaboration. He sees Volvo «as the principal representative of the class collaborationist wing of the business community». Windmuller (1987:38) argues that even though the reasons for the differences among employer organizations are not entirely clear, they are likely to be connected with national traditions, such as a distinct American business ethos and a sense of shared interest among European employers going back to the guild era.

An example of the national role that employers play in social policy is the development of so-called welfare capitalism, emerging before the depression in the United States. Jacoby (1996) explains the distinct historical strategy of American employers by the prevalence of large firms able to afford their own private welfare

programs and argues that managers from several of these firms decisively shaped the American social welfare system.

The importance of the employer profile may have special relevance when it comes to the state as employer. Public sector unions could face a softer employer front due to government vulnerability to strikes and to its ability to tax and borrow to meet payrolls. In addition, the state as employer has a long tradition in most countries to meet the social needs of its employees, offering good pay and working standards. In most European countries the state was the first employer that provided old-age pensions and sickness benefits to its civil servants. Thus the size of public employment is an important variable to explain the development of occupational welfare benefits.

Taken together, macro-oriented theories of unionism provide an approach to how unions behave in order to increase the welfare of their members, based on distinct welfare goals and policy strategies across national union movements. In other words, ideological motives become crucial to explain union behavior. We are, thus, left with a central problem in the macro-oriented traditions of trade union models: On one side the Webbsian inspired idea of a shared set of goals underlying union action, and on the other side the existence of different union models. This illustrates the lack of a micro-foundation. Why would unions as a general rule prefer political solutions to welfare needs? And, what is the mechanism behind the reproduction of union strength if welfare arrangements systematically are moved from the company level to the national political level? These questions remain basically unanswered in the industrial relations discussion.

3.5 Micro-oriented approaches to unionism

Unions can, as an alternative to the macro-oriented perspectives, be approached «from below». Following a rational choice view, the natural starting point is the utility function of the individual member, assuming that union preferences are derived from individual preferences (Mayhew and Turnbull 1989:105). Moreover, as having «utilitarian» preferences the total welfare of a union is the sum of its members' utilities. This perspective, developed from Dunlop's work on union utility functions, plays an important role in temporary economic research on unions (Oswald 1987:33). Moreover, within social choice theory and related approaches (public choice) collective rationality is seen as a question of coordinating and aggregating

individual preferences (Elster 1985:33). Hence, the issue of union collective action could also be approached as a social choice problem.

The labeling of the different individual-oriented approaches is of no great importance. At this point we should recognize that at the heart of these perspective is the prediction that individuals maximize their own direct wage through a collective action based on individual rationality. No doubt, wage earners join together in order to increase their individual remuneration from work. According to economic theory workers do this to control the supply of labor and to thus raise the wage. Hence, the dominant economic view of unions is that they raise wages, referred to as the monopoly face of unions, because they control the supply of labor (Williamson 1985:252). Because of this trade unions per se represent a challenge to traditional economic theory. Unions are in the simplest neo-classical models seen as intervening negatively with the functioning of the competitive market. They increase wages at the expense of unorganized labor and contribute to increased unemployment. Therefore, in the long run, unions would reduce the total welfare produced – public and private – by reducing the total production in the economy.

Moreover, according to economic theory, «it is a well established tenet that, other things equal, people would rather receive X in cash than a commodity that cost X» (Flanagan et al 1989:242). The reason is that, with cash, persons can choose freely to buy a variety of commodities, thus allowing them to maximize their utility.

Therefore, different economic-oriented perspectives lead to a conclusion basically different from the Webbsian tradition of collective action: Unions raise the direct wage of their members (in the short run). And, moreover, union members do not seek broader universalistic solutions to their welfare needs.

A closely related perspective is the rational choice approach to unionism. According to this approach individuals are motivated by individual assessments of self-interest, i.e., they calculate whether or not the costs of organizing are less than the benefits they will receive. The rational choice of action when a public good is needed would thus be to ride free, thereby undermining the ability to control the supply of labor. The classical «free rider problem» states that all organizations must solve this problem in order to create an effective organization (Olson 1971, Coleman 1990). A rational choice theory would predict that large organizations (e.g., large unions), with very limited social incentives accruing to individual members, will use closed shop or selective incentives to secure their membership bases.

Taken a step further, the free rider problem indicates that organizations that successfully have contributed to the establishment of statutory welfare schemes would lose an important incentive for rational individuals to remain members. Therefore, the notion of selective incentives represents a sharp contrast to the more

idealistic view of Scandinavian unions as favoring broad universalistic welfare arrangements, and working in close cooperation with a social democratic party. Rather, it points to unions as separate actors governed by twin goals: to survive and to recruit members. Therefore, individually-based approaches to unionism do not easily explain why unions would, first, prefer non-wage benefits before direct wages, and second, advocate the introduction of statutory social security. Rather, in the rational choice perspective, unions would seek to establish welfare arrangements exclusive for their members.

The nature of individual motivation?

Important critiques of the rational choice perspective have been put forward that can help provide individually-based explanations to union social policy action at the firm level and to the union choice of public and private solutions. Two arguments are of special relevance to this discussion. First, one can argue that individuals are motivated by more than just self-interest when choosing to join a union or not (Knoke 1990, Stokke 1992). Closely related to this approach is Pizzorno's (1986) argument that the notion of self-interest is muddled and can therefore not be the basis for an understanding of collective action. Second, one can argue that institutional factors play a separate role when understanding union activity (Mayhew and Turnbull 1989, Marsden 1986, Pool 1984).

The «multi-motivational model» is based on the notion of a rational individual approach to the study of collective action, but argue that individual members of organizations are motivated by emotional attachments (affective bonding) and normative conformity (Knoke 1990:43–45). Related to the social policy role of unions a «multi-motivational» approach implies that union leaders must balance individual members' economic interests with the overall political image of the union, thereby establishing a fundament for a synthesis between micro- and macro- perspectives to trade unionism.

Pizzorno, however, takes the argument a step further. He argues basically against the concept of explaining social action in terms of rational choice, even though he remains individualistic in his approach. He points to the fact that collective action actually takes place without selective incentives being present, and concludes that «if I know that the meaning of my action is not the acquisition of utilities but the securing of recognition, then I will hold the use of categories like «altruism» and «egoism» as merely stereotypical and deeply undiscerning» (Pizzorno 1986:372). As an alternative he sees the action as becoming an end in itself, shaping the identities of the participants. In this perspective also monetary goods that can be enjoyed individually, and can be evaluated in terms of maximization of utilities, have a direct reference to some collective identity. Hence, following this

perspective, one could argue that action taken by unions in social policy is producing more than individual goods to utility-maximizing members, it is collective action that contributes to shaping the individual self and the reconfirmation of the collective identity by promoting justice or equality.

Despite this criticism and the obvious need to include a broader range of motives behind union membership and, hence, union action, the micro-oriented rational choice perspective points to an important constraint on union behavior. The goal here is not to go into great detail on the question of why individuals choose to organize, but to point to a dilemma that union leaders face. The focus on both individuals' maximizing behavior and a broader ideological, but individual, dimension to unions creates a dilemma. If a strong union supports the socialization of social policy it is faced with the following situation: Even if it is numerically strong, its success in improving statutory social welfare through a collective voice makes it functionally less important (to rational individuals). To the union, the loss of its individual power could be compensated for by an increased general support for the union movement as a whole, i.e., stronger support for being a loyal supporter of universal welfare schemes. To establish this tradeoff, unions must be able to stand out as important for the establishment of the public programs – i.e., as its efficient guard and advocate. There is, however, reason to believe that even if successful in the early phases, the positive effects of these successes will be reduced over time, leaving the unions with a weakened base for recruiting members. Especially in a situation of economic downturn, where wage increases are small, the reduction of union functions can be especially problematic.

Freeman and Medoff (1984) present a theory of union behavior that could be closely linked to a multi-motivation approach. Their goals have (also) been to broaden the rather narrow traditional economic understanding of unions by arguing that unions have «two faces». The first is the traditional monopoly face of unionism trying to increase the direct wage. Freeman and Medoff's (1984) contribution have been to introduce a social or political side of unionism described under the heading of «voice». In modern industries the voice face of unionism provides employees with a means for communicating with management; it can provide collective goods through collective bargaining such as safety conditions or pension plans and it alters the social relations of the work place. Freeman and Medoff (1984:5–6) conclude that: «The meaning of the results of our study of U.S. trade unionism can best be understood by recognizing that unions have two faces, each of which leads to a different view of the institution: a monopoly face associated with their monopolistic power to raise wages; and a collective voice/institutional response face, associated with their representation of organized workers within the enterprise».

The theory of a «voice face» of unions is from the outset intended to explain employee preferences for occupational welfare as a part of the total remuneration.

As voluntary membership organizations unions would typically take the social demand from individual members into consideration partly by increasing the pressure for employer-sponsored benefits and partly as mutual self-help systems. Unions are the voice of the rational economic and social interest of their individual members. Freeman and Medoff's basic point is that the voice face of unions dominates the monopoly face, thus securing a more efficient economy.

The theory does not, however, convincingly argue why unions, to varying degrees, advocate company-based, contractual and political solutions. Moreover, unions do not always get what they want. They interact with employers and in some cases with governments. Therefore, there is reason to believe that unions use voice in a strategic manner, trying to maximize welfare provision in different arenas. In this sense, economic theory has a stereotypical and rather static approach to the choice between statutory and occupational benefits. It attempts only to explain why unions would increase occupational welfare as a part of the total remuneration package, rather than choosing between contractual or statutory arrangements.

Even though the «two face» theory of unions is focusing on the social role within an enterprise, it could be relevant, and even more useful in a setting of «comprehensive organizations». In the presence of centralized bargaining and a relatively strong Labor Party, the «collective voice» can be used at different levels of decision making. The voice face of unions has broader political aspects connected to a centralized social partnership, and to their role as a political pressure group. These are aspects that are difficult to realize when union activity is located at the plant or firm level, and when unions are seen as simply aggregating individual interests in wage bargaining. Unions have more channels available for their collective voice, which again makes the issue of loyalty more important.

Especially in a time of rapid public policy changes, unions could be expected to respond in a collective voice, increasing their efforts to provide alternatives to the public benefit provision. It could be done as a response to the demand from their members or because the unions see the possibility of strengthening their position by showing their importance as social policy entrepreneurs. Benefits gained through collective bargaining are more visible than are wage gains and can therefore enhance the image of union officials in the eyes of current and potential members.

The nature of institutional determinants on union behavior?

Another critique of the pure rational choice approach to union behavior is the idea that institutional factors play a separate role (Mayhew and Turnbull 1989, Marsden 1986, Pool 1984). Union preferences cannot be resolved simply by adding more

variables to the existing (individual) utility framework. In addition, unions must be analyzed as «formal institutions» with objectives such as survival and growth, bargaining power and unity in single unions, and unity among unions in larger national federations. Only by including these aspects of unions can the full range of their activities be understood. To a large extent, the real issue is «whether or not individual union members possess objectives and preferences defined purely by their own selfish preferences as rational, utility maximizing individuals, or whether there exists a more complex web of determination where individual preferences are partially constituted in their relation with the union» (Mayhew and Turnbull 1989:112). The simple fact that collective bargaining and state intervention in social policy varies over time and from country to country indicates that union behavior cannot be fully understood by simply adding more variables to the individual utility framework. This should stimulate a discussion as to how the social choices of unions are mediated and channeled by institutional arrangements. Institutions also become independent variables, i.e., the institutions that we create have effects upon the forces that create them.

Three elements of the industrial relations system have received growing attention in the industrial relations literature: (1) the degree of union competition, (2) the impact of public sector unionism and the growing number of female members, and (3) the level of centralization of collective bargaining. The structure of industrial relations constitutes an important filter of union behavior in social policy. One example of the importance of this filter, found in a closely related field of study, is the fact that the level of centralized bargaining combined with ideological features of the actors are understood to be important explanatory variables when discussing the wage spread in general and gender wage gaps specifically (O'Donnell and Hall 1988, Whitehouse 1992). The degree of centralization contributes to significant variation in national outcomes such as employment rates, rates of part-time work, wage differentials, and wage gaps between men and women.

In the industrial relations literature, the impact of changing internal union structure has received growing attention. Even though countries may have relatively similar levels of membership, the level of competition among unions and the union structure might differ significantly. In Norway, there are competing unions for both white- and blue-collar workers, while in Sweden unions have divided the membership market more finely, preventing union competition to a much larger extent. The level of union competition in combination with the relative size of the of unorganized workforce will clearly affect the range of union strategies.

Another aspect of the internal union structure with presumably great importance for the development of unions' social policy goals is the growing number of public sector employees and of (often closely correlated) female members. In all

western countries, especially in the Scandinavian countries, women have moved in massive numbers into the labor market. This transformation has not only changed workers' preferences, it has also affected the trade union movement from within. Public sector employees have a long tradition of receiving occupational welfare as a part of their wage package. Therefore, the social rights of the public employees serve as a focal point for union action. Moreover, the growth of public sector employment could impose new conflicts on organized labor. Swenson (1991: 381–383) argues that the combination of «economic stagnation or crisis of competitiveness on one side and government growth on the other hand can turn latent conflicts within labor into open rivalry, making private sector unions available for external alliances.» Private sector unions have material reasons to reduce the size of the public sector, in order to reduce the level of personal and corporate taxes. In other words, the advanced welfare state can break up organized labor as a united force behind government growth and anti-market principles. In Norway, the large force of welfare state employees has proven to be a considerable army in the defense of the present welfare state model (Martinussen 1988, Jenssen and Martinussen 1994).

In addition, there is some evidence that unions have increasingly acknowledged the importance of women, particularly in the female-intensive public sector (Freeman and Leonard 1987:206). The increase in women's membership is important because it may push the traditional union focus away from the social needs of the one-earner family, recognizing that women employees hold major potential for union growth. The increasing female union influence could, following the widespread feminist critique of the welfare state (Stang Dahl 1991, Gornick 1995), shift union support towards increased basic universal schemes and away from income-related systems which inherently favor high-income workers with continuous work histories. This is typically an argument based on different female values related to social policy. As rational individually-oriented actors, a growing number of highly educated and full-time employed women would, however, support the traditional income-related welfare systems. Hence, there is potential for conflict over feminist-oriented welfare state strategies.

And third, the industrial relation system depends upon the organization of employers. There are, however, limited data on employers associations. To the extent that they do exist, they indicate that «the rate of organization among employers' associations equals or exceeds the corresponding rate for trade unions» (Windmuller 1987:37). The existence of a strong and centralized employers' organization is crucial to use collective bargaining as a broader or solidaristic social policy instrument. If the establishment of occupational schemes is important to stimulate the growth of public responsibility (i.e., a positive dialectic), this implies that well-organized capital is a significant determinant of welfare state growth, and thus that

decentralization trends in collective bargaining could be critical for the future role of solidaristic welfare policies.

In Norway, as in other countries, the peak roles of the LO, and the Confederation of Norwegian Business and Industry (NHO) in the private sector, have so far established a national centralized arena for union, employer, and (often) government interaction. Social policy questions have been placed directly on the national bargaining table in the private sector, with, of course, immediate spillover effects into bargaining in the public sector. It should be recognized that the opportunity to bargain over social policy issues can be an important mechanism for keeping the centralized bargaining arena open in periods of wage freeze or wage restraint. It provides an image of union efforts and of traditional conflict between unions and employers. Therefore, its symbolic functions are vital.

Taken together, a rational choice approach points to the fact that unions are membership organizations, and must put survival at the top of the agenda. Clearly, an organizational strategy that removes or reduces the individual rationale for joining the union is not possible. The core question becomes therefore, to what extent the broader motives for union membership exists. The existence of a loyalty to a broader political goal will put pressure on union leaders to constantly rethink and to find a new balance between the pure economic interests of their members and a broader ideological goal. Analyses of wage bargaining in Norway have shown that general ideological arguments and the need to legitimize wage claims as part of a broader social solidarity are crucial factors behind union strategies (Høgnes 1994).

The crux of the matter is that this delicate balance is shaped and mediated not only by general political developments, but by the nature and structure of the industrial relations system. Especially in the situation of a centralized industrial relations system, unions are faced with several avenues for increasing the welfare of their members; company-based schemes, industrial or centralized collective agreements, or statutory schemes. Union leaders must find institutional solutions that strengthen individual member loyalty and make exit costly. The existence of institutional determinants on union action and strength puts the interplay between union strategies and the development of the industrial relations system as the core issue. Of course, social policy choices are only one out of several strategic issues that unions and employers are faced with. Even so, there is no theoretical basis for the conclusion that social policy questions (i.e., indirect remuneration) are governed by a fundamentally different logic than are the issue of direct wages, employee participation, and so forth.

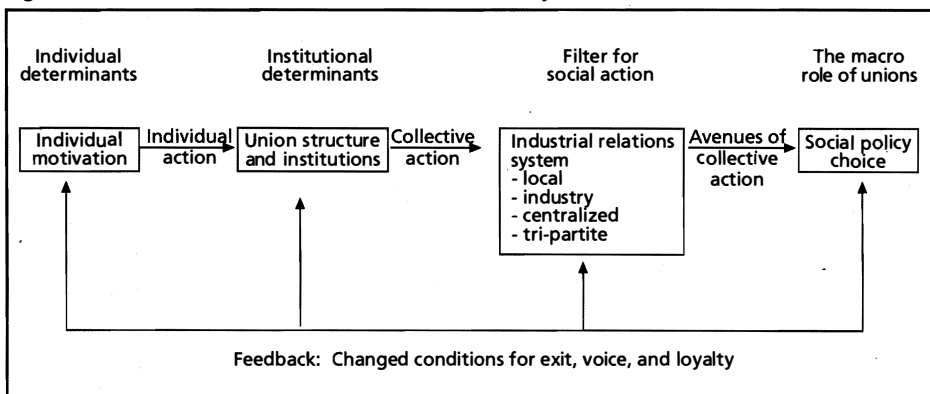
3.6 Unions and social policy – the value of loyalty.

Theoretically, the challenge is to integrate individual and institutional elements of unionism to find a basis for traditional macro-perspectives on the role of trade unions in social policy. The discussion in this chapter can be summed up in Figure 3.1, offering an illustration of a possible synthesis of how the social policy choices of unions are shaped by individual and institutional determinants and filtered through the system of labor relations. Moreover, the actual choices made create important feedbacks on individual motivation as well as on the institutional constructions.

Figure 3.1 shows that union social policy choices are formed by both individual and institutional elements. Moreover, the making of the industrial relations system can create very different arenas (or levels) shaping the formation of union social policy strategies. In other words, the choice between exit, voice and loyalty is played out on three levels: between individual union members and the union, between unions and a national confederation of unions, and between national confederations and the government (which is often turned into a tri-partite relationship between unions, employers and government).

As already suggested, Hirschman's concept of exit, voice and loyalty can provide a framework for the synthesis between individual and institutional approaches to trade union behavior. Freeman and Medoff (1984) argue that the use of the collective voice focusses on important aspects of unionism that are not related to just gaining the highest possible wage increase. Their two face theory does not, however, take full advantages of Hirschman's main point, i.e., that the choice between exit and voice is determined in a close interplay with loyalty. Moreover, neither Hirschman originally, nor Freeman and Medoff, differentiates levels of decision-making in the process of exit, voice and loyalty. I will argue that it is crucial

Figure 3.1 The Formation of Trade Union Social Policy Choices – an Illustration.



to grasp how exit and voice can be used on different levels and how loyalty can have different implications on these levels. The different levels of exit voice and loyalty is illustrated in figure 3.2.

First, the interaction between the individual member and his or her union is the core question. Each employee can choose to join a union and, once a member, each individual can choose to exit the union or to use voice as a protest. The willingness to remain a union member is partly dependent on the feeling of loyalty to the union, the union's overall goals and the single member's capacity to influence the organization. At this level, the issue of why individuals choose to organize becomes central. The concept of exit fits nicely with the notion of rational individual union members motivated by self-interest, simply calculating the cost of organizing compared to the benefits they will receive. In other words, exit is close at hand when relative costs are increasing. The main problem with a narrow rational choice perspective is the fact that exit is the only option taken seriously. The simple fact that members express their dissatisfaction directly illustrates that there is a broader individual dimension to unionism, closely linked to loyalty. By introducing the idea of loyalty as attachment to the overall ideas of the union, the notion of self-interest becomes muddled. Members are still to be seen as rational individuals, but their choice of exit is governed by more than producing individual goods to utility-maximizing members.

By initiating collective bargaining over welfare benefits, union leaders can give an important signal of mutual action, of a common cause. It confirms a collective identity, crucial for all unions, by promoting social justice and equality. This could also be the case for attempts by unions to expand public programs, even though the long-term effect on individual loyalty and membership is more uncertain. If loyalty, however, is very strong, support for broad welfare solutions could be seen as rational long-term self-interest, a sort of enlightened self-interest by each member. In this case, the existence of loyalty in Hirschman's terms could contribute to a solution to the free rider problem at a individual level.

Figure 3.2. Three levels of exit, voice and loyalty choices.

Level:	Exit voice and loyalty choices:
Macro-level	Between trade union confederation and governmental welfare and income strategies
Meso-level	Between industry-wide/professional trade union and national confederation of trade unions
Micro-level	Between individual wage earners and local branch of trade union

At the second level, the interplay takes place between the individual union and the larger union confederation. At this level, the exit option is held to be uniquely powerful. Dissatisfied unions constitute a threat to a broad national union federation. In the Norwegian setting, individual unions would typically be industry-wide or national professional union federations. In this respect, unions act as individuals choosing between using exit or using voice to further their interests. In all of the Norwegian confederations (LO, YS, and AF), member unions are on a voluntary basis tied to the centralized decisions made by the confederations. Balancing the needs of each national member union and the need to keep the centralized level intact has been historically one of the core challenges for LO leaders in Norway. Hence, at this second level, the degree of centralization is important to understand the nature of the exit and voice process. A high degree of centralization – as, for example, found in the Norwegian LO-federation (Dølvik and Stokeland 1992) – will probably imply a relatively high degree of loyalty as a precondition for voice rather than exit. Especially if the largest and/or strongest unions seek exit from an objectional state of affairs, the functional importance of loyalty becomes important. A high degree of loyalty would make the potentially influential union stay on longer than it ordinarily would. Obviously, loyalty is not constant across unions and union federations. Hence, the importance of loyalty as a barrier to exit can vary significantly between unions and over time. No doubt, the relatively long period of wage moderation in Norwegian wage bargaining, the so-called solidarity alternative, did put severe pressure on the LO confederation. There is reason to believe that, Norway, a relatively high level of loyalty, combined with actual economic recovery, was necessary to keep up wage restraint at this level for a relatively long period of time³.

As already noted, this second level introduces an internal union aspect in order to understand union social policy choices at the national level. The structure of unionism – public sector unions, female members, union competition – will significantly change the face of trade unionism. The institutional elements are important because they change the conditions under which exit will prevail over the voice option and vice versa. Increased competition and internal conflict can reduce the possibility of «loyal» ideological support for solidaristic welfare policies, and may provide incentives for pursuing narrower goals of individual union interests. A broad national union strategy cannot be carried through without a high level of union discipline. High-wage white-collar unions may be willing to give up more in terms of wage increases to pursue occupational welfare, compared with unions representing low-wage workers. Furthermore, new professional unions do not share the

³The 1996 industry-wide negotiation marked a brake with the wage moderation policy. It is too early to conclude if this will be the exception or the start of a new bargaining strategy.

traditional blue-collar union commitment to the goals of social democracy. And last, public sector employees have traditionally enjoyed a broader system of occupational welfare benefits than private sector employees. Therefore, changing patterns of unionization can contribute to a shift in union strategies.

At the third level, we must take into consideration the choice that the social partnership union faces as a partner in a broader alliance between organized labor and a social democratic party and/or government. Hence it is taking part in a tripartite relationship among unions, employers and the government. Should the union be a loyal supporter of national welfare and income policy goals, or should they seek exit by creating labor market based welfare schemes and decentralized wage determination? Or, more relevant to the current debate over welfare state development, how should the national union federations respond to reduced benefit levels in public schemes? Are they willing to trade off the political voice with the uncertainties of an improvement through collective bargaining efforts? To a large extent, the national union strategy is dependent on the amount of loyalty that can be established in favor of the social partnership. General political considerations, the history of institutionalized formal cooperation with political parties can play a role by creating the basis for political loyalty. On the other hand, increasing union competition can make it harder for a weakened LO federation to choose loyalty if other union federations actively seek exit.

The core aspect of loyalty is that it can be exchanged between two actors; loyalty has a value. Typically, in the Scandinavian context, full employment and a high level of social security can be traded against national-level wage restraint. If national economic policies are successful, the conditions for loyalty in the social partner relationship are optimal. However, if the conditions for economic and labor market policies are changed by the increased globalization of national economies, the conditions for loyalty are weakened. At the national level, loyalty – far from being irrational – can serve the socially useful purpose of preventing deterioration from becoming cumulative. This could easily be the case if there is no barrier to exit.

Taken together, an analysis of unions must take into consideration the possibility of strong interaction effects across the levels of decision making. The national welfare solution must deliver beneficial results both on an individual level and at the union level. To what extent union members, and unions, are loyal supporters of the main features of the existing welfare institutions is therefore a more complicated question than aggregating individual preferences concerning social security. There is reason to believe that the trade union movement in Norway has not fully realized the importance of creating new national statutory welfare institutions during the golden age of post-war welfare expansion. It has been willing to trade short-term gains for long-term losses (in institutional power). A good example is the fact

that, when put under financial pressure, the Norwegian LO abandoned the Ghent system of unemployment insurance. In the post-war period, contractual systems providing vacation, sickness benefits and pensions – as contractual rights – have been socialized. Doing this, important conditions for increasing union membership have been removed. This partially explains why Norwegian unions never have been able to reach membership levels found in, for example, Sweden and Denmark.

As the discussion in this chapter has shown, an individual approach points to the fact that unions are membership organizations and must put survival at the top of the agenda. They are separate policy actors aggregating individual preferences. Clearly, a strategy that removes vital functions of the union and hence reduces individuals' rationale for joining the union is not viable in the long run. Nevertheless, with a broader set of individual motives for union membership union leaders must balance purely economic interests with a more ideological approach without losing sight of union survival. From this perspective, individual exit is the core determinant of union behavior. By combining the notion of a broader set of individual motives behind union membership with the concept of exit and voice, a more appropriate theoretical perspective on the individual bases of union action can be put forward.

In addition, an institutionally-oriented approach highlights the fact that unions (i.e., union leaders) have goals of their own and that these goals are directly affected by their organizational structures and their political and economic surroundings. Taking a middle position between the traditional view of unions as political entities with goals of their own and the new view – i.e., the union as the aggregation of individual preferences – one can see unions as balancing very varied dimensions of activity. Even so, unions are separate membership organizations that must follow pragmatic strategies, in social policy issues as well.

Therefore, the choice of union strategies, at any level, cannot be reduced to the question of aggregating individual preferences. First, they involve unique institutional issues, internal organizational structures and, importantly, the nature of the collective bargaining system. The existence of a centralized system of labor relations creates an arena for a union collective voice at the national level. It is therefore reasonable to believe that unions would use collective bargaining and political pressure as functional alternatives in their search for increased social security. In other words, public and private are not distinct categories, rather unions would see company-based employer-dominated schemes and statutory universal schemes as two endpoints on a continuum. If this is the case, the distinct strategy followed by U.S. business unions, in contrast to the social partnership unions in Scandinavia, need not be the direct result of different ideological motives (at the individual level?), as

traditionally assumed in theories of union models⁴. Rather they may be seen as the result of a strategic adaption to the fact that their social policy choices are fewer and thus voice and loyalty become less important outside the company or industry level.

In summary, as a theory of the role of unions in welfare state change, the theory of ideological unionism found both in industrial relations and in welfare state research – strong labor, weak private welfare sector and thereby public dominance in welfare provision – can be an undue simplification, often based on a priori assumptions. No doubt, there is a normative (ideological) dimension of union action. Even so, unions must as membership organizations operate as pragmatic and self-serving actors. Legislated solutions are among several means available, not a goal for union action. In other words, if strong labor is correlated with public dominance in welfare provision at the macro-level, it must be shown empirically how this is compatible with pragmatic and self-serving behavior rather than merely with the ideological goal of creating a «new» society for all. Recently some historical studies have pointed to the fact that class-based political actors seem to be rather flexible with regards to public and private provision (Immergut 1986, Kangas and Palme 1989, Pedersen 1990, Kangas 1991, Kohli and Rein 1991). This should provide further stimulus to study the role of organized labor in social policy formation in order to better grasp the future of welfare and of unionism.

Clearly, there is a need for empirical analysis of the actual role that both unions and employers have taken in social policy in the Scandinavian countries based on a more flexible theoretical approach. This is important, not only to improve our understanding of the development of the welfare state, but to improve our ability to provide insights into future challenges for a Scandinavian type welfare state heavily based upon the mobilization of labor.

⁴ Kassalow (1965:321) uses the phrase «different attitude» toward government action when comparing models of unionism.

PART 2

The public - private interplay

Chapter 4 The development of occupational welfare in Norway

4.1 Introduction

This chapter focuses on the development of occupational welfare in the post-war period, a period traditionally considered to be the golden age of public welfare expansion in Norway. In light of the traditional theoretical predictions of crowding out and of labor movement mobilization for political solutions to social needs, Norway is an interesting test case to see if an underdeveloped private welfare arena actually was a precondition for the successful expansion of public responsibility and if the strong post war growth in state welfare did crowd out private alternatives?

Theoretically this discussion will shed light on the first and second research question put forward in the introduction, i.e., the issue of substitution or complementarity between public and occupational programs and of the underlying logic of the substitution hypothesis. The substitution hypothesis is relevant for the post war development in Norway in several respects: First, the hypothesis can be interpreted as if arguing that a underdeveloped private welfare sector is a precondition for public welfare expansion. Second, when public welfare programs are expanded they will even more crowd out private welfare programs. Together this creates a process whereby the basis for state dominans in welfare production is reconfirmed, and a renaissance of occupational welfare is unlikely.

The aim of this analysis is to show that Norwegian welfare state development has seen both substitution and complementarity between public and private welfare arrangements. It should be noted, however, that a single country study can not provide an answer to the question of relative substitution. In other words even though it can be shown that occupational welfare grow in tandem with public programs it does not rule out the possibility that expansion of public programs can slow down the growth of private schemes relative to what would otherwise have been the effect. A proposition that can only be tested through a proper control for variables that jointly affect public and private welfare. This is the subject for the discussion in chapter 5 comparing the developments in private pensions in Denmark and Norway.

A detailed mapping of the actual role of voluntary, contractual, and statutory schemes in Norway is interesting not only because it can show the extent of

the absolute substitution between public and private welfare, but, also because it enables us to see that the relationship between public and private provision is not purely mechanistic in the way that the thesis of substitution could lead one to think. The nature of the relationship can be shaped by structural and institutional variables in specific historical surroundings. Especially trade unions play a key role in switching demands for pensions between public and private spheres. It is interesting to ask if a united and well organized labor force has used political means as their preferred strategy to satisfy welfare need for all members of the society? Of course it should be stressed that this chapter only provides a broad description of the actual development and does not offer a full scale historical analysis of how all actors have taken part in the struggle over occupational welfare. Because of the central role of unions, a more detailed discussion of union choices at three crossroads of pensions policies will be the subject of chapter 6.

No single data source can provide an exact and complete picture of occupational welfare. This analysis will be based on labor cost statistics covering the period from 1954 to 1988. These data provide insights into the absolute and relative size of occupational welfare in the private labor market. However, labor cost data can only be a proxy for occupational welfare arrangements. In order to construct a more comprehensive picture, labor cost data will be supplemented with documentation on the nature of company-based schemes in the private sector, occupational arrangements for public employees, and collective bargaining as an arena for welfare provision. The goal is to provide a broad picture of how occupational welfare has developed and its relationship to public schemes.

An introductory discussion of the early roots of public and private welfare schemes will serve as a point of departure for this analysis of occupational welfare in the post-war period (Section 4.2). Section 4.3 provides a detailed picture of the magnitude and relative financial importance of occupational welfare arrangements in 1954. Following this description of the situation after the war, Section 4.4 looks more closely into the development of statutory and occupational labor costs from 1954 to 1988. In order to provide a more comprehensive picture of the development of occupational welfare arrangements, Section 4.5 discusses in more detail the importance of contractual occupational welfare arrangements, i.e., arrangements provided on the basis of collective agreement rather than voluntarily by the employer.

4.2 The private–public mix in the early phases of modern social policy

In addition to the existing system of poor help organized by local authorities (from 1845), a broad patchwork of private and public systems developed from 1870s to the 1920s, providing the first fundament for modern social policy in Norway. To a large extent, the occupational schemes by far pre–dated the public programs. Sick–ness benefits, disability and old–age pensions were provided to civil servants and white–collar workers before corresponding public programs were established. In fact, one of the first initiatives the new–born Norwegian state took in 1814 was to provide widows of military officers and clergymen with income insurance by setting up a «widows pension fund» (Orwin 1967, Seip 1981:50). Hence, the state, acting as employer, provided what one today would call occupational welfare long before general social policy was developed. Anne–Lise Seip (1981:51) concludes that «the widows fund introduced the principle of social insurance a hundred years before the time of national social insurance ».

Public policy in these early years was recognized by a dual approach. The first was to develop a more comprehensive system of help for poor people without family or other sources of income. The provision of help was accompanied by moral condemnation and loss of citizens' rights for the claimants. In contrast, the second group of welfare policies was developed at the national level, namely statutory social insurance for the most risk–prone segments of the working class. These public programs were typical of their time. Inspired by the pioneering social legislation in Bismarck's Germany (Kuhnle 1981, Seip 1981), two features were striking. First, the schemes were based on the insurance principle and financed by worker and employer contributions. Second, they covered only segments of the working class.

As in other European countries, and in the United States, the first public policy breakthrough in Norway was a system of accident insurance (1884) for industrial workers. It gave cash payments after a four week waiting period in the case of death or 100 per cent invalidity following a work accident.

The next development in the growth of public legislation was state contributions to unemployment funds from 1906. The newly established trade union movement saw union control of unemployment insurance as crucial for improving union strength, and therefore advocated the so–called «Ghent–system»¹ of unemployment insurance (Ousland 1949) – a system that still is operative in many countries, among others in Sweden, and which is seen as an important explanatory variable behind union strength (OECD 1991, Rothstein 1990, Western 1993). After

¹The system is named after the Belgian town Ghent where a union based unemployment scheme was first introduced.

the introduction of public contributions in 1906 the number of funds rapidly increased (Ousland 1949). This form of unemployment insurance constitutes the first example of a mixed form of welfare provision in Norway (See chapter 1). Despite widespread skepticism in parts of the trade union movement the system was replaced by a regular public unemployment insurance in 1938. Periods of high unemployment had severely weakened the financial basis of these funds (Haagensen 1976). The system of unemployment insurance has basically been the same ever since, except for increasing benefit levels. A proposal in 1992 by the leader of the Metal Workers Union (Jern og Metall), John Steene, to reintroduce union control met strong resistance, first of all because it was seen as an attempt to exclude non-organized wage earners from unemployment insurance².

In this early phase, several other public policy reforms were on the political agenda. As early as 1885, a governmental committee on labor issues proposed both public old-age pensions and sickness insurance (Seip 1981). Nevertheless, after more than two decades of discussion, only a limited system of health and sickness insurance for low income earners was put into effect in 1911 (legislated in 1909). A national public system of means-tested old-age pensions was adopted in 1924, but was postponed until 1937 because of financial problems. Hence, important elements in this first welfare construction were missing, most important disability and old-age pensions. It is interesting that Norway actually introduced public pensions after the United States, which is traditionally viewed as a welfare state laggard, among other reasons, due to the late introduction of old-age pensions (Weir, Orloff, Skocpol 1988:6).

The roots of private welfare provision

A dimension of public policy after the turn of the century was the stimulation of private sector welfare provision. In addition to contributing to private unemployment funds, public policy aimed to stimulate employers to provide occupational pensions. According to the tax law of 1911, employers could deduct expenditures on pensions and gratuities to former employees and their survivors³. Even compared to the United States, where tax deductions are central to the system of «Welfare Capitalism», Norway provided favorable tax rules for the private sector relatively early. The introduction of tax deductions can be seen as motivated by social policy

²Arbeiderbladet 12/8-91 and Dagbladet 12/8-91.

³Also premiums to collective old age insurance on behalf of employees were made tax deductible (livrente). In 1922, payments to separate pension funds were also made tax deductible. There were some disagreements whether the right to deductions covered all employers. A Superior Court decision in 1930 finally confirmed the right for all employers to deduct expenditures related to pensions (Innstilling fra Skattelovutvalget for pensjonsordninger 1950, p.10-11).

goals (Flo 1986). Øverbye (1990:107) has, however, argued that it was primarily the result of a formal legal argument. When the authorities in 1911 stated that pension insurance was to be seen as a form of remuneration it followed that these expenditures should be deductible as other wage expenditures were.

Generally, it is hard to find evidence in the historical literature that expansion of private welfare was seen as a political goal or that public regulation of private scheme was a core issue. An illustration of this point is the debate over means testing before the 1936 pension reform. The proposed means test opened for certain kind of earnings disregards. Both the Liberals and the Conservatives wanted to give preferential treatment to income from occupational pensions. This would, they argued, encourage thrift and saving. If, on other hand, the pensions were counted in full, companies would lower the benefits to just below the limit for earnings disregard. Supported by the Labor Party and the Agrarian Party occupational pensions received the same treatment as did incomes from earnings, interests and private insurance in the 1936 pension legislation (Lødemel 1989:43).

In other words, the important stimulus behind private sector welfare expansion was first of all the limited public responsibility that left considerable room open for all kinds of private welfare efforts. Not surprisingly, both occupational and union self-help systems emerged around the turn of the century. Unions saw the organization of social policy arrangements as a natural part of their activity. The National Central Committee of Trade Unions published a program in 1884 saying:

«The Unions must establish a social supporting system through suitable mutual self-help institutions, as a mean, or even as a basic principle, to obtain the largest possible support» (From Ousland 1949).

Sickness, funeral, and unemployment funds were put forward as the most important benefits. These self-help arrangements have played a vital role as a extra income security net for large groups of workers throughout this century (Bull 1968). As will be shown, employers also contributed to meet the growing need for welfare benefits through a Norwegian version of the more famous American welfare capitalism. Overall, the private welfare arena provided a broader range of benefits than did the public. There are no available data that can provide us with the exact picture of the scope and quality of the different private schemes before the Second World War. Individual company stories, however, show that old-age and survivor pensions, sickness benefits, burial and support funds, and housing benefits were the typical benefits provided by employers⁴. An important part of the early occupational

⁴See for example: Rudeng (1989) on Freia, Egeland (1973) on Den Norske Amerika Linje, Byrkjeland (1988) on Høyanger Verk, Engebretsen (1948) on Christiania Bank og Kreditkasse, Coldevin (1950) on Borregård. These all report that providing welfare benefits was central to the company agenda during the first decade of this century.

welfare systems was also the right to paid vacation, a right that was gradually expanded from 1916 (Petersen 1950:375). One well known example is Freia, which offered employees with more than five years of employment eight days of vacation and those with 10 years employment, fourteen days. Freia had contributions to sickness funds as early as in 1905 (Rudeng 1989:98). Also in the public sector, generous occupational schemes were offered to civil servants.

Old-age pensions

In the case of old-age pensions, occupational schemes developed in banks and other large industrial companies before the turn of the century as a privilege for white-collar employees. There is reason to believe that the private banks were among those companies pioneering the provision of welfare benefits. Kreditkassen (the second largest bank in Norway) provided old-age pensions, on the basis of need, as early as in 1869 (Engebretsen 1948:186). In 1871, a pension fund was established by the employees themselves, but the money was transferred to the funeral fund in 1899 when the bank itself established a regular fund providing pensions to all white-collar employees. It is interesting to see that an internal committee in 1890, preparing the establishment of a pension fund, had contacted banks in London, Berlin, Paris, Copenhagen, Stockholm and Gotenborg, to obtain information on occupational benefits in these banks. The answers showed that all banks provided generous pensions to employees with long tenure (Engebretsen 1948:187–189). This is a fascinating example of the diffusion of ideas in the private sector.

In 1917, the insurance companies made their first appearance on the occupational welfare arena in Norway. The new company «Norske Folk» introduced a new insurance product, namely collective pension insurance. Norske Folk was set up by the private life insurance companies because none of them took the chance of moving into this new market by themselves. The collective pension product did, however, gradually become a success, and collective insurance increased its importance at the expense of gratuity arrangements and company based funds.

As early as in 1913, it was proposed at the LO convention to establish an insurance company fully owned by the LO⁵. No final decision was taken that year, but the discussion continued and NKL (Norwegian Cooperative Federation) established Samvirke Insurance in close collaboration with the LO in 1921.

During this period, several large private employers established pension funds or collective insurance for their white-collar workers, among others Den Norske Amerika Linje in 1917 (Egeland 1973:385) and Borregård in 1928 (Coldevin 1950:485). Occupational pensions were provided through collective insurance,

⁵Innstilling fra Fellesutvalgets forsikringsutredning. Oslo 21/9-1993. Samvirke og LO.

separate pension funds, as direct payments, or through irregular pension funds. The irregular schemes provided pensions on a need basis. There is no available data on the exact importance of these arrangements. We do know, however, that insurance schemes grew somewhat in the late 1930's, and by the Second World War more than 1000 employers had established occupational pension arrangements, covering around 25,000 insured (Hippe and Pedersen 1988:67). Local pension funds had probably between 15 – 20,000 members. The limited number of insured persons, illustrates the fact that throughout the first part of this century old-age pensions were a traditional part only of the remuneration of white-collar employees. Typically, in a workers' dictionary the phrase occupational pensions was simply defined as «benefits to former functionaries and their families» (Arbeiders leksikon 1935).

In the case of manual workers, employers did provide financial support for union-administered self-help schemes. At this stage, unions and the Labor Party advocated national flat-rate pensions as the major social policy reform. It should also be mentioned that, in the absence of a national pension scheme, several local governments provided means-tested pensions to their citizens. This decentralized arena of public policy provided an important possibility for experimentation in social policy reforms. To a large extent, the 1936 national pension legislation followed the main features of the pension arrangements established in Oslo by the local Labor Party city council (Hatland 1992). The 1936 pensions reform was not seen as an alternative to expansions of occupational schemes. Rather, at this time, the demand from workers and unions to be integrated into company-based pension schemes grew strongly. Typically Borregård and other companies that had introduced pensions for white-collar employees established separate pensions schemes for blue-collar workers in the late 1930s and 40s.

Sickness benefits

As is the case with old-age pensions, the struggle for sickness insurance started outside the political arena. Several company-based arrangements existed long before the public program was put into effect in 1911. Initiated by the «Labor Commission», an overview of sickness and burial funds was provided in 1885. It showed that 220 out of 240 funds were operative (Ousland 1949)⁶. One third of the sickness schemes were administered by single companies. These company schemes (brukskasser) were unpopular in the emerging trade union movement because they gave the employer direct control and tied the workers to the enterprise (Ousland 1949). The other two-thirds of the schemes were operated by unions and workers'

⁶These schemes had around 35 - 40,000 members and they covered workers primarily in the east part of the country, leaving out a large majority of workers and servants (Seip 1981:99). As a comparison, the public accident insurance covered 127,000 persons in 1894 (Kunle 1981/81:140).

mutual societies. Hence, it is clearly shown that relative to other forms of provision the self-help schemes played an important role in Norway in the early period of social policy development. Moreover, it illustrates how both employers and unions systematically used welfare schemes to establish and build loyalty to the company or to the union.

As opposed to the strategy chosen for unemployment insurance, the trade union movement advocated the introduction of a national public system of sickness insurance rather than the introduction of contributions to the union mutual funds. The introduction of a statutory sickness scheme in 1911 had as a consequence that most unions dissolved their funds and transferred them to the public district sickness funds (*kretssykekasser*). However, the new public scheme created demand for two different types of supplementary benefits – first, additional support for employees with high income, and second, extra benefits for those who were sick for longer periods. Therefore, the establishment of occupational sickness arrangements as a supplement to the public scheme continued well into the 20th century. In addition, several local unions and industrial unions did establish mutual benefit arrangements that supported members with long term sickness (Jahkelln 1953).

Paid Vacation

The importance of collective bargaining to establish occupational welfare schemes is also shown in the fight over the right to paid vacation. It was the metal workers who brought the issue to the bargaining table, as early as in 1909. In the 1916 negotiations, the vacation issue was settled by arbitration and the workers gained the right to four days paid vacation (Petersen 1950:375). The contractual right to paid vacation was gradually expanded for broad groups of workers, for up to two weeks. The 1922 workers' protection law provided only minimum standards, and it was not until the 1947 «vacation law» that a statutory national standard of three weeks was set (Petersen 1950:382). It is interesting to note that today it is the smaller professional unions (such as the journalists' union), not the traditional blue-collar unions, that have managed to secure longer vacation for their members through collective bargaining.

The State as Employer

The state as employer played a pioneering role in the development of occupational welfare. It had throughout the 19th century provided pensions and other benefits on a gratuity basis to its civil servants. In 1917 a formal (legislated) system of occupational invalidity and old-age pensions was established (Orving 1967). These pensions provided, as they do today, 66 per cent of salary upon retirement (under a certain income ceiling) after 30 year of service. From the start, those covered by the state occupational pensions scheme (SPK) paid an employee contribution. This contribution was set to 10 per cent of income. There was, however, no formal link between payments and contributions.⁷

The decision to legislate the state pension scheme, rather than base it on a contractual agreement can be explained by the simple fact that no collective bargaining took place at this time. The state did not make a sharp division between the role of the state as employer and the role of the state as the governing institution. Øverbye (1990:92) argues that salaries to state employees were seen as regular public spending, i.e., like all other spending. It was not until 1929 that de facto collective bargaining took place in the state sector. In 1933 civil servants were given the formal right to collective bargaining.

In 1918 sickness benefits were added to the occupational welfare system in the state sector. It provided full pay for a period of three months to civil servants (NOU 1976:24) in periods of absence due to sickness. These public schemes were gradually extended to new groups of employees, such as teachers in primary school in 1920.

Moreover, similar systems were set up by some local authorities. In fact, some of the larger cities established pension arrangements even before the state sector established pensions. Oslo established an occupational pension scheme for its employees in 1901 and Trondheim followed in 1913.

Characteristics of the early private-public mix

The fragmented and divided welfare system was a natural target for political conflict. First, the public schemes left large groups of wage earners and self-employed workers uncovered. Hence, the question of universalism, i.e. extending the coverage to all employed citizens was raised in the 1930s. Furthermore, the public system was highly criticized from the emerging trade union movement and the Labor party, arguing that benefits were inadequate and that they served only as a separate tax on the working class⁸. Their goal was to include higher income earners and the

⁷Nonetheless, 10% was regarded as sufficient to finance the scheme. That was an assumption that quickly turned out to be wrong.

⁸The LO program «Framtidens Norge» typically argues along these lines, LO 1994.

wealthier segment of the population in the financing of the system through general tax financing. And, last, for large groups of the workforce, the private welfare schemes were highly inadequate as an alternative to the public system. Occupational arrangements covered mostly white-collar workers. Corporate occupational arrangements for blue-collar workers were seen to encourage employer domination and restrict worker mobility and thus freedom. This situation did not cause increased regulatory ambitions by the government. It was not until 1938 that the tax law required all employees to be covered in order to obtain deductions.⁹

At the same time, the mutual self-help schemes were faced with growing financial problems during the economic crisis of the 1920s. Hence, unions increasingly left the goal of organizing unemployment and other arrangements in favor of increased basic public responsibility. Most clearly, this shift in strategy was found in unemployment insurance when unions argued that the state should take full responsibility for unemployment insurance (Haagensen 1976).

Generally, the notion of a broad basic security provided by the state grew stronger in the 1930's (Lødemel 1989). Hence, private sector arrangements should supplement the public rather than serve as an alternative means of provision of welfare. The goal of using the state as an instrument for increased welfare is of course closely linked to the political and economic development during the first decades of this century. Organized labor was strengthened by rapid industrialization. A turbulent period of widespread strikes and lockouts throughout the 1920s and early 1930s culminated in the unions' defeat in the lockout of 1932. Together with mass unemployment, this consolidated the reformist and nationalist currents in the labor movement and initiated a long period of peaceful cooperation between employers and unions. An important step was the signing of a Basic Agreement by the LO and NAF in 1935. This created an industrial relations system that made, the later, pragmatic combination of legislation and collective agreements a possible avenue for social policy development.

In the political arena, the major breakthrough was one of intent rather than of extensive legislation. The Social Democrats abandoned their revolutionary program in the late 1920's, and embraced the «bourgeois» institution of democracy. On the other side, the conservatives were weakened by the political chaos in the 1920s and, of course, by the deep economic depression. This produced a new political climate and a broader political support in favor of increased state responsibility for all its citizens, i.e. universalism. Typically, the issue of compulsory insurance for all citizens was put high on the political agenda in the 1930s.

After more than a decade of social policy stalemate a new period of public welfare expansion was started in 1935. The Labor Party entered office after a «crisis accord» with the Agrarian Party. The 1935 agreement between the Agrarian party

⁹Innst. fra skattelovutvalget for pensjonsforsikringer 1950.

and the Labor party introduced a period of Labor party dominance in Norwegian politics. The Labor party remained in office until 1963, and had an absolute majority in Parliament from 1945 to 1961. This laid the groundwork for a unique possibility in the post-war period to use public policy to offset the results of market forces. The goal of the next section is despite this fact to show that occupational welfare arrangements played a significant role after the Second World War. Hence, the later expansion of public programs cannot be understood, as traditionally argued, as the result of a weak and vanishing private sector. This does not, however, rule out that in a second phase the expansion of public programs did crowd out occupational arrangements.

4.3 Occupational welfare after the war

The unanimous popular resistance to the Nazi occupation of Norway 1940–45 reinforced the political consensus from the late 30s. In exile in Sweden and England, the government and other members of the national elite drew up ambitious plans for the construction of a comprehensive welfare state as soon as peace came. The LO-program, called «the Future Norway» argued for a combination of active economic planning and progressive taxation to finance universal welfare schemes (LO 1944). In the Joint Program («Partienes Fellesprogram») adopted by all political parties from the Communists to the Conservatives right after the war, the idea of (a Keynesian inspired) active economic policy, full employment as the primary goal, and a comprehensive, public system of social and health insurance was embraced.

The ideological breakthrough of universalism was in no way a hindrance for a reinforced growth of occupational welfare. The basic idea was a shared responsibility between the public and private sector. Basic, often flat-rate, public benefits would provide a minimum of income support where supplementary private arrangements could be built on top. One of the most important policy documents in this period, the Stortingsmelding (St.meld, 1948:58), on «People's Pensions», argued principally in favor of flat-rate social security benefits in general and for a correspondingly important role for the private sector. Moreover, it gave priority to increased benefit levels before introducing a fully universal scheme.

Even though important elements in a public universal system of basic income security were established through public unemployment insurance, old-age pensions, disability pensions and sickness insurance, there was significant room left open for private provision in the years following the Second World War. Old-age pensions were flat-rate and subject to a means-test. In the case of income-related

benefits, a low income ceiling left middle and high income earners with a very low replacement rate. A typical example is sickness benefits. The level of compensation was modest and benefits could only be obtained after a waiting period of three days. In early policy documents the political intention had been to secure a worker on average income 60 per cent wage compensation. In the early 1950s, the actual level of compensation for industrial workers was just above one third of the normal wage and, due to a fixed maximum benefit, compensation levels decreased with higher incomes (LO 1958).

Therefore, the public schemes coexisted with a host of occupational and mutual benefit programs. Many private companies were voluntarily engaged in a wide range of social welfare activities for the work force in the years following the Second World War – from housing, canteen, and sports facilities to income maintenance in case of sickness, disability and old-age. Company welfare of the time was, however, still marked by a distinctive dualism between white-collar staff and blue-collar workers.

Data on indirect labor costs, collected by the Norwegian Employers Federation from 1954 to 1983, provides us with an opportunity to assess the development of occupational welfare in the private sector after the war. I will start this discussion by looking more closely at the situation in 1954, the first year of available data. Table 4.1 shows the percentage of mining and manufacturing companies (with more than 50 employees) that voluntarily provide old-age pensions, sick pay, sickness benefits, accident insurance, medical services, housing support and subsidized meals for white- and blue-collar workers respectively.

This data give a clear impression of the sharp division between white and blue-collar workers. Generous pension schemes and the right to paid sick leave were traditionally build into the employment contract of the salaried staff in private

Table 4.1 Percentage of NAF Companies with Expenditures on Various Occupational Welfare Programs. White- and blue-collar workers. 1954.

	White-collar		Blue-collar	
	per cent of:		per cent of:	
	companies	employees	companies	employees
Old-age pension	84	94	64	76
Sick pay	91	97	12	13
Sickness fund contribution	21	16	31	38
Accident insurance	28	ne	25	ne
Medical service	48	ne	53	ne
Housing	45	46	38	60
Cafeteria	40	60	42	61

companies. 84 per cent of the companies provided pensions, and 91 per cent offered sick pay to their white-collar employees. Only 64 per cent of the companies offered pensions to their blue collar workers, and only 12 percent had expenditures to cover sick pay for blue collar workers. Together with special guarantees for job-security and the principles of remuneration (monthly salary) they gave an impression of permanent (lifelong) commitment to the welfare of the salaried staff constituting a systematic division between the employment conditions for white and blue-collar workers.

The dual system of remuneration can be understood as an implicit contract between white-collar workers and their employers with the intention of securing their loyalty to the company. Through generous pensions and full pay in periods of sickness, employers signaled a special engagement in the welfare of white-collar workers. In return they would expect a high level of identification with, and loyalty to, the firm. It can be seen as a form of efficiency wages, where employees are paid above what they can earn elsewhere because there is a potential for long-term attachment between employees and firms (Flanagan et al. 1989:261).

As a rule, pensions for white-collar workers provided between 60 and 66 per cent of income upon retirement. Because of the means-test in the public scheme, this relatively high level of income replacement meant that they would lose the right to public pensions. In the case of sickness, white-collar employees would receive full pay directly from the employer for one to three months. The limited reimbursement from the public sickness insurance scheme due to income ceilings was paid directly to the employer. These arrangements were voluntarily provided by the employers and they tied the social interests of the employees fully to their labor market position rather than to their role as citizens.

Occupational welfare benefits were, nevertheless, not entirely for salaried staff. As already noted, companies had started to provide pensions for their workers in the late 1930s (Hippe and Pedersen 1988, Øverbye 1990). One reason was the tax law of 1938 that required all employees to be covered in order to obtain tax deductions¹⁰. There was, however, no requirement that white- and blue-collar workers be offered the same benefit level. Another explanation can be found in an increasing interest among local unions to involve employers more actively in welfare arrangements. Hence, many union self-help schemes applied for employer support and became thereby transformed into occupational schemes. A good example is found in Høyanger Verk (Byrkjeland 1991) where a mutual help fund was established during the war. Instead of closing down the fund as intended, the union approached the employers to gain financial support. Gradually the fund was turned into a regular occupational pension and sickness scheme in the early 1950s.

¹⁰Innst. fra skattelovutvalget for pensjonsforsikringer 1950

In 1954, as many as two-thirds of the NAF companies had expenditures for old-age pension schemes on behalf of their blue-collar workers. As a major rule these schemes were fundamentally different from the generous schemes for salaried staff. They generally provided a flat-rate supplement to the public pension scheme. Benefits were kept below the so-called «free income» level in the public scheme. The public means-test did in practice block increased benefit levels for blue-collar workers. This is a good example of how public schemes structure the occupational arrangements in a way that contributes to the preservation of the social differences between blue- and white-collar workers.

Likewise, a difference between white- and blue-collar workers can be found in the system of sickness insurance. While employers overall offered salaried staff full pay in periods of sickness, they did not, in most cases, provide extra benefits to blue-collar workers. In 1954, however, one-third of the NAF companies did provide contributions to sickness funds, in most cases funds administered by the unions. This clearly illustrates the former importance of direct worker control over welfare institutions.

For the other welfare arrangements registered in the NAF survey, there were only minor differences between white- and blue-collar workers. More than 40 per cent of the companies had expenditures for housing or canteens. The company housing support was, in some instances, in the form of company-owned housing that was let to employees at a subsidized rate. In other instances, companies provided favorable loans or direct rent subsidies (Jakhellen 1954). Also supplementary accident insurance was found in 25 per cent of the companies. In other words, public accident insurance had not managed to fully marginalize occupational insurance.

The relative importance of occupational welfare

The relative importance of these welfare arrangements can be illuminated by looking at the structure of indirect labor costs. Indirect labor costs are referred to as a «social» component of total remuneration for wage earners. These indirect labor costs include:

- «pay for days not worked»,
- statutory social security contributions,
- social security expenditures based on custom or agreements, and
- voluntary costs connected to the use of labor power¹¹.

¹¹ These could include anything from benefits in-kind, such as subsidized meals and company cars, to training and safety measures, some of which are actually mandated.

Labor cost data can provide an illustration of the balance between public and occupational schemes. Statutory social security contributions are of course an indicator of public welfare efforts, because employers are mandated to contribute financially to public welfare programs. Also «pay for days not worked», in most cases, represents statutory expenditures for the employer. Together, these expenditures can serve as a proxy for public welfare efforts.

Occupational welfare consists, according to the definition proposed in this work, of both voluntary welfare costs as well as social security expenditures based on collective agreements. Together, they can serve as a proxy for occupational welfare.

Table 4.2 shows the average indirect expenditures in per cent of direct wage in all manufacturing companies with more than 50 employees. The table shows the importance of voluntary labor costs and statutory labor costs. The importance of contractual welfare arrangements was very limited in 1954. The division between statutory and voluntary can therefore serve as a relatively good indicator of the difference between public and occupational benefits. One should, however, take into consideration that parts of the «pay for days not worked» can cover non-statutory payments in periods of sickness, holidays and vacation. The total voluntary labor cost is therefore a minimum estimate of occupational welfare in 1954.

For white-collar workers, voluntary arrangements accounts for the majority of the total indirect labor costs. For blue-collar workers voluntary and statutory costs are about the same. These figures clearly show the importance of the private component in the post-war welfare system. For white-collar workers, these activities consume 23 per cent of direct pay, while the corresponding figure for blue-collar workers is 8 per cent.

Old-age pensions were the most important part of the social policy of the firm at this time. On average, pensions made up 16 per cent of the total direct pay

Table 4.2 NAF Companies. Average Expenditures on Voluntary Welfare Arrangements, as Per cent of Direct Pay. 1954

	White-collar	Blue-collar
Pension	15.8	3.0
Sickness	2.8	1.3
Accident	0.3	1.1
Housing	2.7	1.7
Canteens	0.4	0.4
Total voluntary labor cost	23.0	8.3
Statutory labor cost	7.5	8.8
Sum indirect labor costs	30.5	17.1

for white collar employees and 4 per cent for blue collar workers. While the generous pensions for functionaries implied that the right to public pension benefits was lost, workers' schemes provided only a small supplement to the means-tested public scheme.

These figures cover large differences that were to be found among industrial sectors. The relative welfare expenditures were highest in mining and the electro-chemical industry and lowest in the textile industry (NAF 1954).

Occupational welfare arrangements served as an important component of the total welfare system in 1954. Undoubtedly, this was partly due to the strong growth in welfare efforts in the years following the war. This can be illustrated by the number of wage earners covered by pension schemes. In 1947, 106 local company funds with 23,000 members were reported. At the same time, collective pension insurance had 46,000 active members. In addition, more than 1,000 irregular pension funds existed, providing pensions on a the basis of need. Ten years later, company based pension funds had more than doubled to 240 funds covering 55,000 employees. By 1957, collective insurance had reached nearly 100,000 active members. Also, by 1957, irregular funds had increased to 1530¹².

Occupational Welfare in the Public Sector

Also in the public sector, occupational welfare was expanded to new groups of employees in the first years after the war and the benefits were improved¹³. Especially The State Pension Scheme (SPK) grew rapidly. In 1947, it had 49,000 members. In 1960, more than 140,000 state employees were covered by occupational pensions. This was partly due to growth in government employment, but also to expansion to new groups. Of special importance was a pension scheme, initiated in 1951, for (tarifflønte) workers in state service. The scheme, however, provided only flat-rate benefits.

In the local government sector, the important turning point came in 1949. The establishment of a life insurance company (KLP), in which local governments could collectively insure their employees, triggered rapid growth of occupational pensions in the local sector. By 1960, more than two-thirds of all local governments had established pensions schemes for their employees. From the outset, pensions were only offered to functionaries.

¹²Innstilling fra utvalget for bedriftspensjonering, des. 1957. L.O. Innstilling fra N.A.F.s og L.O.s pensjonskomite til Avtale om tariffestet pensjon. Avgitt 9/1-1960.

¹³In SPK, the income ceiling was raised and disability and survivor pensions improved in 1949 (Orving 1967). Moreover, the goal of building a pension fund was abandoned in favor of a full 'pay as you go' system.

If we take the public and private sectors together, coverage by occupational pensions reached approximately 30 per cent by 1960.

Moreover, as with pensions, full pay during periods of sickness was also extended to new groups of public employees, and became a standard part of the occupational social security system for public employees.

Union Challenges

The complicated mix of welfare arrangements represented a political challenge to, by that time, a highly centralized trade union movement. In the 1950s, LO dominated the trade union arena. It was the goal to recruit unorganized workers that served as their main strategy in order to improve their organizational power. Of course, the privileged position of white-collar employees compared to the majority of blue-collar workers had a strong mobilizing effect.

At the same time, the quality of income protection varied considerably within the trade union movement. In the early 1950s, a substantial minority of the LO members (approximately 40 per cent) were covered by supplementary sickness benefit arrangements – either occupational schemes or mutual benefit schemes – while the majority of trade union members were without supplementary income protection.

In the case of old-age pensions, LO members in public service did benefit from occupational pensions arrangements, even though these benefits were considerably less generous than those offered to white-collar employees. In private sector, LO estimated that only between 30 to 40 per cent of their active members were covered by occupational pensions (LO 1957). These were primarily core groups of LO members. Moreover, a legislated scheme was established for sailors and timber workers.

Higher, and more evenly distributed, benefit levels were considered necessary for maintaining solidarity across unions. This posed a problem and a challenge for the trade union movement. A special problem was how to deal with the development of a decentralized system of occupational welfare arrangements. This was the case both for old-age pensions and for sickness benefits. In 1951, an LO committee (on pension age) pointed to the unsatisfactory effects of a company-based system of occupational welfare¹⁴. It was stressed that equal treatment of white- and blue-collar workers was important both as a social policy principle, as well as for securing formal contractual control of wage determination.

Of course there were two main strategies for obtaining equal treatment between white- and blue-collar workers, namely bargaining or politics. Both of

¹⁴Protokoll fra Representantskapet mai 1951:118. LO.

them were to be used actively in the years to come. In the next section, I turn to the development of occupational welfare after 1954.

4.4 The development of occupational welfare 1954 – 1988

This section reports data on the composition of labor costs from 1954 to 1983 in mining and manufacturing industries, supplemented with data on service industries from 1977 and 1988.

As shown in Table 4.3, the scope of voluntary welfare activities has been stable or has increased in the post-war period, with the exception of housing. The percentage of companies offering their employees pensions was the same in 1954 as in 1983. One should note, however, that the number of companies which report expenditures on pensions premiums on behalf of their employees drops significantly from 1968 to 1978. This is most likely an effect of the introduction of National Insurance (Folketrygden) in 1967. Nevertheless, in 1983, the number of companies with occupational pension contributions was back to the same level as it was in 1954 and 1968.

The most striking aspect of these figures is perhaps the reduction that has taken place in the difference between white- and blue-collar workers. Even so, one can still find that pensions are more frequently found among white-collar workers in 1983.

Data on voluntary sick pay are not available for the whole period because the companies did not keep accounts of their expenditures. Nonetheless, survey data

Table 4.3 Percentage of NAF-companies with Expenditures on Different Voluntary Welfare Programs. 1954 to 1983

	1954		1968		1978		1983	
	W	B	W	B	W	B	W	B
Old-age pensions	84	64	83	56	66	42	83	60
Sick pay	91	12	na	na	-	-	-	-
Sickness fund	21	31	2	10	-	-	-	-
Accident	28	25	50	39	-	-	72	67
Medical services	48	53	47	48	-	-	73	72
Housing	45	38	52	41	-	-	34	29
Cafeteria	40	60	75	77	-	-	71	69

W = white-collar, B = blue-collar workers, - = not available.

show that most companies pay the full wage in periods of sickness to employees with an income above the income ceiling in the national sickness insurance scheme. Hence, it is still an important occupational welfare benefit even though it is registered as statutory pay for days not worked (See Chapter 8).

The importance of occupational welfare activities such as voluntary accident and life insurance schemes has increased in the post-war period. In 1983, around 70 per cent of manufacturing and mining companies offered accident and life insurance as well as some sort of medical service. In some industries with hazardous work environments, medical services are statutory.

In the public sector, a parallel set of welfare benefits can be found. Today, state and local employees are all covered by occupational pensions. In 1962 the separate pension scheme for state blue-collar workers was integrated into the standard state pension scheme (SPK), and all employees were offered the same benefit level. A policy of pension provision for employees was also adopted by the local governments. During the 1970s the last local governments established occupational pension schemes.

In other words, it was as employer that the state introduced the principle of equal treatment of all groups of wage earners, called upon by the LO in 1951. Later this became an important aspect of the introduction of statutory income-related pensions in 1967.

Moreover, group insurance, full pay during sickness, and pregnancy leave became standard elements of the remuneration package. The state as employer also choose to offer its employees extended maternity leave and full pay in the two week period of (unpaid) paternity leave.

Change in the relative economic importance of occupational welfare

The fact that there was little change in the share of manufacturing companies reporting expenditures on voluntary welfare programs from 1954 to 1983 (see table 4.3) does not necessarily imply that the relative economic importance of these programs was stable over time. An absolute substitution effect could still have been present because expanding public programs can reduce spending levels. In order to see the development of the relative importance of occupational benefits, Table 4.4 shows how indirect remuneration as a percentage of direct pay changed from 1954 to 1983 in manufacturing and mining industries.

The statistics on labor costs in mining and manufacturing industries displayed in Table 4.4, reveal trends over three post-war decades which were relevant for all segments of the Norwegian labor market:

First, there has been a dramatic growth in statutory social security contributions levied on employers. During this period, employer contributions were increased to cover the rapidly rising costs of public social security. In 1983, statutory social security contributions and «pay for days not worked» accounted for 37 and 34 per cent of direct pay for blue- and white-collar workers, respectively¹⁵. This is due to increased employer contributions to the national insurance scheme (Folketrygden) and increased wage payments during periods of vacation, sickness, and family leave. It should, however, be taken into consideration that a portion of these payments are made voluntarily by employers. Employers often do pay full wage to employees with income over the statutory income ceilings and, in some cases, offer extended maternity or paternity leave and so forth.

The growth in statutory labor costs is related to the abolition of income-testing by the end of the 1950s and increased disability and old-age pensions. In 1967, the new Folketrygd scheme offered income-related old-age and disability pensions aiming at a income replacement level of 2/3 of previous income. Vacation time was increased from three weeks in 1947 to four weeks in 1970 and vacation pay gradually been increased during this period. Moreover, full pay from the first day of absence was introduced in the national sickness insurance scheme from 1978,

Table 4.4 Indirect Labor Costs in Per cent of Direct Pay for Blue (B) – and White (W) –Collar Workers and Real Gross Wages (1954=100). Mining and Manufacturing Industries 1954 – 1984. Companies with more than 50 Employees.

		1954	1962	1968	1973	1978	1983
1. Pay for days not worked	W	-	12	16	17	16	15
	B	-	10	14	14	17	18
2. Statutory contributions	W	-	5	11	19	19	19
	B	-	7	13	22	19	19
Of this contractual	W	-	5	3	0.1	0.1	0.2
	B	-	7	4	3	1	1
3. Voluntary labor costs	W	21	18	11	10	11	11
	B	10	7	6	6	7	9
Of this pensions	W	16	13	7	6	7	6
	B	3	2	1	1	2	3
Sum indirect labor cost	W	35	35	38	46	46	45
	B	19	23	32	41	44	47
Gross wages (1954=100)	W	100		140			190
	B	100		154			192

Source: Norwegian Employers Confederation

¹⁵ In 1954, blue-collar workers accounted for 81% of total employment in manufacturing industries. The figure had dropped to 64% in 1983.

and the right to family leave with full pay been extended in the 1980s. Together, these reforms have contributed to a rapid increase in statutory labor costs and constitute the core elements of the present public welfare system.

As already noted, portions of what NAF labels as statutory labor costs are actually contractual. The most important of these are the contractual pensions scheme (FTP) from 1961 and the sickness insurance scheme agreed upon in 1956. In table 4.4, the importance of these contractual schemes is indicated. These centralized contractual schemes are discussed in more detail in the next section. With relevance for this discussion it should be noted that contractual schemes during the 1960s contributed significantly to the level of total statutory expenditures and that their importance were significantly reduced in the years to follow. As I will discuss in Chapter 6, their main importance may have been to trigger a political process leading to the establishment of public schemes.

Second, voluntary social expenditures declined – especially expenditures on behalf of white-collar employees – between 1954 and 1968. It is, however, interesting to see that, since then, voluntary welfare costs have been stable and, for blue-collar workers, there was an increase in the early 1980s. Specifically, expenditures on occupational pension schemes were still quite significant in 1983. For blue-collar workers, occupational pensions increased in importance after a reduction in 1973. On average, voluntary social expenditures were 9 and 11 per cent of direct pay for workers and salaried staff, respectively, in 1983, compared to 10 and 21 per cent in 1954.

Third, total indirect labor costs have increased far more rapidly than have gross wages. In 1954, social labor costs for blue-collar workers accounted for 19 per cent of direct pay. By 1983, the figure had increased to 47 per cent. While the average gross wage for blue-collar workers almost doubled between 1954 to 1983, the «social» component of labor costs more than doubled. For white-collar workers the development has been less dramatic.

Finally, the former marked difference in the relative size of the social wage component between white- and blue-collar workers had disappeared by 1983. The growth in both statutory and voluntary social security efforts had almost eradicated the former division between white- and blue-collar workers, which was, to a large extent, embedded in the formerly decentralized system of occupational sickness benefits and pension insurance. While in 1954 expenditures on pensions was on average five times higher for white-collar staff than for blue-collar workers (16 versus 4 per cent of direct pay), it was only twice as high in 1983 (6 versus 3 per cent of direct pay). Again, it should be noted that the leveling off of differences between white- and blue-collar workers is the result of both collective bargaining and political efforts. As will be argued in section 4.5 and in more detail in chapter 6, the success of these efforts are closely linked.

These findings lend some support to the thesis that the establishment of statutory social security tends to crowd out occupational provision, and that this in turn has an equalizing effect on the distribution of welfare among wage earners. It is also interesting that the levelling out of indirect labor costs between manual and non-manual labor took place without a corresponding widening of differences in gross wages. Hence, one can conclude that welfare state expansion in the 1960s and 1970s led to a partial marginalization of occupational provision.

At the margin, however, labor cost data indicate that occupational welfare was still quite significant in 1983, measured as a component in total labor costs. Moreover, it was stable between 1973 to 1983, a period known for the rapid growth of public expenditures. In other words, in absolute terms occupational welfare is not marginalized. But of course, this is not to say that the continuous expansion of public programs did not have a «relative containment» effect on private programs pushed forward by, among other factors, increasing wage growth, changes in industrial structure and increased demand for retirement income.

So far I have concentrated on mining and manufacturing industries. No data have been collected by the Norwegian Employer Federation since 1983. Data for other industries were, however, collected by the Central Bureau of Statistics for 1977 and 1988. Unfortunately, no data on indirect labor costs exists after 1988. Table 4.5 presents the latest available data on non-statutory welfare expenditures in selected industries. It reveals a picture of rising expenditure rates with wide and increasing variation between different segments of the labor market. For comparison, the 1983 figures from manufacturing and mining industries are included in the table.

The average figures conceal substantial differences across industries. In typically low-pay industries like wholesale and retail trade, voluntary social expenditure

Table 4.5: Non-statutory Social Labor Costs in Selected Industries. Per cent of Direct Pay.

	1978/79	1983	1988
Wholesale and retail trade*	5.7	n.a.	7.7
Private insurance*	20.1	n.a.	42.4
Banking/finance*	15.4	n.a.	22.4
Manufacturing industries**	8.7	9.7	n.a.
Electric-chemical		18.4	
Petroleum		16.7	
Metal		8.4	
Wood and timber		4.2	
Textiles		2.6	

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

was relatively modest in both 1979 and 1988. Even so, we can see an increase in the voluntary costs in these industries.

Banking and insurance companies, on the other hand, score extremely high on voluntary social expenditure, and expenditure levels in this sector have been rising throughout the 1980s. Occupational pension schemes count for a substantial portion of the labor costs in these industries. In 1988, average contribution rates to pension and life insurance schemes amounted to 6.9 per cent of direct pay in banking and 14.8 in insurance companies.

The latest available data on social labor costs for manufacturing industries are, as noted, from 1983. However, there are indications that, on average, expenditures have increased throughout the 1980s as coverage of occupational pension schemes has grown rapidly. The aggregate figures for manufacturing companies conceal wide differences across individual industries. In highly capital-intensive industries, like the electro-chemical and the petroleum industries, voluntary labor costs amounted to 18.4 and 16.7 per cent of direct pay in 1983. At the other extreme, we find the wood and textile industries, where the figures were 4.2 and 2.6 per cent respectively.

The large differences across industries necessitates a more detailed analysis of the variation in companies' decisions concerning occupational welfare benefits. This will be the subject of Chapter 9.

Throughout the 1980s, occupational welfare expanded (as a per cent of direct wage) despite comparatively high standards in statutory social security schemes. The former discrimination between white- and blue-collar workers has disappeared, while differences across industries and sectors in the labor market persist. The recent expansion of locally-based, employer-controlled occupational welfare arrangements is interesting because it indicates a shift in employer and union remuneration strategies. The importance of contractual occupational schemes has been reduced, and has been replaced by a re-emergence of the social policy of the firm.

The analysis of labor cost data from 1954 to 1988 indicate that occupational welfare showed growing importance until the early 1960s. Following this period rapidly increasing public responsibility lead to a partial marginalization of occupational welfare. However, this period of substitution was to be replaced by a new growth in voluntary occupational schemes in the eighties even though public programs showed continuous growth.

However, it is not only the extent of occupational welfare that has been changed in the post war period. Also the mix of voluntary and contractual occupational schemes has changed significantly. Before the concluding discussion, I will briefly show how collective bargaining has been used as a social policy strategy in order to complete the picture of occupational welfare in the post war period.

4.5 Bargaining against markets

The labor cost data disclose that private sector employers use welfare benefits as an important element in their remuneration policy and that the importance of this decentralized employer-controlled social policy arena is growing. Moreover, a significant part of the occupational welfare arena has been based on contractual agreements.

In the early 1950s, the trade union movement faced the problem of how to deal with the rapid development of a decentralized system of occupational welfare arrangements. The unequal distribution of the right to old-age pension coverage and supplementary sickness benefits was seen as especially unsatisfactory by the trade union movement. Equal treatment of white- and blue-collar workers was sporadically stressed as an important social policy principle and as a means to securing formal contractual control over wage determination (LO, Protokoll fra Representantskapet mai 1951:118). In several cases, LO choose collective bargaining as its means to reduce the gap between white- and blue-collar workers.

Sickness benefits were the first area to be placed on the central bargaining table. Old-age pensions were soon to follow. Prior to the Trade Union Congress in 1954, the LO leadership proposed that the question of incorporating sick pay into the general wage agreement be thoroughly reviewed by an internal committee¹⁶.

As a long term objective, the committee called for equal treatment of blue- and white-collar workers in the field of sickness insurance. Its recommendations confirmed that the choice between political solutions and solutions achieved through centralized bargaining was to be decided by practical considerations. The chosen strategy should depend on «which solution gives the greatest chance of rapid and positive results»¹⁷. The committee drew the conclusion that it was very unlikely to achieve full pay during sickness by political means alone.

During the centralized wage negotiations in 1954, LO and the Norwegian Employers' Confederation (NAF) agreed to build up a fund to finance a future sick pay arrangement. In 1956, the parties agreed to incorporate a supplementary sick pay arrangement into the wage agreement starting payments 15/2-1957¹⁸. By way of this agreement, LO succeeded in substantially increasing compensation levels for the majority of wage earners. Still, the total level of compensation did not exceed 50 per cent for singles with average incomes. Another shortcoming was that the

¹⁶ Innstilling fra Komiteen for lønn under legitimert sykefravær (LO; 1954)

¹⁷ Innstilling fra Komiteen for lønn under legitimert sykefravær (LO; 1954)

¹⁸ Dagpenger under sykdom. Innstilling fra sykelønnskomiteen av 1956. LO og NAF.

negotiated scheme operated with a waiting period of six days, in contrast to a waiting period of three days in the public scheme.

The fact that employers and employees alike recommended that the negotiated scheme be administered by the state and be adapted to the public sickness benefit scheme illustrates the close integration of the two schemes¹⁹. This intermixing of the statutory and the bargained sickness benefit schemes is a remarkable example of the pragmatic and harmonious co-existence of public and private institutions.

Another aspect of the negotiated scheme is of importance related to the traditional approach to Scandinavian trade unions as engaged in a struggle to build a universal welfare state. This portrait of Norwegian unionism does not fully conform with reality. As a tool for increasing union strength, exclusive benefits were an important aspect of the LO proposal. However, the employers refused to accept the demand by LO that the scheme should cover only union members.

It turned out that the practical operation of the negotiated scheme caused considerable friction. After the introduction of the scheme, absence increased dramatically. The guarantee fund build into the LO/NAF scheme was rapidly depleted²⁰. Therefore, LO and NAF decided to curb expenditure by slightly reducing the level of compensation and by increasing the waiting period from six to fourteen days. As a result of these measures, the negotiated scheme eventually started to balance, and it was possible to make minor improvements. In the early 1960s, the two parties to the agreement cautiously decided to give priority to increasing the maximum period a person could receive sick pay, while compensation levels and the waiting period were maintained (Petersen 1975).

Even so, the bargaining road was taken to improve the contractual scheme. The important political breakthrough was made in the bargaining arena, rather than in the political arena. In 1966, LO and NAF agreed to a declaration of principle that «there was no social justification for maintaining different levels of sickness benefits for blue- and white-collar workers » (Petersen 1975). This meant that NAF was ready to accept the long-term objective of LO to approach full wage compensation for blue-collar workers. In a longer time perspective, this agreement was crucial since it triggered the process that lead to a national system offering full pay from the first day of absence.

In order to harmonize benefit levels, it was decided to gradually raise the level of compensation in the LO-NAF scheme. As from 1 April 1969, total sick pay for members of the LO-NAF scheme reached 90 per cent of net income. Since the late 1960s, the waiting period was gradually reduced, and in 1974 it was finally reduced to one day.

¹⁹Dagpenger under sykdom. Innstilling fra sykelønnskomiteen av 1956. LO og NAF.

²⁰ Norwegian Official Report 1976:23.

In spite of the success of the occupational sickness benefit program, an important shift in trade union opinion on sick pay took place in 1970 when LO proposed that the occupational scheme should be incorporated into a statutory arrangement covering all employees (Petersen, 1975). The main argument for this proposal was that, in spite of the negotiated scheme, 20 per cent of all employees were without access to supplementary sick pay (Ot.prp.nr.68 1976–77). The new policy departure on the part of LO, was motivated by the fact that the negotiated scheme suffered from financial troubles. Time and again LO and NAF were forced to take emergency measures, agreed by negotiation, in order to maintain the economic foundation of the scheme (NOU 1976:23).

In 1976, a public committee proposed to extend the state scheme, giving 90 per cent wage compensation from the first day of absence (NOU 1976:23). In a minority statement, NAF recommended to maintain a waiting period of one day as in the previous negotiated scheme. The LO member of the committee, LO leader Leif Haraldset, did not take any definite position on the question of 90 or 100 per cent compensation level. LO could also have an interest in following a «Swedish model» where broad contractual agreements were built on the top of a 90 per cent agreement.

Nevertheless, the Ministry of Social Affairs recommended in its proposal to the parliament that full compensation was necessary to secure the same treatment for all wage earners. It was explicitly spelled out that the state as employer had no intention of reducing the benefit level for those who already have separate arrangements providing full pay (Or.prp.nr.68 1976–77). In other words, state and local employees were to keep their sickness benefit rights of full pay from the first day of absence.

Based on the principle of equal treatment, the road to 100 per cent compensation was open. In the political process, following the committee's recommendations, LO succeeded in persuading the Labor Government to support its wish for full wage compensation as from the first day of absence. In this situation the goal of creating a «Swedish» system of supplementary contractual schemes was set aside. In the discussion, the principle of equal treatment and the fact that public employees benefitted from full pay from the first day were put forward as the main arguments in favor of full pay (NOU 1990:23). The new national sickness benefit system was vetoed by all parties in the parliament. In 1978, a national sickness benefit scheme providing full pay from the first day of absence was put into effect. Accordingly, the former contractual scheme was closed down.

One could argue that it was the strength of the private scheme that facilitated the political breakthrough, rather than as traditionally assumed, that a strong private arrangement would be a hindrance for public policy expansion. The contractual break through made the time ripe to propose an extension of the public

scheme. In the political debate on sickness insurance, even the Conservative party referred to defects in the existing occupational schemes, and emphasized the need to ensure the remaining 20 per cent of wage earners full compensation for loss of income during illness. This discussion is particularly relevant for the ongoing debate over consensus or conflict in social policy development. To some extent, both approaches are right. Of course there is a conflict over the expansion of social rights. In Norway, however, the conflict was played out in the individual companies and in the arena of collective bargaining. In this respect, the state as employer was especially important in shaping the process in the post-war period. Hence, when turned into a legislative issue the situation was no doubt one of consensus.

Pensions

After sickness benefits, old-age pensions were the next issue to be placed on the negotiating table (Pedersen 1990). LO considered two alternative strategies to achieve a more comprehensive system of supplementary pensions²¹. One was to follow the example of Swedish LO (Molin 1965, Heclo 1974) and demand a legislated supplementary pension scheme covering all wage earners. Since the Labor Party had an absolute majority in the Norwegian parliament, the conditions for progress by political means seemed favorable. The LO leadership did however, decide to propose an alternative strategy at the 1957 Trade Union Congress. The Congress supported the goal of taking the question of supplementary pensions to the bargaining table. This position was again influenced by a pragmatic evaluation of the situation. A legislated scheme was seen to be relatively hard to achieve in a short time. Furthermore, a negotiated scheme would allow LO to take credit for a major improvement in the social standard of wage earners. LO also intended to exclude non-members from the scheme and thereby create a positive incentive to boost membership. It was important to the LO, however, that the scheme should include all unionized workers, and not allow for segmentation between trade union branches²².

The goal of excluding non-union members from the contractual schemes may be surprising since the employers so strongly opposed this principle in the contractual sickness benefit scheme. However, some unions managed to achieve support from employers for exclusive member schemes. Norsk Typografforbund reached an agreement for employer contributions to their «Mutual Help fund» which provided old-age, disability, and survivor pensions as well as funeral

²¹This choice between bargaining and politics is discussed in more detail in Chapter 6 as one of three crossroads of social policy in post-war pension development.

²²Innstilling fra utvalget om bedriftspensjon. Desember 1957. LO

contributions. In 1956. Den Norske Centralforening for Boktrykkere reached an agreement securing employer contributions to its «Help fund»²³.

In a round of centralized bargaining in 1958, LO and NAF agreed to establish a supplementary pension scheme (FTP) covering workers in the unionized sector. Details of the scheme were finally agreed upon in 1960²⁴. The resulting FTP scheme did not satisfy LO's original position. From the outset benefits were modest and there was no system of automatic index regulation. Consequently, the FTP scheme did not match the generosity of the income-related schemes of public employees and white-collar workers in private companies. Moreover, NAF insisted on including non-unionized employees in the scheme (Pedersen 1990).

Nevertheless, the FTP scheme was an important step towards improved pensions for large groups of blue-collar workers. Its biggest success – as will be discussed in Chapter 6 – was probably that it triggered a political process resulting in the establishment of a national income-related pension scheme in 1967.

Pensions and sickness benefits have been the most important welfare issues placed on the centralized bargaining table. However, other examples can also be found. In 1966, an agreement on the introduction of a severance pay (*sluttvederlag*) was reached. This arrangement provides a lump sum to all employees who are made redundant after 10 years of service and who have reached the age of 50 years or more (NOU 1975:60).

After the closing of the contractual sickness insurance scheme in 1978, it took ten years before social policy issues again were to be found at the front of centralized collective bargaining in the private sector. In 1988, LO proposed to introduce a contractual early retirement scheme providing income-related benefits for employees voluntarily choosing to retire at 65 or 66 years. NHO and LO agreed to establish the AFP-scheme. The government did, however, participate in the financing of the scheme (40 per cent)²⁵.

There is a striking resemblance between the situation in the 1950s and in the late 1980s. During the late 1980s LO faced a rapidly growing system of decentralized occupational arrangements. Analyses of different pathways to early exit from the labor market showed large differences in the quality of company-based early retirement systems. Companies responded to growing labor market pressure by developing ad hoc and permanent company-based early retirement schemes. Unions reacted with dissatisfaction to a decentralized system which provides different benefit

²³Innstilling fra utvalget om bedriftspensjon. Desember 1957. LO. Bilag 4.

²⁴Innstilling fra NAF's og LO's pensjonskomite til Avtale om tariffestet pensjon. Avgitt 9/11-1960.

²⁵Forhandlingsprotokoll mellom LO/NAF 24/2-1988. Publisert i LO-INFORM. LO 1988.

levels and, often more important, forces workers to accept different combinations of unemployment benefits or disability pensions combined with company-based supplements. As a result of an intensified debate on the social aspects of early retirement, LO chose to use the bargaining system to establish a centralized system of early retirement pensions. Also in the public sector negotiation, the parties reached an agreement on a corresponding scheme. The system is still operative both in the private and public sectors, and has been improved in rounds of centralized negotiations between 1992 and 1996 (e.g., reduced exit age and improved compensation level)²⁶.

Taken together, occupational welfare systems were recognized by their sharp dualisms between white- and blue-collar workers. In a system of local, company-based provision, union control was limited. Employers saw white-collar workers as the main target for occupational welfare. Because of this, the trade union movement chose to engage itself in an attempt to move the question of occupational welfare to the national level of industrial relations. It succeeded in establishing centralized negotiated schemes for supplementary sickness benefits and for old-age and disability pensions, and later for early retirement pensions. However, it should be recognized that there is still significant activity to improve welfare benefits also outside the centralized negotiations. Typically, the national federation of journalists closed an agreement in June 1994 that gave all their members in newspapers and magazines the right to one week extended vacation and the right to full wage compensation during one year of family leave. One should also note that while metal workers in the 1920s were the major force behind expanded vacation time, today it is the smaller professional associations outside the LO family that are at the forefront.

The fact that the union movement chose bargaining against markets rather than politics against markets illustrates that the union movement is a separate policy actor. It also shows that the union movement acts on a highly pragmatic basis to seek the optimal combination of welfare arenas, given a focus on union organizational interests. The need to keep tension among unions low in the national federation, thereby avoiding exit from the centralized union movement, seems to be a major driving force behind union social policy shifts.

It should also be taken into consideration that the system of mutual benefit systems has changed during the post-war period. Traditionally, these schemes have been seen as abandoned by a union movement favoring political solutions to the welfare needs of their members. Therefore, they have lost their importance as a way of providing welfare benefits. Stevens (1986) has argued that, in the US case, employers invaded the self-help schemes. In other words, they lost in a fight over control. In the Norwegian case, it seems more reasonable to conclude that union

²⁶Avtalefestet Pensjon. Samfunnsnotat nr.2/92, LO.

schemes were transformed into regular occupational schemes mostly through local pressure for employer involvement. Several examples can be found of how self-help schemes based on voluntary union membership contributions applied for financial support from the employer and gradually were transformed into a local-based occupational scheme. These schemes were later included in the central contractual schemes.

Actually, the idea of providing mutual benefit schemes was not abandoned by the trade unions. To a large extent, the mutual benefit system was centralized and transformed into uniform insurance schemes. In 1965, LO became owner of 45 per cent of «Samvirke Insurance». That same year, «Norsk Kjemisk» introduced collective home insurance for all its members. After the arrangement had been deemed illegal in a local court decision in 1967, the Supreme Court changed the decision, thereby removing the legal barriers to further introduction of compulsory membership insurance. By 1987, all LO union branches had introduced collective home insurance. Moreover, in 1971, the remaining union support funds were transformed into a «Basic Insurance», providing death and accident benefits to all members of the LO family. Today, new proposals to create mutual membership advantages are proposed²⁷. Unions organized outside the LO umbrella have also engaged themselves in the development of corresponding systems of membership-based collective insurance, so far, however, on a voluntary basis.

For the trade union movement, the development of social policy after the war implied primarily a centralization of responsibility, either to the political arena or to a centralized level in the union movement. By doing this, a broader distribution of benefits was achieved. At the same time, local unions and branches lost many of their previous direct engagements in social policy. Local self-help schemes were closed down. Company-based occupational schemes became primarily the responsibility of the employer. More recently, it has primarily been the new professional unions of high income, white-collar workers that have engaged themselves in these issues in the private labor market. In public sector, however, the LO unions have shown increasing interest in occupational arrangements. In 1986, the legislated state pension scheme was made contractual, clearly signaling the importance that the public sector unions attached to these schemes.

In the private sector, unions seem to have lost a part of their previous importance in local activity. This abolition of concrete local tasks could be especially problematic in periods of wage moderation and strong centralization of direct wage determination. It could create pressure for more decentralized bargaining to increase the importance of the local and industry levels within the trade union movement.

²⁷Innstilling fra Fellesutvalgets forsikringsutredning. Oslo 21/9-1993. This joint LO and Samvirke Insurance document also provides a short overview of the historical development.

It is interesting that the 1994 collective bargaining took place at the industry-level, after seven years of centralization. A solution that has been chosen also in 1995 and 1996.

At the same time, the employers' federation advocates a full scale decentralization of the wage determination process. In this situation, centralized collective bargaining over early retirement pensions could have been an important way of keeping the centralized bargaining level intact even in periods of wage moderation.

4.6 Conclusion – dynamic social policy

An analysis of the post-war period indicates that the importance of occupational welfare and the interplay between statutory and occupational arrangements follows a somewhat different logic than is traditionally assumed. It contributes to a remaking of some vital elements in the understanding of how the Norwegian welfare state came to be.

A first conclusion is that the actual interplay between public and private welfare cannot be described as either substitution or complementarity. Rather, it should be perceived as a process of dynamic social policy development, as movements across arenas of decision making. The analysis of the post-war period indicates the existence of different phases in the development of occupational welfare, closely linked together in a dynamic process:

- a) A strong growth in company-based and employer-controlled welfare arrangements took place in the 1940s and 50s. It was fueled by rising income levels, and both employers and unions saw welfare benefits as an increasingly important issue. Undoubtedly, occupational welfare gained importance as a remuneration strategy primarily for white-collar employees. Unions started a process of transforming self-help schemes into occupational schemes and thereby also integrating blue-collar workers into a system designed for white-collar employees. The state as employer became an important driving force in the movement to expand occupational welfare and to equalize the welfare rights between white- and blue-collar workers in the occupational arena.
- b) A second phase can be found in the shift from voluntary company-based arrangements to contractual schemes due to the integration of social policy in collective bargaining after 1954 in a setting of uniform and centralized labor relations. The sharp division of social rights among the wage earners in the private sector opened the way for union action. Through its

introduction of equal treatment for all employees clearly, the state as employer had indicated that occupational welfare arrangements could be transformed into a broader system with different effects on economic redistribution than traditionally found in locally-based arrangements.

- c) A third phase can be seen in the process of the gradual socialization of the contractual occupational schemes and a general growth in public programs. This points to the conclusion that generous public schemes can be the result of a highly developed private welfare arena rather than the traditional assumption that a weak private welfare sector opens the way for generous public programs. On the other hand, the development in the 60s and 70s lends support to the thesis that the expansion of statutory social security tends to crowd out occupational provision, and that this in turn has an equalizing effect on the distribution of welfare among wage earners.
- d) A fourth phase can, however, be found in the new growth in the employer-controlled, company-based occupational welfare arena which have taken place in the last decade or so. It indicates that employers' provision of occupational welfare is more than a function of the developments in public policy. The preference for welfare goods can grow among others as a function of real wage growth, hence creating rising expectations of for example retirement income. At the same time shifts in industrial and labor force structure can contribute to occupational welfare growth independent of public programs. Moreover occupational welfare is a unique mechanism for human relations and personnel management at the company level, and thus should be understood as such. Therefore, even though public welfare programs are expanding the trade union movement is again faced with the challenge of growing importance of employer-controlled welfare arrangements.

Based on this analysis no simple clear cut answer to the issue of substitution or complementarity can be given. In absolute terms the nature of the interplay have shifted throughout the post war period. This does not, however, rule out the possibility of a relative substitution effect, i.e. the growth of private schemes could have been even stronger if it had been fueled by for example reductions in public schemes.

A second main conclusion is that this analysis lend support to a somewhat different understanding of the underlying logic of welfare state expansion in Norway than found in a traditional labor mobilization approach. The political nexus of the public-private mix is not adequately recognized as comprising distinct categories with fundamentally different effects on economic redistribution and working class solidarity. Alternatively, the division of public and private should be conceptualized as a continuum ranging from individual insurance and company

plans over broader contractual agreements to public systems with universal coverage. Hence unions have pragmatically seen both politics and bargaining as means of improving the social standards of their members. Among other things, the Norwegian LO demanded that national contractual pensions and sickness benefit schemes should be made exclusive for trade union members.

To a large extent, it has been the trade unions' ability to be, in cooperation with the employers, self-reliant – in Baldwin's (1990) terms – that has been an important driving force behind welfare state expansion. Trade unions tried firmly to anchor their interest in social policy to labor market arrangements because of possible positive organizational spinoffs. This capacity of the working class, and its allies, especially among public employees, to be self-reliant provided important elements in the later non-Socialist support for the socialization of the public schemes. The crux of the matter seems to be, however, that unions were not fully self-reliant. In the case of sickness benefits, some groups of union members were still left out of the contractual schemes. When it came to pensions, the generosity of the private contractual schemes was never close to the level of public sector occupational pensions. Therefore, socialization of contractual schemes meant reduced internal conflict across industries and sectors of the trade union movement. This, in turn, reduced the potential for individual union exit from the national federation and increased the basis for internal union loyalty buildup. To what extent this will be the case in a longer perspective is however far more uncertain.

The recent debate over early retirement indicate that the conditions for socialization of welfare need has changed. All the national union confederations in Norway advocate a development of the contractual AFP-scheme as the future policy road. Choosing bargaining, and not politics, as the road towards solidarity in the 1990s must be understood as the result of changing conditions for trade unions in the Norwegian labor market. Unions are increasingly competing with each other. At the same time, the NHO argues more strongly in favor of a system of decentralized wage determination. A centralized contractual pension scheme is therefore more than solidarity; it is a strategy to keep a vital institution in the labor relations system intact as well as a mechanism for strengthening the position of the union movement and, of course, a mechanism of achieving social policy goals.

Overall, the dynamic interplay between public and private welfare has been an important part of social policy development in Norway. Recognizing and understanding the distinct interplay between labor market processes and public policy expands and clarifies our understanding of Norwegian social policy. This analysis differs from the heroic Social Democratic version of welfare state development as the result of a grand strategic plan in which a homogeneous labor movement consolidates its political power and quite simply legislates the «new society».

Chapter 5 Do public pension systems influence the growth of private pensions?

A comparison of Denmark and Norway

This chapter is a revised version of a paper (Hippe, J.M and A.W.Pedersen, 1995, The growth of private pension in two Scandinavian welfare states— A comparison of Denmark and Norway) written with Axel West Pedersen and presented at the workshop «Enterprise and Welfare states Project» held at the Institute for Advanced studies in Vienna, May 4th, 1995. This paper is unpublished.

5.1 Introduction

The image of the Scandinavian welfare states are changing. In recent years there has been a notable movement towards pluralism especially in areas like early retirement and old age pensions, and the division of labor between public and private welfare has become a central issue in Scandinavian politics¹. In Denmark a relatively strong reliance on private pensions has been reinforced with the establishment of industry wide contractual schemes in the private sector, aiming at extending coverage with occupational pensions to the majority of blue collar workers. In Norway a relatively generous statutory pension system has been cut back while company based occupational schemes are on the rise, and the demand for early retirement has been met through the establishment of contractual schemes rather than an expansion of public programs.

These developments should stimulate a new debate on the role that private welfare arrangements take in Scandinavian type welfare states and the nature of the public private interplay. This is especially important after a long period where research have focused heavily on the dominant position of public welfare programs. The conventional portrait of Scandinavia as a province of total state dominance in the provision of welfare never conformed with reality and the gulf between image and fact is growing.

This chapter compares the development of private pensions in Denmark and Norway over the last two decades. The aim is to report on the, in themselves, quite remarkable, changes in the role of private welfare provision to be found in two Scandinavian countries. More importantly, the analysis offered in this chapter can throw light on a general question of theoretical and political importance, namely if the relationship between public and private income provision in retirement is one of

¹ This generalization certainly holds up for Sweden too, but it is beyond the scope of this paper to cover the Swedish case - see however Kangas and Palme (1996)

substitution or is it on the contrary complementary (see hypothesis 1 in chapter 1)? Do private pensions dwindle, as public pension systems are expanded (and grow when public provision is cut back), or could it be that the expansion (decline) of two types of welfare provision mutually reinforce each other? If no general answer applies, as seems to be the lesson from the existing literature, how might the relationship between public and private pensions be conditioned by structural and institutional factors?

The policy relevance of this question is evident. In the deliberations about cut backs in public pensions that presently take place in many OECD countries, the possible consequences for the scope and pattern of private pensions is a central issue. Can we assume that some kind of private provision will fill the vacuum produced by reductions in public benefits, or should we - quite on the contrary - expect a downward spiral of both public and private pension coverage? Therefore, the research question is deliberately posed in dynamic terms.

A comparison of the development of private pensions in Denmark and Norway since the early seventies is especially attractive for an investigation of the relationship between public and private welfare programs. Since the sixties the level and structure of public pensions have become significantly different in the two countries. In 1967 Norway followed Sweden and Finland and introduced a statutory national income related pension scheme on top of the existing universal flat-rate «peoples pensions». This second tier of income related public pensions has been gradually maturing during the period under study, and replacement rates for successive cohorts of newly retired have improved significantly. In the late sixties attempts by Danish Social Democrats to introduce a similar scheme failed. Hence, public pensions are exclusively flat rate in Denmark and replacement rates for full time wage earners are well below the Norwegian level. In the area of early retirement (non-medicalized) the situation is almost the reverse. A public scheme was introduced in Denmark in the late seventies allowing people to withdraw from the labor market from the age of 60, while no state program for early retirement has so far been introduced in Norway.

On the background of strong divergence in public pension provision, the common trend of growth in private pensions in recent years is all the more intriguing. Are the two countries converging despite the obvious differences in the structure of public pensions, and does such a convergence lead us to reject the hypothesis about a basic substitution between public and private pensions? The comparison is strictly limited to these two country cases. It should be mentioned however, that the growth of private pensions in Scandinavia is puzzling in light of the fact that coverage with occupational pensions have shown a downward trend over the last decade in countries like the US and Germany (see also Bloom and Freeman, 1992).

In section 5.2 the theoretical and methodological questions is stated in more detail. Section 5.3 offer a short comparison of the main institutional features of the Danish and Norwegian public pension system. Then follows a quantitative comparative description of the development of private pensions from the beginning of the seventies to the early nineties - section 5.4. A range of indicators are compared in order to take note of the complex nature of private pensions. In the concluding section we summarize the findings and discuss their implications for existing theoretical positions and future research².

5.2 Specifying the research question

As discussed in more detail in Chapter two an extensive literature has emerged over the last decade about the relationship between private and public pensions. The insight shared by all contributors to this literature is that the political economy of the Welfare State cannot be properly understood without attention to the role played by private institutions in complementing and sometimes substituting state intervention (see for instance Rein and Rainwater (eds.), 1986). However, opinions diverge over the nature of the interplay between public and private provision, and the place it might have in more general theoretical accounts for the Welfare State.

Some authors tend to see private pensions as a functional equivalent to public provision, and hence it is argued that cross-national variation in the institutional mix between the two only masks an essential convergence among advanced capitalist economies (Rose and Shiratori, 1986; Rein, 1983). Others maintain a clearly dualistic view of the two types of welfare provision. Thus, cross-national differences in the balance between public and private institutions is seen as a key symptom of welfare state variation (Korpi and Esping-Andersen, 1987; Esping-Andersen, 1990).

Both these contrasting theoretical perspectives, however, seem to entertain the common assumption that public and private welfare are *close substitutes in quantitative terms*: that individuals and/or collective actors, like companies and unions, consider public and private pensions as alternative means to achieve «adequate» income levels after retirement³. In other words, the scope for public and private pensions

² It should be make clear at this point that the aim is only to investigate the consequences of differences in public provision on the scope and pattern of private pensions. We do not attempt to evaluate further possible repercussions for outcome variables like wage determination, income inequality among the aged, political interest alignments etc.

³ According to the second perspective, the choice of instruments will have profound repercussions for the distributive logic of the entire system and for the pattern of class identification and political mobilization.

is determined by a stable and well-defined need for retirement income, and, thus, it is predicted that private actors will respond to increases in public pension benefits by relaxing their efforts through occupational pension schemes and individual pension insurance and savings. This proposed substitution effect is to be found in two versions. First, substitution work in an absolute manner in the sense that growing public responsibility will reduce or even marginalize private schemes without controlling for the impact of other variables such as economic growth or industrial relations variables. Given a well defined need for pensions, increased public benefits will reduce private pension savings as such. Second, the substitution hypothesis can be given an alternative interpretation when it is seen as a *ceteris paribus* effect. In other words, if other factors are held constant, increased public pension rights will cause less growth in private pensions than would have been the case without the original increase in public responsibility (or vice versa). Both theoretically and in a policy perspective this seem as the relevant problem: what will happen to private pension savings if public income related pension schemes are pulled back (or introduced) every thing else held constant?

The assumption about a clear-cut trade-off between public and private pensions has recently been called into question by a number of authors. Some argue that the relationship can, at least occasionally, work in the complete opposite direction: that the expansion of public pensions might be a cause for growth in private pensions (Hannah, 1992; Dobbin and Boychuck, 1996). Many scholars have pointed to the simple and undeniable fact that in most developed countries public and private pension systems have grown in tandem throughout the post war era (van Gunsteren and Rein, 1985; Hannah, 1992). Moreover, the notion of complementarity has found support in historical case-studies. Dobbin and Boychuck (1996) argue that coverage with occupational pensions increased in the US as a consequence of the introduction of social security pensions in the New Deal reforms of the late thirties.

One possible mechanism behind such a *complementary relationship* concerns preference formation and could be termed «the recognition effect» (Barro and MacDonald, 1979). As many scholars have pointed out, retirement is by and large a social invention of the 20th century (Hannah, 1986; Myles, 1989), which suggests that the need for retirement income is socially constructed rather than a natural constant. It is therefore not unreasonable to assume that the introduction and improvement of public pension benefits could in specific historical circumstances lead to inflated expectations about what constitutes an «adequate» income level after retirement, and therefore stimulate increased demand for private supplements. Dobbin and Boychuck (1996) have suggested an alternative, more concrete, mechanism behind complementarity with specific reference to employer financed occupational pensions: Improvements in public pension benefits will tend to make it less costly

for employers to establish and run occupational pension plans that guarantee a certain total level of income replacement in retirement. Hence, the introduction and improvement of public pensions could facilitate growth in coverage with occupational pension plans among the work force⁴. Of course, these effects could be at work simultaneously.

Other studies have, however, have found evidence in favor of substitution. On the basis of time-series data for the US, Munnell (1982) found a strong substitution effect between public and occupational pension accrual among the work force. It is interesting to note that while she found almost a one-to-one substitution between public and occupational pensions, individual savings behavior appeared to be unaffected by changes in public pensions⁵. Also some tentative studies of cross-national data have pointed to a negative relationship between the scope of public and private pensions (Esping-Andersen, 1987; 1990; Kangas and Palme, 1992; Hippe and Pedersen, 1992). However, the tendency for substitution revealed in these latter studies is rather weak. In fact, Esping-Andersen (1987) notes that no country changed rank order in terms of spending levels when total pension expenditures was made the ranking criteria in stead of just public spending (see also Rein and Rainwater, 1986:17).

A different strand of critique against the hypothesis of substitution asserts that the development of private pensions is largely *independent* of public pension systems and tied up with different causal structures. von Nordheim-Nielsen (1988; 1991) has pointed out how occupational pensions are functionally related to institutions and processes in the labor market and the capital market. He argues, therefore, that the assumption that private pensions are filling a need for retirement income left over by public pensions is misplaced with respect to occupational pensions. It is undoubtedly true that pension plans have traditionally been used by employers as an instrument of labor management and that occupational pensions form part of labor relations and labor compensation (Tripplet, 1983), so it is safe to assume that both the scope and pattern of occupational pensions is strongly influenced by the nature of industrial relations. When (labor) economists study occupational pensions, they often take this so much for granted that they tend to ignore that occupational pension plans actually provide retirement income (see Bodie, 1989 for an attempt to bring this aspect «back in»).

⁴ Note that the argument presupposes rather fixed expectations about the level of income replacement to be secured by an occupational pension plan including any public pension benefits. It seems most directly relevant for a situation where occupational pensions are organized as defined benefit plans.

⁵ According to the theoretical arguments made in favor of complementarity or independence we would have expected the opposite picture - see von Nordheim-Nielsen, 1991:135.

The finding that differences in public pension systems explain very little of the existing cross-national variation in private pensions could well be seen to support the thesis that they are not directly related. One could also argue that the recent decline in coverage with occupational pension plans in the US lends indirect support to a thesis about independence: Bloom and Freeman (1992) show that a significant part of the decline can be explained by the decline in union density and changes in the wage structure, while it is fairly obvious that changes in public pension benefits have no part in the story.

Taken together, if one should try to extract a substantive conclusion about the relationship between public and private pension provision from the existing literature it would be simple but not very helpful: *It varies*. The existing literature conveys a mixed if not contradictory picture.

Hence, it is reasonable to ask why settling the debate about substitution or complementarity, which could seem to be a fairly straightforward task for empirical research, is so difficult? We will argue that the inconsistent picture which emerges from these empirical studies can at least partly be explained by methodological problems and different approaches adopted in the various studies.

First of all one should note the fact that the scope of private pensions has been operationalized and measured in different ways: The rate of coverage among wage earners (Bloom and Freeman, 1992; Dobbin and Boychuck, 1996), the size of private pension contributions (Munnell, 1982), the share of total labor costs occupied by occupational pensions (Hippe and Pedersen, 1992) and the share of private pensions in total pension expenditure or the income-packages of retired households (Kangas and Palme, 1992; Esping-Andersen, 1987; 1990). In the comparison of Denmark and Norway a wide range of indicators is used in order to avoid a potential bias inherent in specific measures. As shall be argued later in this chapter, the choice of measure is extremely important because they relate to dimensions of private pensions that appear to be sensitive to different types of causal forces. In other words, the nature of the relationship is dependent of the chosen measures of private pensions.

Secondly it is not always recognized that in order to unravel a *ceteris paribus* relationship between public and private provision it is necessary to control for factors that might jointly influence the two. A number of the studies put forward is simply bi-variate historical relationships between public and private pensions. It is of course, interesting to see if there is a positive or negative bi-variate relationship between for example public and private pension expenditures quite simply telling us that in a given situation both public and private pensions can grow in tandem. Even so, the problem should be cast in terms of multivariate causal modeling. There is every reason to believe, for instance, that the scope of both public and private pensions is positively related to factors like economic development/prosperity and

union density. This would imply that the observed pattern of bi-variate covariation (across time and space) could be misleading as a source on the extent of an actual trade-off/substitution.

With respect to the use of statistical controls, studies relying on a cross-national framework have severe limitations, as the small number of cases does not allow for more than a few covariates - at the very best. Time-series data are highly attractive if they cover a period with substantial changes in the level of public pensions. In that case they directly speak to the issue of the consequences of change, but also here the question of keeping other influential factors under control is paramount. Many things grow with time, and it is difficult to single out the net effect of changes in public pensions on the level and growth of private pensions.

The obvious similarities in social, economic and political structure between Denmark and Norway - together with a significant divergence in the level and structure of public pensions - make them an ideal pair for comparative analysis. Both the time-path of private pension developments in each country and the cross-country comparison will be used to evaluate the contrasting claims about the relationship between public and private pensions. The hypothesis of substitution would lead us to expect that private pensions taper off in Norway as the second tier of income related public pensions gradually matures during the seventies and eighties, and we would expect that private pensions can be shown, across all indicators, to play a greater role in Denmark than in Norway, with an exception for early retirement.

However, the extent of actual control which can be achieved by confining the analysis to similar country cases could easily be exaggerated. The political economies of Denmark and Norway certainly differ in important respects, some of which can be suspected to have a distinct influence on the structure and distribution of private pensions. Among the most important we should mention differences in the industrial structure, the nature of trade-unionism and the general economic climate during the period under study. It is equally important to be aware of common trends in the two countries that might underlie some of the observed development in private pensions over time: Economic growth, a strong growth in public sector employment (and the advent of the service economy more generally), the rise of the two-earner family, and pressures towards reducing the effective retirement age.

In the present comparative analysis we shall be conscious about the issue of control, although we do not attempt to make use of statistical techniques. We cannot pretend to conduct a formal test of the contending hypotheses about the relationship between public and private pensions, but we think that a careful investigation of these two country cases does provide for some tentative conclusions. Nevertheless, the strength of this analysis is the combination of a wide range of indicators used and the possibility of conducting to some extent a control for the

impact of other factors influencing both public and private pensions through the comparative design.

Before closing this section a brief terminological clarification is useful. Although we recognize that the conventional public/private dichotomy is problematic for many theoretical purposes, we nevertheless use it as a means to organize the following presentation. A program is considered to belong to the public fold if it is legislated *and* covers the whole population or at least all wage earners. To qualify as private, the coverage and benefit structure of a pension scheme must reflect discretionary decisions on the part of private agents, either the beneficiaries themselves (individual pensions) or their employers/unions (occupational pensions). We treat special pension schemes for public employees as an instance of (private) occupational welfare even if they are technically arranged through legislation (see Rein, 1983). The main motivation is that they are selective welfare arrangements embedded in labor management and labor relations in much the same way as occupational schemes in the private sector (see chapter 1 for detailed discussion). Later in the presentation some boundary cases to be found in the two countries will be mentioned.

5.3 The structure of public pensions

For a long period - roughly from the mid thirties until the mid sixties - pension politics and policies followed quite similar paths in Denmark and Norway. In this period an approach to old age provision with a strong emphasis on universal minimum protection was developed and consolidated in the two countries. Universal coverage, (modest) flat-rate benefits, a high reliance on general revenue financing are among the characteristic features of the programs in both countries, and that applies generally to all the Scandinavian countries in this period. From the late sixties, however, public pension policies started to diverge quite sharply - the most important difference being the decision in Norway to built-up a second tier of income related public pensions, that was supposed to cater for the demand for income replacement among the economically active population.

Thus, while Norway followed the example of Sweden and Finland by supplementing flat-rate basic pensions with an income-related social insurance scheme covering the whole work force, Denmark remained faithful to the flat-rate model. An employment related public pension scheme was introduced in 1964 under the name of ATP (not to be confused with the Swedish scheme carrying the same initials),

but its flat rate and extremely modest benefits makes it rather insignificant as a provider of retirement income.

The Norwegian second tier scheme is directly modeled on the famous Swedish ATP-scheme although it is somewhat more modest. It covers all economically active, and is integrated with the flat-rate basic pension. The benefit plan of the combined first and second tier is roughly illustrated in Graph 5.1⁶. The system consists of three types of benefits: the fully universal basic-pension, the income related supplementary pension, and finally a special supplement targeted towards people with no or very low entitlements to supplementary pensions. The special supplement is not tested against any other income than the public supplementary pension, and, hence, together with the basic pension it forms part of a universal, public income guarantee⁷. The system has been rapidly maturing during the seventies and eighties thanks to special transition rules for the generations that were already in their economically active age at the time of introduction. Also in Denmark, public pension provision consists of three elements, but apart from the universal basic pension, the structure is evidently quite different⁸. Benefits from the ATP-scheme are clearly insignificant as compared to the Norwegian counterpart. Another important difference that has not attracted so much attention is that a substantial part of the minimum protection in Denmark is relying on means-tested benefits. While income testing was completely abolished in Norway from 1959, various income tested benefits have continued to form an important element of the publicly guaranteed minimum protection in Denmark. It should be noted that Graph 1 understates the level of minimum-protection in Denmark as it does not include an important means-tested housing allowance program targeted towards pensioners.

These differences in the benefit structure of public pensions can be traced also in the development and composition of public pension expenditure shown in Graph 2. Here public pension expenditure is decomposed into flat-rate minimum protection, employment related supplementary pensions, and public early retirement benefits. All are measured as percentage of GNP in the respective countries. In both countries old age pensions from the national systems can be drawn from the age of

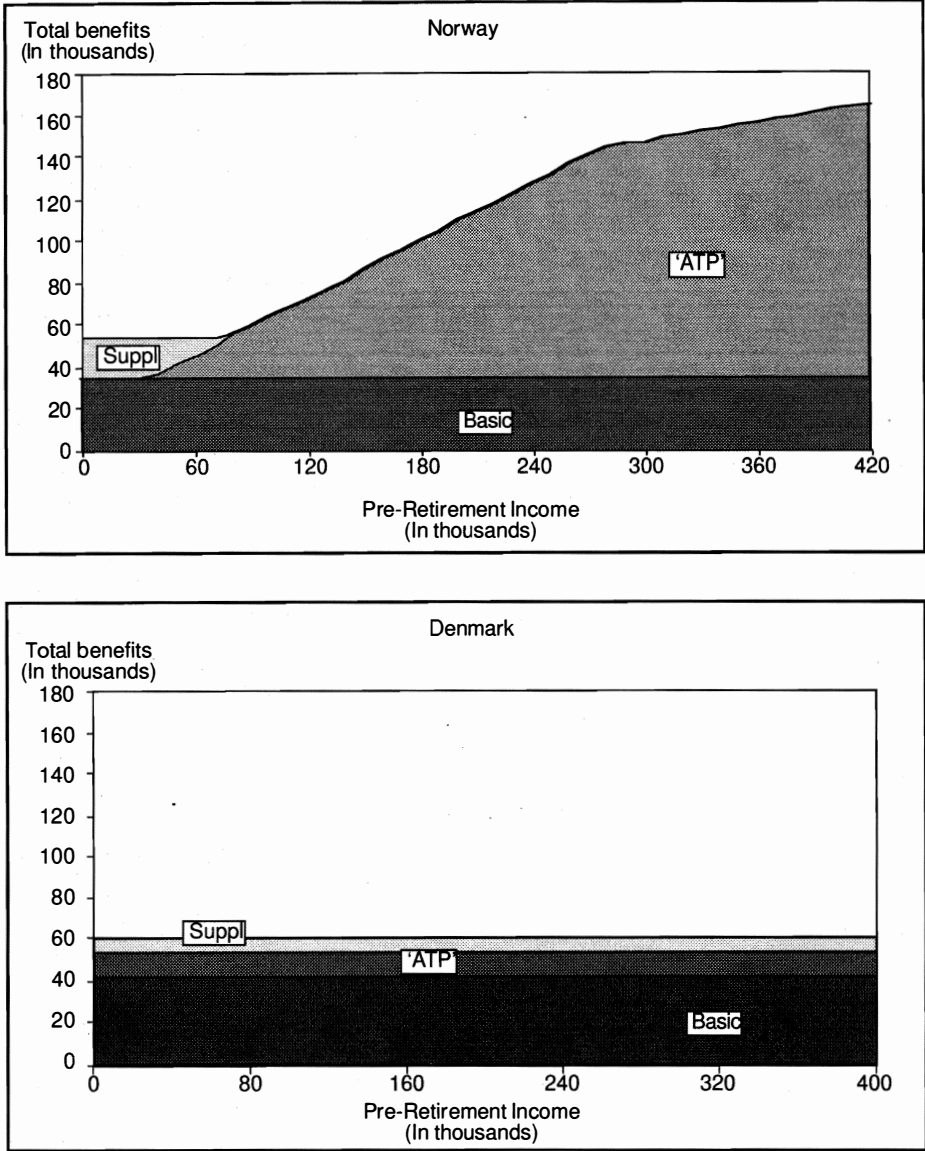
⁶ From 1992 the system was changed in the direction of reducing future benefit levels. We shall return to this in the narrative section on Norway.

⁷ The right to a full supplementary pension is achieved after 40 years of gainful employment, and the size of the income-related part is calculated on the basis of average incomes over 20 years with the highest income. A reduced income replacement is granted for the part of total income that exceeds 8 times the *base-amount* (=the basic pension for a single pensioner) and there is no replacement for incomes exceeding 12 times the *base-amount*.

⁸ The Graph is drawn with reference to real benefit levels in Danish kroner of each component in 1985.

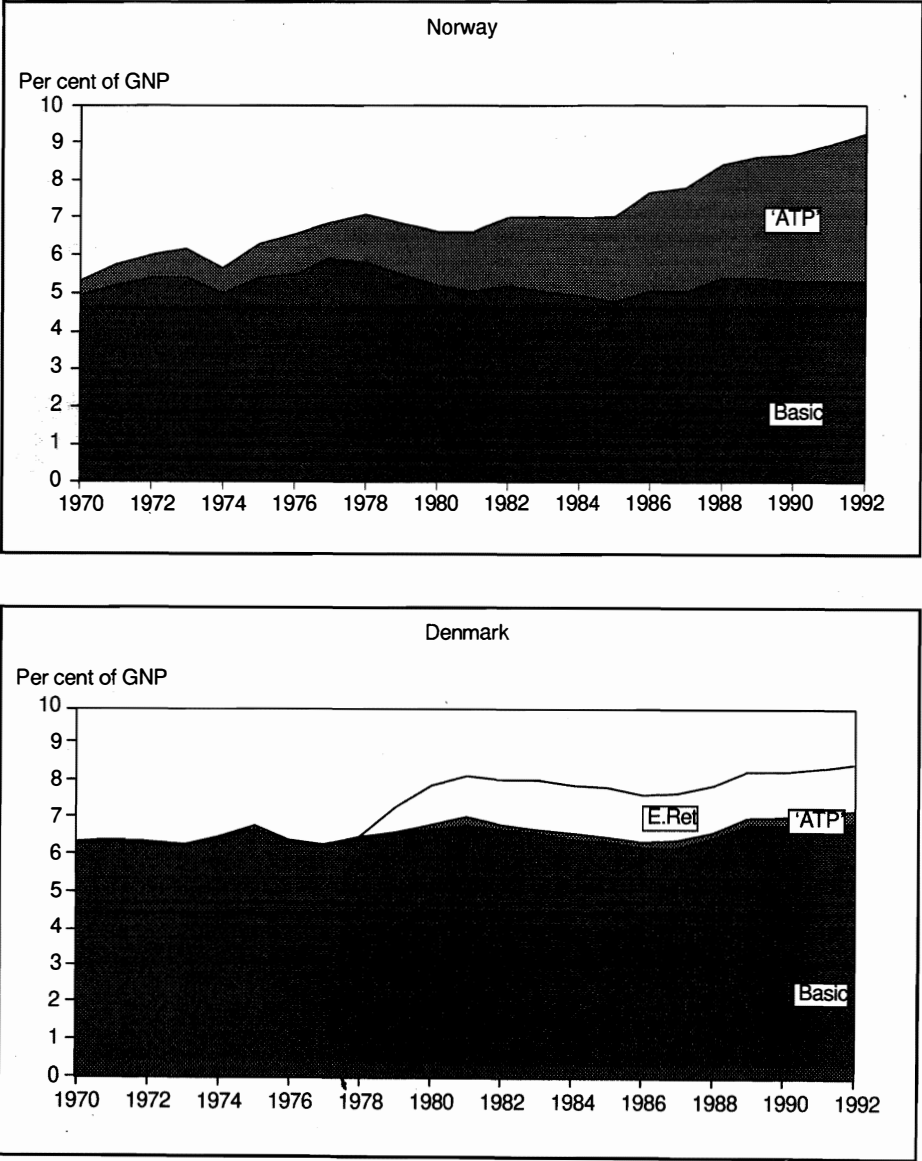
67. In the light of continued high unemployment rates since the first oil-crisis in 1973, Denmark introduced a special early retirement scheme in 1979, allowing withdrawal from the labor market from the age of 60. As can be read from Graph 5.2 expenditures on this scheme have been rather significant. So far no general public

Graph 5.1: The size and composition of public pensions for a single pesioner as a function of pre-retirement income levels (Norway). Purchasing power parities in Norwegian kroner 1990



scheme for voluntary early retirement has been introduced in Norway. However, a significant real decline in effective retirement ages for males, has taken place during the eighties through the disability pension program, unemployment insurance, and different types of occupational arrangements.

Graph 5.2: Pension expenditures in per cent of GNP 1970-1992



It should be mentioned that the level of public pension provision cannot be seen in isolation from taxation. Although pension income is generally taxable in both countries, pensioners nevertheless enjoy preferential treatment in the respective tax-systems. This means first of all that real replacement rates are generally higher than those appearing from comparisons of pre-tax incomes. Secondly it is important to note that special tax-allowances are targeted towards low-income pensioners, with the effect that marginal tax-rates can become very high in certain parts of the income scale. In Denmark this phenomenon has been exacerbated by means-testing on the benefit-side, leading in some instances to composite marginal tax-rates above 100 percent (Arbejdsministeriet, 1988).

As we are interested to unravel the possible consequences of differences in the public pension systems, it is important be aware of the fact that this divergence in the independent (treatment) variable has not been randomly assigned. Some of the factors that should provide an explanation for the different policy choices made in the late sixties, can also be suspected to directly influence the scope of private pensions in the seventies and eighties. Before we go on to present data on the development of private pensions over the last two decades we must therefore point to two such relevant differences between Denmark and Norway.

First, the industrial structure is very different with the Danish manufacturing industry dominated by small and medium sized companies that are generally fairly intensive in (skilled) labor and oriented towards the production of consumer goods. By contrast Norwegian industry has a high share of large companies involved in capital intensive production of raw materials and investment goods (Mjøset 1986). This could have made the introduction of statutory benefits easier in Norway than in Denmark. At the same time, it did provide a more fertile ground for occupational pensions in Norway.

Second, also the nature of unionism shows distinct features. While union density is clearly higher in Denmark than in Norway (roughly 80 versus 55 percent, see Scheuer, 1992; Dølvik and Stokland, 1992), the internal structure of the respective Trade Union Federations (LO) and the system of wage bargaining is more decentralized in Denmark than in Norway. The level of centralization can constitute an important precondition for a mutual trade union pressure in favor of public pensions.

⁹ In the case of academic professions (like doctors and lawyers) the employer is committed to contribute ten percent of the payroll to the pension fund while the employee paid another five percent. Typically for semi-professional groups (like nurses) the corresponding figures are eight and four percent

5.4 The development of private pensions 1970-1992

This section presents and discusses a range of quantitative indicators of the development of private pensions in the period from 1970-1992. The question is if the divergence in public pension provision has had a visible effect on the scope of private pensions, and if the time path of private pension development confirms the expectation that the introduction of a second tier of income related public pensions in Norway has had the effect of crowding out private provision.

At this point it might be useful with a short description of the type of private institutions that provide retirement income in the two countries. Private pension provision is characterized by distinct historical legacies in the two countries and for our purpose it is important to realize that the period prior to the divergence in public pensions - in the fifties and sixties - participation in occupational pensions was more widely diffused in Norway than in Denmark.

One of the most important historical differences concerns the organization of occupational pensions for public employees. In Norway coverage with occupational pension schemes was virtually complete among public sector employees from the early sixties. In Denmark, coverage with occupational pensions was quite incomplete in the public sector and the institutions much more heterogeneous and occupationally segmented, when our period of observation begins. Core segments of state employees were covered by the traditional civil servants' pension scheme, while growing numbers of professional and semi-professional were enrolled into a new type of occupationally distinct pension plans of the defined contribution type⁹. The proliferation of this new type of pension plan for public sector professionals in the sixties/early seventies did not radically increase the coverage with occupational pensions within the public sector as important segments of manual workers and low skilled administrative staff were excluded.

Furthermore, Norway has a relatively stronger tradition for company based occupational pension provision, and unlike the situation in Denmark it was already in the fifties quite common for private companies to run pension plans that even included blue collar workers¹⁰. The main cause for this difference between Norway and Denmark probably lies in the industrial structure with a stronger emphasis on large scale, capital intensive mining and industrial enterprises in Norway.

In both countries tax regulations have been developed and maintained over the years to secure favorable treatment of saving in private occupational pension systems. The main principle is the same as in most of the OECD-area that

¹⁰But generally on more modest terms than the white collar staff.

¹¹ In the early eighties a special tax on interests earned by pension funds was introduced in Denmark.

contributions (from the employer and the insured) and interests earned¹¹ are exempt from taxation, while benefits are treated as taxable income (see Johnson, 1992; and Duskin, 1992) but the nature of the regulation is still somewhat different. In Norway private sector occupational pensions are assumed to be company specific, and they are either organized through life-insurance companies or separate company pension trusts. Only schemes of the defined benefit type are recognized and they must in principle include all (full-time) employees.¹² In Denmark the conditions for preferential tax treatment are much less restrictive. Both defined contribution and defined benefit schemes are allowed, the schemes can cut across companies, and they are not supposed to cover the whole full-time staff of the companies involved. There is also a possibility for employers to contribute on behalf of individual employees to special savings accounts in private banks aiming at lump-sum payments around the time of retirement.

One of the serious obstacles for comparative research in the field of private pensions is the problem of measurement. The inter-temporal nature of pensions implies that there are very different ways of measuring their scope, depending on whether one chooses to look at pension accrual among the economically active part of the population or to focus on expenditures and income packages among those already retired. Data on income packages and pension expenditures among those presently retired point *backward* in time since they must be understood as the result of historical developments in the pension system and wider social and economic structures over previous decades. On the other hand, data on coverage, contributions, and pension fund performance point *forward* in time in the sense that they provide information on the level, composition, and distribution of retirement income at some future point in time. As any single indicator can only tell a part of the story we have chosen to include a wide range of measures, although they will sometimes reflect the same general tendencies.

We start by presenting indicators that measure the role of private pensions for the income provision among those already retired. Data for the whole twenty year period is presented, but it is mainly in the later part of the period that we can expect to see the full consequences of the different policy choices made in the late sixties.

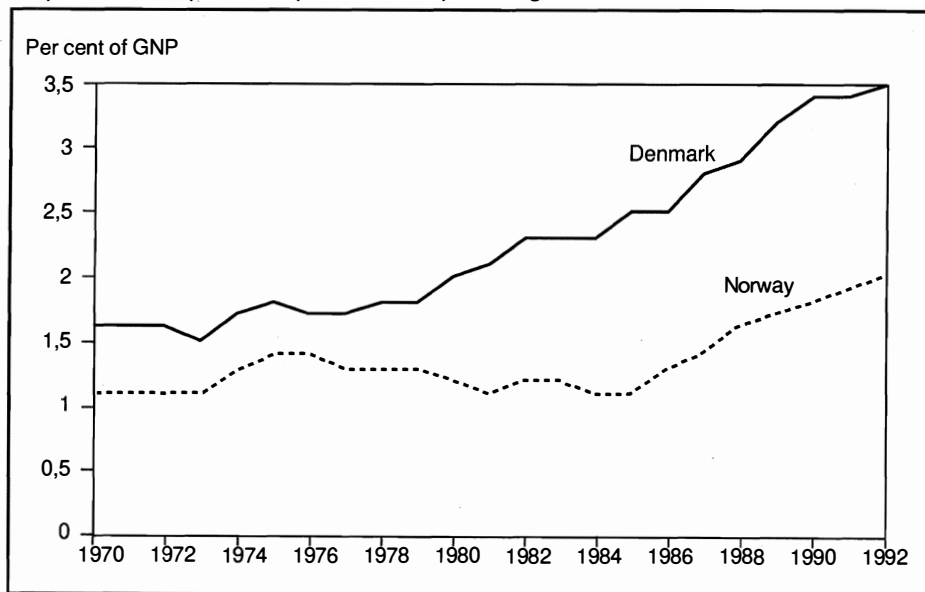
¹²Since the late sixties tax regulations no longer allowed companies to discriminate between blue and white collar workers.

The expenditure side

The expenditure figures presented in the following graphs are attractive as indicators of the scope of private pensions for the simple reason that they are fairly complete. They summarize information on all the different types of private institutions - from the unfunded schemes for civil servants and other public sector employees to fully funded individual life-insurance¹³.

Graph 5.3 shows aggregate private pension expenditure as percentage of GNP in the two countries. Measured in this way private pension expenditure was higher in Denmark than in Norway from the early seventies and throughout the entire period. In both countries private pensions increased their share of the available economic resources, but the increase is stronger and more persistent in Denmark. By 1992 the share taken up by private pensions had grown with 1.9 percentage points in Denmark - from 1.6 to 3.5 percent - and with 0.9 percentage points in Norway - from 1.1 to 2.0 percent.

Graph 5.3 Private pension expenditure as a percentage of GNP 1970–1992

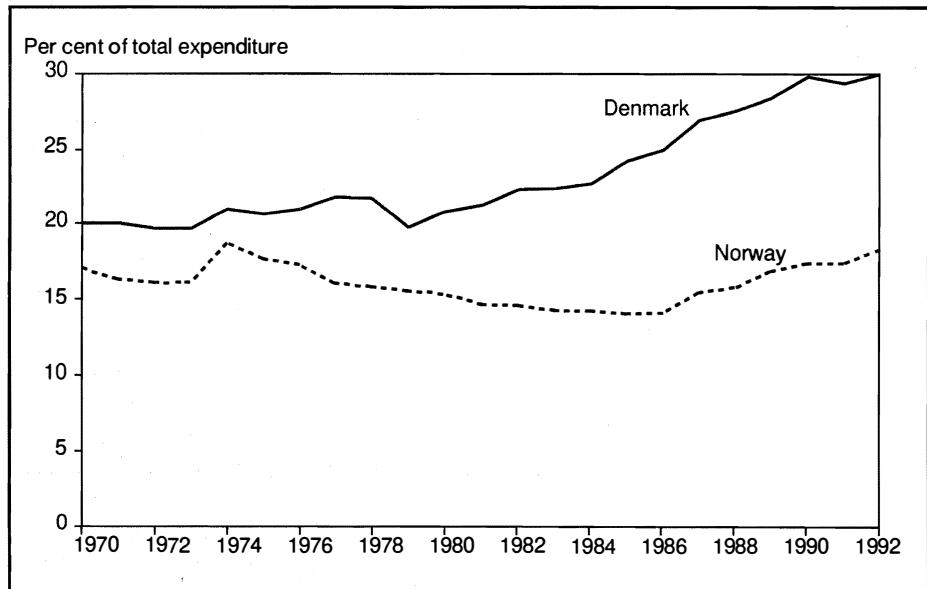


¹³ Note however that figures do not capture any direct transfers from private companies to former employees and their families. At least for Norway direct transfers have been shown to be a quite prevalent method in the area of early retirement and for topping up benefits from funded pension plans (Hippe and Pedersen, 1988), but comprehensive and comparable data for this part of the private pension sector simply do not exist.

If the Norwegian figures are, considered in isolation, there is no strong and unambiguous sign of an increasing crowding out of private pensions in the period where we know that the public superannuation scheme has been maturing. On the contrary, the picture is rather one of relative stability until the mid eighties, with a small rise around the mid seventies and a corresponding decline around the turn of the decade in the relative scope of private pensions¹⁴. From the mid eighties we even see a remarkable growth in private pensions. Although a minor part of the growth in this later period can be explained by the absence of a genuine public early retirement scheme¹⁵, it is clear that private pension expenditure shows a strong upward trend in a period where there is still a solid expansion in the public system.

However, if one considers the Danish development as a counterfactual there emerges a picture of what might be called «relative containment» in the Norwegian case. The fact that private pension expenditure is more or less constant relative to GNP from 1970 to 1985 while it in the same period shows steady growth in Den-

Graph 5.4 Private pension expenditure as percentage of total public and private pension expenditure 1970–1992



¹⁴ Very strong economic growth rates in the late seventies related to the booming oil-industry must be held partly responsible for the slight decline in this period.

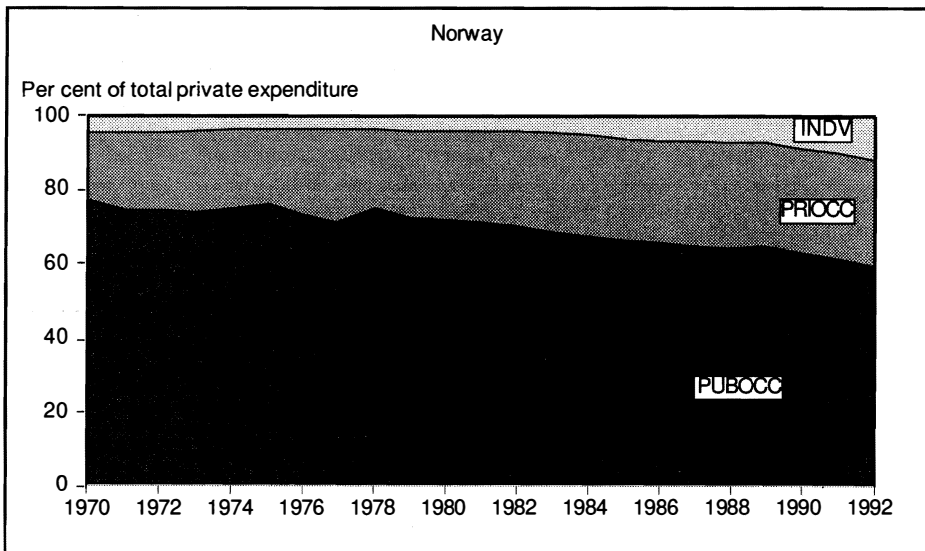
¹⁵ Our figures capture expenditure on early retirement in the public sector only. Early retirement schemes in the private sector that became prevalent in the late eighties were in general financed directly as part of current expenditures.

mark can reasonably be attributed to the expansion of a second tier of income related pensions in Norway. The period with rapid growth beginning in the mid eighties fits less well into a portrait of «relative containment». But even here one should make note of the fact that the high growth rates in private pension expenditure which characterize the development in Norway are almost matched in the Danish figures although the latter depart from a higher level.

This general pattern is replicated when we change the numerator and represent the scope of private pension expenditures as percentage of total public and private pension expenditure in Graph 5.4. The «relative containment» which can be said to take place in Norway until the mid eighties is more visible in this framework. Private pensions reduce their share of total pensions from 17 percent in 1970 to 14 percent in 1985. In the latter half of the eighties the share of private pensions once again increases to a level just above that found in 1970 (18.3 percent). In Denmark the share of private pensions shows a steady increase from 20 percent in 1970 to 30 percent in 1992.

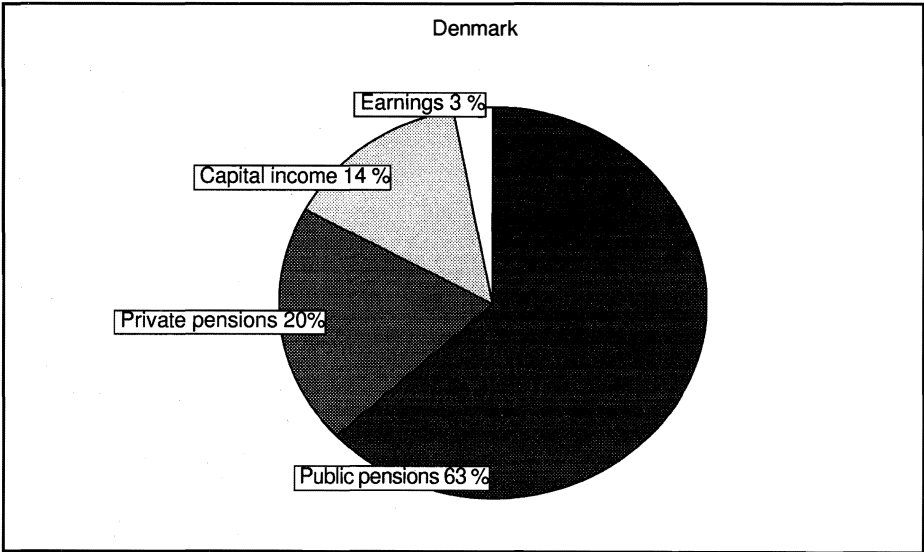
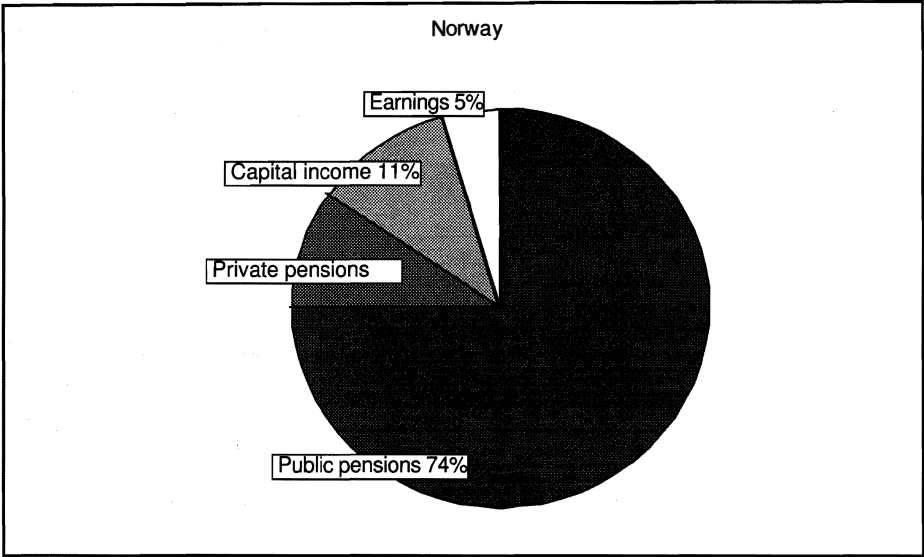
The «relative containment» interpretation implies that underlying forces in both countries push for an expansion of private pension expenditure, but that in the case of Norway the push is being (partly) offset by the expansion of income related public pensions. General income growth and a corresponding higher demand for retirement income is likely to be one of these underlying forces. Another is un-

Graph 5.5: The composition of private pension expenditures. Public occupational, private occupational and individual pensions in percent of total private expenditure.



¹⁶ Which is the case in both countries although coverage in Denmark fell short of a hundred percent

Graph 5.6: The share of different income components in total gross income. Retired households 1986/78. Source: Luxembourg Income Study data-files.



doubtedly the dramatic growth in public sector employment which took place in the sixties (Denmark) and seventies (Norway), and which has continued on a slower pace in the eighties. Given that coverage with occupational pension schemes is very high in the public sector¹⁶, the relative growth in public sector employment should eventually result in increasing occupational pension expenditure, provided of course that everything else has remained constant.

Graph 5.5 shows developments in the composition of private pension expenditures. It is evident that occupational pension schemes for public employees figure prominently among the «private» pension providers in both countries. For Norway we are able to distinguish individual pension insurance from private occupational pensions, and here it is worth noticing the growing relative importance of individual annuities.

The importance of public sector occupational schemes in Norway supports the suspicion that some of the growth in private pension expenditures which takes place from the mid eighties is a reflection of several decades of public sector employment growth. But clearly this is not the whole story. Real growth in expenditures from private occupational schemes and individual annuities must be the result of other institutional or behavioral changes.

A similar graph based on Danish expenditure data is not available. However, in order to complete the picture taken from the expenditure side Graph 5.6 presents a snapshot of the composition of income packages among the elderly in 1990 taken from recent income surveys in the two countries.

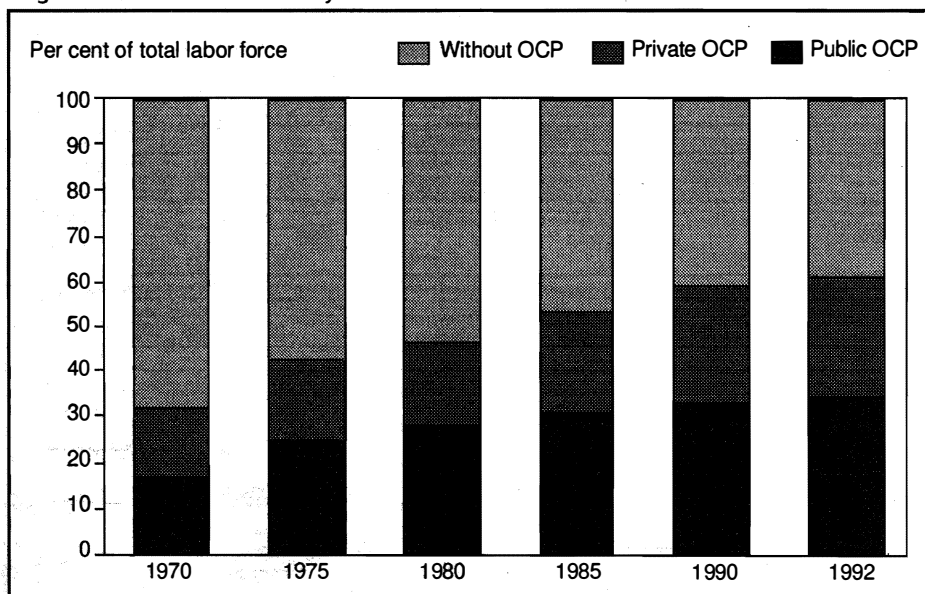
Despite all institutional differences and a common growth trend in private pensions, public pensions are still in the later half of the 1980's fairly dominant in both the two countries and responsible for two thirds and three fourths of total gross income among pensioner households in Denmark and Norway, respectively. In line with the differences emerging from expenditure data, private pensions take up 20 percent of gross income in Denmark and only 14 percent in Norway. Differences between the two countries are less with respect to the relative significance of capital income and earnings. In fact capital income (primarily interests from financial savings) is relatively more significant in Norway. While the introduction of income related public pensions in Norway seems to have contributed to limit the growth of occupational and individual pension expenditure, there is no sign of a crowding out (absolute or relative) of ordinary savings as a source of retirement income¹⁷. It worth noting that, as could be expected from the data presented here, income surveys show that the share of private pensions and of capital income is growing among pensioners in both countries.

¹⁷ This is in line with findings based on time-series data for the US. While saving in occupational pension schemes is shown to react very strongly to changes in the level of public pensions, other types of private savings are largely unaffected (Munnell, 1982).

The contribution side

Expenditure data will only reflect changes in the pension system and wider social structures with a considerable time-lag. In order to study the impact of more recent changes in the pension system, one should look at figures on pension accrual among the economically active population. We shall start this part of the presentation by looking at figures on coverage with occupational pension schemes among wage earners. For Norway there is a fairly consistent and reliable data-series spanning the whole period. Graph 5.7 shows that the coverage with occupational pensions has grown steadily over the two decades from around one third of the work force in 1970 to just above 60 percent of all wage earners in 1992. Despite the expansion of a second tier of income related pensions more and more wage earners participate in occupational pension schemes that aim to supplement benefits from the statutory system. As can be read from the table a significant part of this growth is a consequence of employment growth in the public sector, where coverage with occupational pensions has for long been an integrated and universal part of the employment contract.

Graph 5.7 Rates of coverage with public and private sector occupational pension plans among wage earners. 1970-1992 Norway¹⁸.



¹⁸ The calculation of coverage rates among wage earners is done simply by dividing the total number of members as recorded by the different pension institutions with the actual number of wage earners, thus in a completely static way. This method is likely to underestimate the share of wage earners who build up at least some occupational pension rights during their economically active years, but it will definitely overestimate the share who manages to obtain a full contribution record.

But again this is not the whole story. Especially during the eighties there has been a substantial growth in coverage with occupational pension schemes among private sector employees. We can roughly estimate that in 1992 around 45 per cent of all private sector employees participate in a company based pension plan. The growing coverage in the private sector is a decentralized development. It has an important structural component (e.g. employment growth in industries and occupations with a traditional high coverage), but it is also a reflection of the fact that company pension plans have become more prevalent in sectors that used to have low and medium coverage (Hippe and Pedersen, 1992).

The figures in Graph 5.7 do not cover schemes for early retirement in the private sector. We have already mentioned that so far no public scheme of early retirement has been introduced in Norway. However, in 1988 a new contractual scheme for voluntary early retirement (between age 65 and 67), AFP, was negotiated between the peak organizations in the private sector (LO and the Norwegian Employers Association, NHO), and at the same time provisions for early retirement were built into the existing pension schemes for public sector employees.

The introduction of these contractual early retirement schemes deviates radically from a picture of substitution, whereby occupational schemes are developed by trade unions as a second best solution to public provision. The Norwegian LO has in fact insisted on the establishment of these contractual schemes rather than meeting the need for early retirement through general legislation. The reason lies with broader strategic concerns, partly the need to demonstrate the efficacy of LO vis-à-vis members and the general public and partly the wish to maintain centralized wage bargaining despite internal and external pressures for decentralization of the system of wage determination.

It can roughly be estimated that a little more than half of the Norwegian wage earners are covered by early retirement provisions. In the private sector coverage of this centrally negotiated AFP-scheme will partly overlap with the coverage of the completely decentralized system of ordinary retirement schemes that we have included in the figures above.

Table 5.1: Estimated rates of coverage among wage earners. Selected years. Denmark

	1963*	1977*	1981*	1986*	1993*
Coverage per cent	18-22	30	32	35	69

Sources: *Henriksen et al. and Socialkommissionen 1993¹⁹

¹⁹ The figures taken from Henriksen et al. stem from a number of individual surveys. Comparability and reliability is low because of differences in sampling and wording of the questionnaires. The estimate for 1993 is based on register data and therefore much more reliable.

Unfortunately we do not have data of a similar quality for Denmark. However the available information, presented in Table 5.1 is sufficient to establish the rather paradoxical finding that coverage with occupational pensions has been well below the Norwegian level throughout most of the period with a notable exception for the last few years. Until recently the lack of a second tier of occupational pensions in Denmark has failed to trigger a massive growth in the coverage with occupational pension schemes among Danish wage earners. Around the mid eighties a little more than one third of all wage earners participated in occupational pension schemes. Coverage remained largely concentrated among white collar groups in the public and the private sector. In this period it was estimated that only around 10 per cent of blue collar workers participated in an occupational pension plan (Henriksen et al., 1987). Part of the explanation for the lower coverage in Denmark can be found in the strong institutional differences concerning public sector employee pensions mentioned in the beginning of this section. But this does not explain the lack of a more pervasive diffusion of company based pension schemes among core segments of blue collar workers in the private sector in Denmark.

However, something happened in the late eighties/early nineties to dramatically change the picture. For 1993 it is estimated that close to 70 per cent of wage earners are covered with an occupational pension scheme. Thus, the rate of coverage in Denmark now slightly exceeds the Norwegian level. The shift was caused by the establishment in 1989, 1991 and 1993 of a series of industry-wide pension schemes in the private as well as the public sector covering large segments of blue collar and low skilled non-manual workers- main parts of the LO constituency if you like. These new pension schemes were established as part of a number of industry-wide wage agreements and without any direct state intervention. In important respects the new schemes are modeled on the existing schemes for professional groups in the public sector - e.g. they are fully funded and of the defined contribution type with two thirds of the total premium covered by the employer. So far contributions to these schemes are extremely modest - typically less than one percent of the pay-roll - but the intention is that they shall be gradually expanded in future rounds of wage negotiations to approach a target of 9 percent of the pay-roll in annual contributions.

The most pertinent question is: Why did this not happen before? This is all the more puzzling given the fact that the union density in Denmark is among the highest in the world, and thus the opportunities for trade unions to develop contractual schemes to supplement inadequate public pensions should - at least on paper - be better than in most places. Part of the explanation lies with the bad shape of the Danish economy from the first oil-price shock and well into the eighties, which tended to push pension reforms down on the unions' agenda. When the Danish trade union movement did turn its attention to the issue of improving pension coverage

among unskilled and skilled manual workers in the mid eighties a fierce struggle developed over the institutional framework. The Danish LO wanted a centralized scheme if possible backed by legislation, while the employers insisted on a decentralized solution. After several years of intensive bargaining the stalemate was broken as a number of national trade union branches defied LO and set up a number industry-specific pension schemes in collaboration with the respective employer organizations (Østrup, 1994).

At present both countries exhibit coverage rates in the area of two thirds of all wage earners but the process and the types of schemes differ substantially. In Norway a gradual and decentralized expansion of company based pension funds has (together with public sector employment growth) produced a situation where a majority of wage earners including core segments of blue collar workers are covered with some kind of occupational pension scheme²⁰. In Denmark coverage was for long both surprisingly low and relatively stable, but initiatives by a number of unions at the national level changed the situation quite radically within a few years. Although the new industry-wide schemes in Denmark have boosted coverage rates, it still remains to be seen whether they will develop from their present embryonic state into something more substantive. And even if they do, it will take some time before they begin to make a significant contribution to the amount and distribution of private pension saving (not to speak of expenditure) among wage earners.

Now, if we were to base our analysis on evidence about coverage alone we would certainly conclude against the proposition that there is a relationship of substitution between public and private pension provision, and without considering the latest development in Denmark it would have been difficult to avoid the conclusion that the existence of a second tier of income related pensions in Norway has somehow facilitated a relatively broad diffusion of occupational pension schemes. One possible mechanism here is that the introduction of a second tier of income related public pensions in Norway has triggered a shift in expectations and preferences among Norwegian wage earners about what constitutes an adequate replacement rate in retirement. A perhaps even more persuasive explanation is that the pension reform in Norway has had a positive effect by making it less expensive for employers to meet a certain target of income replacement - as Dobbin and Boychuck (1996) have suggested for the case of US after the «New Deal». This is all the more likely as the occupational pension scene in Norway is totally dominated by defined-benefits plans and gross replacement rates in the area of two-thirds of the final salary seems to be established as the general norm (Øverbye, 1990).

²⁰ Of course the quality of these schemes varies quite substantially, between sectors industries and individual firms- see Hippe and Pedersen, 1992).

There are, however, important alternative explanations for the paradoxical difference between Norway and Denmark, and they focus on the relatively low coverage with company specific pension plans among private sector enterprises in Denmark. First of all the industrial structure with the strong reliance of small scale labor intensive manufacturing enterprises is certainly relevant as an explanation for the relatively low diffusion of company based pension plans. Secondly we should emphasize that the continued use of means-testing in the public pension system, which characterizes the Danish system, has meant that the effective (composite) marginal tax rate on private supplementary income was very high - especially so in income brackets just above the public minimum (see Section 5.2 above). Hence, to participate in an occupational pension scheme was hardly worthwhile unless expected benefits were high enough to bring one well beyond the public minimum. In other words, the role of means-testing in the Danish system created an incentive structure that tends to (re-)produce a dual (bimodal) pattern of private pension saving: some save a lot and some do not at all²¹. After pressure from the LO in the late eighties this problem was addressed but not completely solved by the legislature in an attempt to facilitate a wider coverage with occupational pensions.

The more general lesson to be drawn from this discussion is that the rate of coverage is an aspect of private pension provision that appears to be quite insensitive to variation in average replacement rates promised by the public system - at least in the short run. The composition of the work force, the industrial structure as well as the nature of labor market institutions seem to be far more relevant to explain a particular level of coverage with occupational pensions. The substitution effect that we have already found on the basis of expenditure data²² must work through other aspects of private pension provision - in particular the average size of contributions made and the rate of pension accrual taking place among those segments who do participate²³.

Let us therefore go on to look at the development in contributions made to and assets held by private pension institutions in the two countries. One should be aware of one serious drawback with these figures as indicators of the scope of private pensions. They only cover fully funded pension schemes, since contributions are either non-existing or not meaningful as measures of pension accrual among the participants in unfunded or semi-funded pension schemes. For this reason the important descendants of the traditional civil servant pension schemes are not included,

²¹ «Saving» should here be taken in the broad sense of building up claims to future income streams, since the logic also applies to unfunded occupational pension schemes..

²² Below we shall confirm the finding on the basis of data on contributions and assets.

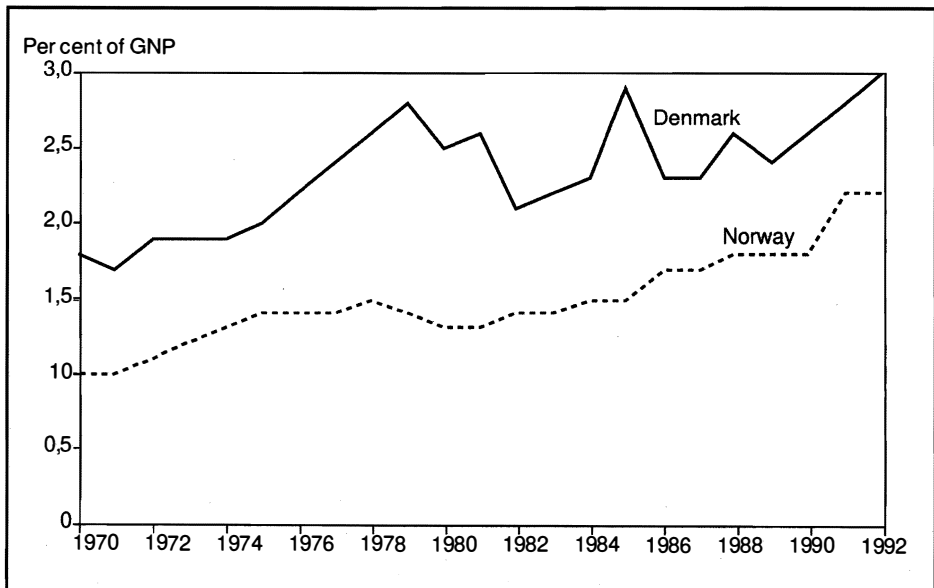
²³ Of course it might also partly work through individual pension insurance for which we have no comparable data on coverage.

but we are fairly confident that the omission does not seriously disturb the cross-national and cross-time comparisons made.

If the Norwegian pension reform in 1967 has helped to slow down the growth of private pensions, as compared to the situation in Denmark, the effect should be quite immediately visible in the development of premiums and contributions paid. Or to put the question from a different angle: Do we find the same paradoxical situation as in the case of coverage, that the private component appears to be relatively more salient in Norway? The figures presented in Graph 5.8 show quite clearly that this is not the case. Private pension contributions are markedly higher in Denmark than in Norway throughout the whole period, despite the fact that participation in occupational pension schemes has been concentrated on a more narrow section of wage earners. We do see a clear tendency towards substitution or relative crowding out in the cross-sectional comparison, but again private pensions show a remarkably strong growth in Norway from the mid-eighties.

The picture is replicated in Graph 5.9 which shows developments in the size of accumulated pension funds as a percentage of GNP. At the very beginning of the period total private pension funds were actually relatively bigger in Norway than in Denmark - confirming the notion that prior to the pension reform in 1967 the private occupational pension scene was on the whole somewhat more developed in Norway than in Denmark. But the much higher contribution rates after 1970 quickly

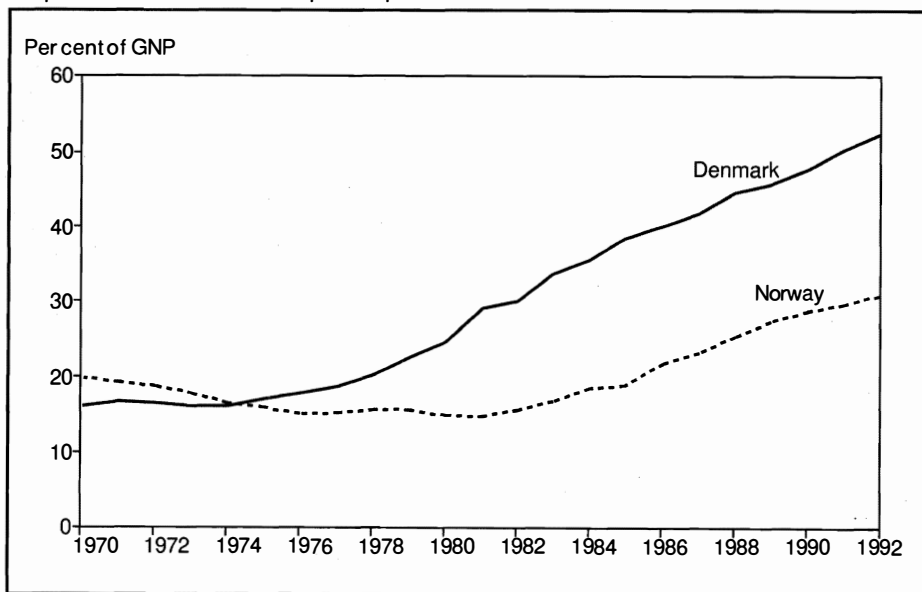
Graph 5.8: Total premiums paid to private (funded) pension schemes. Percent of GNP. 1970-1992.



put Denmark in the lead, and in the early eighties the relative size of total pension funds had grown to about twice the size of the corresponding Norwegian figures. With total private pension assets now in the area of more than half of the annual gross-national product, Denmark ranks among the leading countries in the world in terms of the size of private pension capital (The Danish Ministry of Finance, 1993). In Norway, on the contrary, total pension fund assets declined steadily as a percentage of GNP during the seventies, thus giving a very direct impression of a process of crowding out²⁴. However, as we would expect from the development in contributions, pension fund assets have been growing at a very high pace in Norway since the mid eighties.

At this point we should dwell a little with the factors that appear to push for private pension growth in both countries and especially with possible ways to explain the dramatic growth in private pensions in Norway from the mid-eighties - a development that is all the more puzzling on the background of the continued maturation of the public pension scheme. We have already suggested that part of the explanation lies with structural changes in the composition of the work force - e.g. employment growth in sectors and occupations with a long-standing tradition for occupational pension provision. General income growth could also in itself ex-

Graph 5.9: Total assets held in private pension funds. Percent of GNP. 1970-1992.



²⁴ Again the very high economic growth rates in the seventies in Norway triggered by the discovery of oil-reserves in the North sea has contributed to the relative decline.

plain a certain increase in the taste for retirement income, and finally there is in both countries a strong push for provisions for early retirement.

However, in the Norwegian case it should be recognized that the picture so far conveyed of a public pension system that is becoming increasingly generous could be somewhat misleading. Therefore the Norwegian experience from the last few years need not be quite as paradoxical as it would seem. First of all the system has not been fully adjusted to developments in wages, so that it increasingly falls behind the replacement rates that were originally envisaged (Hippe and Pedersen, 1991)²⁵. Even more important is probably the vastly increased female labor force participation and the corresponding change from one-earner to two-earner families as the overriding norm among the economically active population. The point is that the public system was designed in a way to secure higher replacement rates for one-earner as opposed to two-earner couples. Therefore the typical modern couple will face a lower replacement rate than did the generations retiring in the early seventies. Also in Denmark this is likely to be an important factor behind the increasing demand for private pensions throughout this period²⁶. Thirdly, the lack of a public scheme for early retirement on non-medical grounds has left a lacuna to be filled by occupational schemes. Finally, widespread concerns for the financial soundness of the Norwegian public pension system shared and voiced by most of the political establishment in the second half of the eighties has probably given rise to a general expectation that the level of benefits would sooner or later be substantially reduced²⁷. If this is part of the story, it would to some extent help to insulate the hypothesis about a basic substitution between public and private pensions from the anomaly presented by the rapid private pension growth in Norway since the mid eighties.

5.5 Conclusion

At the outset of this chapter it was asked if divergence in public pension policies has had a visible effect on the scope of private pensions in Denmark and Norway.

²⁵ This does not contradict the fact that replacement rates for successive cohorts of newly retired has continued to grow.

²⁶ The universal entitlement of a flat-rate pension to spouses that never participated in paid employment makes for a higher replacement rate for one-earner as against two-earner couples.

²⁷ An expectation that has already been fulfilled in the sense that the rules governing future pension accrual were changed with effect from 1992. Public opinion surveys from this period did show a widespread distrust of the public pension system (Øverby, 1989).

And, as a specific question it was asked if the introduction of income related public pensions in Norway has crowded out private pensions. In order to answer these questions it was pointed to the fact that private pensions could be measured in very different ways, and that the conclusions drawn could be dependent on what measures are actually used in an analysis. Moreover, we stressed the need not only to look at the bi-variate relationship between public and private pensions, but also to focus on the relative substitution effect in order to contribute to a solving of the current dispute over the issue of substitution between public and private pensions.

This chapter is to be concluded by referring to conclusions at three different levels of analysis: What can be said about the Norwegian and Danish cases themselves and the specific consequences of the different policy options chosen in each country, what are the implications for the methodological problems involved in attempts to unravel a possible systematic relationship between the scope of public and private pensions, and finally what can we say in substantial terms about the general issue about the existence and strength of a trade-off between public and private pensions?

The lessons from the Danish Norwegian comparison

First, no doubt, the divergence in public pension policies between Denmark and Norway has had an effect on the scope of private pensions. This conclusion need some closer elaboration. Private pensions have grown in both countries, but private pensions have during the entire period of analysis been more important in Denmark than in Norway. Hence, in absolute terms there has been no crowding out of private pensions in Norway. Rather, private pensions expenditure, premiums and contributions show a remarkable growth. This is especially true from the mid eighties, a period where there is still a solid expansion in the public system. It should also be taken into consideration that the introduction of contractual early retirement schemes in Norway deviates radically from the picture of substitution, whereby occupational schemes are developed by trade unions as a second best solution to public schemes. Moreover, if the analysis were to be based on the evidence about coverage alone, one would certainly conclude against the proposition of substitution.

The analysis has shown that underlying forces in both countries push for an expansion of private pensions. The core conclusion of this comparison is even so that when Denmark is seen as a counterfactual to the Norwegian development a portrait of relative containment can be seen. The push for private pensions in Norway seems to be partly offset by the expansion of income related public pensions. In other words, it is fairly evident that the introduction of a second tier of income related public pensions in Norway has made a significant contribution to slow down the

growth of private pensions in this country from the late sixties and onwards. Similarly, the absence of a similar pension reform in the sixties in Denmark has helped fuel a subsequent expansion of private provision in this country. It should, however, be noted that the development from the mid eighties do not confirm fully with this picture.

There is reason to believe that the simple cross-national comparison tends to give an inadequate picture of the potential counterfactual developments, because the two countries differ with respect to a number of factors that can be assumed to directly condition the scope and growth of private pensions. The industrial structure, the general economic climate of the period and the pattern of trade-unionism in Norway does probably provide relatively more fertile ground for private occupational pensions. In other words: Had the pension reform not been enacted in the sixties, Norway would probably have experienced an even stronger expansion of private provision than the one we have observed for Denmark. And vice-versa: Had Denmark introduced a substantial income related second tier in the late sixties the scope of private pensions would probably have remained more modest than what can in reality be observed in the Norwegian case.

The fact that private pensions have grown in both countries at relatively similar rates in the eighties strongly indicates that other societal factors are directly influencing the scope of private pensions but, of course, this does not necessarily refute the existence of a relative substitution effect. The relationship between public and private pensions provision is far from mechanic in the way the thesis of substitution could lead one to think. Trade unions play a key role in switching demands for pensions between the public and private spheres. In addition structural factors can have an impact on the relationship between public and private arrangements. We have argued that changes in the employment structure with a growing service sector dominated by public sector employment, increasing real wages, pressures to lower effective retirement ages, and the rise of the two earner family are factors that explain the common growth pattern in private pensions.

Taken together, there is no clear cut mechanic relationship between public and private pensions found when analyzing pension developments in Denmark and Norway. In absolute terms private pensions are throughout the entire period under study more important in Denmark than in Norway. But, there has been an increase in private pensions in both countries. In other words, public and private pensions have grown in tandem in Norway. More importantly, the comparison show that relative to the development in Denmark, private pensions expansion in Norway have been offset by the expansion of the Folketrygd scheme since 1967. The nature of this relative substitution have been dependent on economic, structural and industrial relations variables.

Methodological issues

Second, turning to the methodological issues discussed in the introductory sections it has been shown that the analysis confirms the proposition that conclusions on the nature of public private interplay rely strongly on the operationalization of private pensions variables. Private pensions coverage can show a very different picture than can be found when focusing on premiums and contributions. A wide number of indicators is therefore vital to an analysis of public private interplay in pensions. Moreover, we should emphasize the need for explicit causal modeling for the purpose of explaining variation across time and space in the scope of private pensions. Among the background factors that need to be considered are: economic affluence, industrial structure, the size public sector employment, female labor force participation, the nature of trade unionism and wage bargaining, and the contemporary economic climate. It is reason to suspect that some of the key factors tend to influence public and private pensions in the same direction and, thus, to hide a real tendency for substitution. By recognizing how other factors influence the pattern and scope of private provision one should be able to obtain a clearer picture of a real tendency for substitution between public and private pensions. This observation also works in the opposite direction: the failure to allow for a trade off between public and private pensions could seriously bias the evaluation of other causes for variation in private pensions. These considerations point towards the need for multivariate statistical analyses, but as we pointed out in the introduction to this paper, simple cross-national data are not likely to be of much help because of the restricted number of country cases available for analysis. Analyses of pooled time series data is probably the most promising way forward, but severe problems concerning measurement and the availability, comparability of the appropriate data have to be solved before such an endeavor can be pursued on a large scale.

Can general conclusions be drawn?

Of course, the discussion of the Danish and Norwegian experience over the last two decades does not allow for firm conclusions about a general relationship between public and private pensions. We do think, however, that a number of propositions suggest themselves although they are more in the nature of hypotheses for further research than well established findings:

Independent on the view of public and private pensions as functional equivalents or as dualistic solutions to pension needs there is a tendency to perceive public and private pensions as close substitutes in quantitative terms governed by a clear cut trade off. On the other extreme private pensions can be seen as largely independent of public pensions. Once proper controls for variables that jointly affect public and private pensions have been made, there appears to be a general trade-off between public

and private pensions so that expanding (reducing) the level of public pensions does tend to produce a smaller (larger) scope for private pensions than would otherwise have been the case. In other words, a simple demand side logic does have considerable explanatory power for the development of private pensions.

However, we would not make the claim that the tendency for a relative substitution is invariant. The relationship between public and private provision is not purely mechanic. Rather it is reason to believe that the shape and strength of the relationship is affected by a set of intermediate variables and that the causal relationship is dependent on whether there is an upward shift in public pensions or a downward shift. Hence, we will suggest the following important modifications on the general tendency of a relative substitution effect:

The substitution effect is to a large extent dependent on the nature of industrial structure and the nature of labor market institutions. As already pointed to, trade unions play a key role in switching demands for pensions between the public and private arena. Their position on social policy issues is, however, difficult to predict as it can link up with particular strategic concerns and internal power relations - for instance between the national peak organization, national union branches and local (company) unions. Nevertheless, some hypotheses can be made: No doubt, coverage with occupational pension plans among the work force is a feature of private pension provision that is least sensitive to changes in public benefit levels and most strongly determined by factors like the industrial structure and the nature of labor market institutions. Strong trade unions can expand coverage of occupational pensions easier when public pension benefits are expanded, hence undermining the substitution effect on coverage. On the other hand, when measured as pension expenditures and contributions the substitution effect can be seen to be stronger the more powerful and coherent the trade union movement is. We believe for instance that the occupational pension scene would have been more highly developed in Norway as compared to the present situation in Denmark, given the hypothetical situation that no public superannuation scheme had been introduced in Norway in the late 1960s. One of the factors that can be assumed to contribute to this result is the stronger position of the peak organization, LO, vis-à-vis individual union branches and its ability to define and implement a common bargaining platform on behalf of all unionized workers.

The character of public pensions system should be taken into consideration as a determinant of the nature of public private interplay. Means testing can have the specific effect of dualizing participation in private pension systems and depress both coverage and pension accrual among segments of the labor force. The lifting of means-testing is a type of expansionary reform that is likely to boost the participation

in private schemes, and thus a special case where the general trade-off does not apply.

Also the character of the existing occupational pension system can be important for the strength of the trade-off: Systems based on defined benefit plans are more likely to show strong and immediate reactions to changes in public programs as compared to systems dominated by defined contribution plans because defined benefit plans are designed to link public and private pension accrual. This could trigger off attempts by employees and their union representatives to demand compensation when for example public schemes are cut back.

Last, but not least, the expansion of public pensions can sometimes help to shape expectations and preferences for retirement income so that the demand for private supplements does not decrease. Although we do not have any clear evidence on this, we suspect that this phenomenon of preference adjustment is less likely to appear if the process is reversed. While there is reason to believe that people have increased their taste for pensions as the public systems expanded in the golden post-war period, it does not follow that they will necessarily downgrade their expectations in tune with present or future cut-backs. As pointed out by Lieberman (1986) we cannot assume that all causal relationships work in the same way for upward and downward changes in the treatment variable.

Chapter 6 Trade unions and three crossroads of Norwegian pension politics

6.1 Introduction: A broadening of the analytical perspective.

This chapter explores in more detail the role of unions in the interaction between occupational welfare and public welfare arrangements. The discussion focusses on pensions as an example of policy feedbacks between public and private arrangements and the role of trade unions in this feedback process. This is done in order to discuss the hypothesis of political obstruction presented in Chapter 1 concerning the underlying logic of public and private interplay: This hypothesis assumes that a unified labor movement, preferring political solutions to the social needs of its members, is free to choose the avenue of public welfare expansion because broad groups of wage earners are not tied up in occupational arrangements. Hence, the key explanatory factor behind expansion of public pensions responsibility is the strength of the Social Democratic Party, while trade unions primarily mobilize votes for the party.

As a case for closer investigation, pensions are of special interest. Pensions are not only the most important welfare state program, they are most often selected as the dependent variable in attempts to identify the driving forces that underlie welfare state development (Myles 1989:2, Palme 1990:21–26). For unions the pension issue forces them to choose a strategy that activates a strong union voice without creating exit from individual members or from individual unions in the national confederations. At the same time, the important social dimension of pensions makes the issue of loyalty to the labor movement's broader welfare state ambitions crucial. An analysis of trade unions, industrial relations at an important crossroad of pension policies, is therefore an opportunity to reconsider the underlying dynamics of Norwegian welfare politics. The goal is to challenge the explanatory potential of theories that focus on the state as the key actor, and to argue in favor of a broader perspective including actors in the economic sphere. By doing this, it is possible to contribute to a revised understanding of the traditional social democratic success story in Norwegian welfare politics.

The analysis in this chapter does not imply that trade unions are the only, or necessarily the most important social policy actor. The point is to focus on a actor which is traditionally overlooked in order to contribute to a more complete picture

of social policy developments and at the same time improve our understanding of trade unionism in a Scandinavian welfare state context.

In the academic debate, Norwegian pension politics are traditionally approached from the perspective of conflict between political parties over the principles of pension legislation (Seip 1981, Pettersen 1982, 1987, Kunhle 1983, Hatland 1986, 1992). These studies focus on the importance of the public pension system. The disagreement to be found is primarily connected to whether the Labor Party actually was the driving force behind this development, or if a political consensus explanation is more adequate. In a Norwegian contexts it is first of all Pederesen (1990) who has argued that the development of labor market based pension arrangements are crucial to understand the establishment of a generous income related statutory scheme.

From a comparative perspective one must conclude that the current academic discussion is marked by the same tendency to regard public and private provision as distinct categories and thereby wage earners' preferences as unambiguous in favor of universal political pension arrangements. Implicit in this approach is an understanding of private pensions as a simple function of public coverage and generosity. Therefore, studies of pensions tend to focus on the effects of party conflicts on the expansion of public programs (Quandagno 1988, Heclø 1974, Ashford 1986, Baldwin 1990, Pampell and Williamson 1985, Myles 1989). This is the case in both comparative research, as well as in more historically-oriented single-country studies. No doubt, the mobilization of the working class, or lack thereof, is the dominant explanatory factor. Myles (1989:98) concludes that «the critical factor accounting for differences in public pension entitlements is the mobilization of the working class and the election to office of working class parties». In his analysis of 18 OECD countries Palme (1990) concludes that the study «is congruent with a class-political interpretation». Moreover, he states that «the causal analyses here indicate that in 1980, the most important factor for pension rights is class-based partisan politics, where Left cabinet strength turned out to get the highest coefficient» (Palme 1990:151).

The goal here is not to contradict that left party strength matters in pension policy or in a broader sense welfare policies, but to argue that the underlying process is also affected by labor market phenomena as well as by union strength and industrial relations systems. Even though it can not be made subject of empirical testing in a historical oriented one country study it should be recognized that this discussion have more far reaching implications. When introducing trade union strength and industrial relations variables into the analysis of the welfare state it becomes clear that powerful welfare states are likely to operate in (for them) favorable societal circumstances. Centralized wage determination and trade union strength

can be supposed to depress the degree of income inequality through the process of wage formation and, as is shown in this work, improve social rights through bargaining as well as at the same time improve the prospects of welfare state intervention. It is important to stress that this is neither very surprising nor is it necessarily a sign of welfare state failure. The point is quite simply that it changes our understanding of the underlying mechanisms of welfare state development and the effects of comprehensive public welfare systems. Pedersen (1994) has shown that the strong positive (bi-variate) effect between the size of the public welfare state and the distribution of disposable income is strongly reduced when controlling for union density. In other words, there is a more egalitarian distribution of income in comprehensive welfare states such as Sweden and Norway, but this does not come about only because of redistributive public policy efforts through the tax and transfer system.

For the purpose of this analysis, the introduction of trade unions and industrial relations into the analysis of pensions developments, does not contradict the fact that the final outcome is an expansion of public schemes. Rather it shows that the underlying process can not be understood best only as one of ideological party conflicts over public or private responsibility. Government action has both directly and indirectly stimulated private sector programs. And, unions and employers can, and have, taken action to develop private programs. Hence we are left with the existence of two systems of welfare provision, systems that mutually influence each other. The Norwegian story shows that they have served as pressure valves for each other. Expansion of private sector programs opened the way for increased public action. Public failure to meet demands for income security in old age triggers action, unions turn to corporations and to the bargaining table, corporations take unilateral action to increase productivity and to create loyalty. Under certain conditions private arrangements are not just a substitute for public programs, the two systems can develop simultaneously. As this discussion will show, it is necessary to acknowledge the historical specificity of a positive interplay.

If we combine the notion of the public-private divide as a continuum with the assumption of basically pragmatic and strategic behavior by key actors in the choice between public and private responsibility, it follows that we must broaden our understanding of the process of policy feedbacks in social policy development. The core argument here is that there is a process of policy feedback between public and private arrangements created by the pragmatic use of arenas for social policy development among unions, employers and governments. It is widely accepted that public policies affect subsequent public policy (Heclo 1984, Esping-Andersen 1990, Skocpol 1992). The process of policy feedback, however, can be conceptualized in a different fashion by looking at the impact of policies on policy in different arenas.

It is necessary for understanding the mutual interplay between the arenas of decision-making. Applied to the Norwegian case, a focus on only public policy feedbacks might prevent us from detecting a broader range of causal explanations.

The following discussion is organized chronologically, to show how the actions of labor and employers have influenced the development of pension policies. In Norway, the struggle for increased economic security after retirement has been linked to three political crossroads. At these stages of pensions' development, important elements in the current pensions' construction has been laid out. By understanding the decisions at these crossroads, we can contribute to an explanation as to how the current features of the Norwegian pension system came to be and how it is subject to continuous change. No stable reinforced institutional solution, in Esping-Andersens terms, has been established. At present, concerns over the financial soundness of the national public pension system and the recent cut backs in the public income related benefits, have placed the future of the pension system once again on the political agenda and on the bargaining table.

A common denominator for these three crossroads is the question of where to draw the borders of public and private responsibility in the provision of pensions, and the involvement of the social partners directly and indirectly in the decision-making process.

After the introduction of a public means-tested pension system in 1937 (legislated 1936), the first major political crossroad was whether to increase benefits for those in need of more support, or to give priority to the introduction of a universal public pension system (Seip 1981). Universalism is seen as one of the fundamentals of Norwegian social policy, broadly agreed upon in the climate of the post-war consensus (Hagen and Hippe 1989, Kuhnle and Solheim 1981).

The second major crossroad in Norwegian pension politics is connected to the question of income-related pensions; should every wage earner have the (same) right to proportional pensions? Again, the core issue was whether increased coverage of income-related pensions should be achieved through labor market arrangement or through a drastic increase in state responsibility for pension provision¹.

Traditionally, the social policy literature focusses on these two important political conflicts. However, a third and more recent discussion on the responsibility of early retirement pensions is interesting. A highly fragmented system of occupational early retirement schemes has developed during the 1980's as a response to increasing pressure on older workers in the labor market. These developments have triggered action among employers and unions and pension issues have been put on the bargaining table again. This has not attracted much academic attention despite

¹This has been discussed by Pedersen (1990), Hippe and Pedersen (1991, 1992 and 1996). The discussion in Section 6.3 of this chapter is to a large extent based on these contributions.

its practical and theoretical importance². Even so, it represents a new crossroad in Norwegian pension politics with great importance for other parts of the pension system because it indicates a renaissance of collective bargaining in social policy.

6.2 Crossroad 1: The fight over universalism

The first public scheme of old age pensions became operative in 1937. It incorporated the principal features that characterized contemporary pension legislation in all Scandinavian countries. The system covered all persons over the age of 70, providing flat-rate pensions independent of earlier contributions. If the recipient had other incomes over a certain «free-income», the pension was reduced by 60 per cent (60 øre for each krone). Despite of this fact, more than 80 per cent of people aged 70 and over received old age pensions. The benefits were limited, providing a total pension equal to no more than one fifth of the average industrial worker's income. The necessary funds were raised partly through general taxation and partly through a premium levied proportionally on all income-earners (Pettersen 1982).

This targeted pension arrangement created a dual system, where white collar employees and civil servants relied fully on generous occupational pensions and the great majority of people received only the basic minimum pension. The crucial political issue was, thus, one of priority: On one hand, increased income-tested benefits were important to raise the standard of living among large groups of elderly. On the other hand, introducing a fully universal public pension system by providing pensions also to the affluent was an important ideological principle and it could establish a basis for a broader coverage of occupational pensions.

In 1957, twenty years after the introduction of the first pension scheme, the Labor Government proposed a full abolition of the income test, creating a division of labor between a basic universal scheme and a multitude of private supplementary schemes. Five factors led to this development:

First, slow but steady economic progress in the post-war years gave rise to increased demands for income security as real income rose. It created a potential for expansion of both public and private schemes. However, the fact that income rose cannot in itself explain the introduction of a flat-rate fully universal pension scheme. Second, in the aftermath of World War II there was a broad political consensus behind a universalist approach to pension policy. This can be explained by factors such as the war experience, the ability of the Norwegian government to resume the thread

²An exception is Halvorsen and Johanessen's (1992) study of labor market based early retirement programs. Their research focus is, however, very different from this work.

from before the war based on a strengthening of the consensus achieved in the mid-1930's (Seip 1987:210) and the spread of inspiration and optimism created by the Beveridge Report (See Lødemel 1989 for a discussion). In influential policy documents by the trade union movement³ and by the political parties⁴, the existing flat-rate system of old age pensions was set up as a model for a future comprehensive system of income security. In the LO (the National Confederation of Trade Unions) program for «the Future Norway», the role of the state in social policy is clearly seen as being responsibility for the creation a broad (universal) social security floor (LO 1944).

In 1948 the Labor Government presented a parliamentary report on «Peoples pensions' (St.meld. nr. 58;1948). This document put forward the main principles for the future social security system. Among other things that the Labor Government committed itself to the principle that schemes providing temporary support because of income loss – such as unemployment and sickness benefits – should be related to former income. Old age and a future invalidity pension should, however, guarantee a sufficient minimum income equal for all. The report recognized the virtues of abolishing the means test in order to stress the character of pensions as a right for all, enable administrative savings and encourage saving and work (Hatland 1986:49).

The Labor Government recommended a sharp rise in the pension benefits, but stated that the responsibility for providing supplementary pensions exceeding the minimum level should be private. According to these principles, in the early 1950's, the flat-rate benefits were gradually increased.

This consensus, however, could not prevent a conflict over priorities in the subsequent ten years. Large groups in the trade union movement and in the Labor Party were skeptical about providing pensions to the rich, when benefit level were still low (Bergh 1987). In 1948 the Government gave priority to extending benefits over universality. Typically the 1952 proposal for an immediate abolition of the means test did not gain support from the Labor party (Lødemel 1989:56). This conflict in the labor movement contributed to the late introduction of universalism, compared to Norway's neighboring countries.

Therefore, neither economic progress, nor the post-war imposed consensus, can be said to fully determine the exact path that Norwegian pension policy took in the 1950's. A third factor, should be taken into consideration: The occupational pension sector was expanding in the period before and after the war, primarily among

³Framtidens Norge. LO 1944.

⁴ The vision of a national social security system was an important part of the so-called «Joint Programme» shared by all political parties in 1945; see Kuhnle & Solheim (1981).

public employees and private white collar workers. This created «pressure from below».

In the public sector, both employers and unions showed increased interest in occupational pension programs. In 1949 a separate scheme for employees outside the «State Pension Fund» (SPK) was established. The following year, the last group, namely blue collar workers in state service, became eligible for pensions through a separate scheme. Hence, the state as employer was the first to establish full coverage of all employees. Even though the scheme for blue collar workers gave only modest flat rate benefits as opposed to the income related benefits of the civil servants, an important step was taken towards more equal treatment of white and blue collar workers in the public sector, and equal treatment was finally reached in 1962.

Occupational pensions also spread rapidly among local government employees. Some local governments introduced pension schemes before the war. The bulk of the schemes came, however, during the 1950's. In 1949 a mutual insurance company was set up by small and medium sized local governments (KLP). As in the state sector, they started out as schemes covering white collar employees. Gradually, blue collar workers were included. By 1960 a large majority of local government employees was covered by occupational pensions.

Through the expansion of public sector pension schemes, the «state as employer» played a crucial role in pension developments through its industrial relations activities.

In the private sector, occupational pensions were on the rise. In many cases, unions that had established self-help schemes before and during the war approached the enterprises to change these arrangements into regular pension funds (See Chapter 4). In other cases companies unilaterally introduced pension schemes. Before the war, large corporations also started to provide pensions to their workers. However, the employers who chose to include all employees maintained dual systems for white and blue collar workers. While the pension plans for white collar workers were directly related to salary upon retirement, the schemes covering blue collar workers aimed at modest flat-rate supplements to the state pension. In both the public and private sectors, these modest flat-rate schemes were designed to keep benefits under the free income level in the national pension scheme.

Occupational pension coverage increased sharply in the first decade after the war. From 1947 to 1957 the number of active members in occupational schemes more than doubled and coverage increased from 15 per cent of the total work force in 1947 to 35 per cent in 1957 (Hippe and Pedersen 1992:66). Even though total coverage was still limited, especially in the private sector, this rapid growth had broader symbolic and political functions. Growing pension rights among public employees served as a reference point for private sector wage earners. Moreover, the

pressure from below showed that occupational schemes had a potential as a mechanism to improve the income security for broader groups of wage earners.

A fourth explanatory factor is the strength and activity of the trade union movement. The growth of occupational pension schemes took place in an industrial relations setting in which a highly centralized LO played a dominant role as the representative of wage earners. The relatively large groups of unorganized wage earners did, however, represent a constant pressure on LO unions and the central leadership to play an active and visible role in the society at large. In the mid-1950's total union density was only approximately 52 per cent of the work force (Stokke 1992:166). Hence, member exit and entry was of great importance to the LO leadership and what could be seen as narrow organizational interest had to be taken into consideration to secure the strength of the union movement.

Moreover, the clear cut and very visible differences in pension rights among public and private employees and, thereby, among the LO groups was unsatisfactory to a highly centralized trade union movement. More than being an issue that could attract new members, the pension issue was important for preventing internal conflict between individual LO unions and for preventing reduced loyalty to the mutual cause of the Confederation of Trade Unions. In other words, the union voice was governed by strategic concerns related to organizational interests rather than only by a mutual set of labor movement principles.

As early as in the 1949 LO convention the Local Government Union (Kommuneforbundet) demanded that old age pensions should be a non-conditioned right for all citizens⁵. Income testing was primarily a problem for those who had relatively small supplementary pensions. Among LO's member groups this problem was relevant for local government workers and for core group of private sector workers trying to improve their occupational pensions. The convention approved the proposal for universal pensions and the LO leadership repeatedly approached the government to achieve an end to targeting (Bergh 1987).

The importance of this argument is illustrated by the fact that Gudmund Harlem, minister of social affairs, concluded at the 1957 LO-convention⁶:

«Seen from the government's position, this is the decisive argument in favor of the proposal of abolishing the income test for old age pensions that now is laid before the Parliament, and that has caused considerable discussion in the labor movement».

⁵Protokoll fra kongressen 1949:342.

⁶Protokoll fra kongressen 1957:245.

Moreover, Harlem pointed to the importance of the willingness among Norwegian employees to use the bargaining system to increase the level of pension rights among wage earners⁷:

«It has been argued that Sweden, which long ago has abolished income testing, despite this has not seen any large growth in occupational pensions. This argument is not convincing, because one in Sweden over several years has tried to achieve statutory pensions for wage earners. It must be evident that the trade union will not fight for pensions through collective bargaining if they in the near future expect such pensions to be established through legislation».

Taken together, LO saw new possibilities in achieving increased social security for their members through occupational pensions. The Unions favored an end to targeting to ensure that workers were not deprived of their claim to occupational pensions. Related to social policy, the importance of public sector unionism is striking.

A final important factor behind the removal of income-testing is what could be seen as a potential political «alliance» between the trade union movement and the non-socialist parties that the expanding occupational welfare arena gave rise to. In the 1948 proposal, the Labor Government had, in principle, declared that it favored an abolition of the income test for pensions. However, it chose to give priority to the introduction of an invalidity pension and to increase the (income-tested) old age benefits. The non-socialist parties argued also principally in favor of universalism. The non-socialist parties – Liberals, Agrarian and Conservatives – did however favor a direct abolition of the income test before other reforms⁸, as did the Norwegian LO.

In other words, the three non-socialist parties gave support to one of the main goals of the LO. For the non-socialist parties, seeking to break the hegemony of the Labor Party, this conflict in the labor movement was important from a strategic perspective. The Conservative party (Høyre) argued that the income test was an obstacle for increased private pension savings (Hagen and Hippe 1989). In this respect, it is interesting to see that only the Conservative party stressed the need to make room for private pensions in their programs of the late 1950's (Seip 1987:212).

Even though the government was reluctant to change its original priorities, a compromise between the Labor Party and the non-socialist parties was reached in 1954. The benefits should be increased and the income test abolished. In 1957 a proposal was put forward that introduced universal flat rate pensions (in effect from January 1, 1959).

⁷Protokoll fra kongressen 1957:245.

⁸The Christian Party did however follow the Socialists in giving priority to the disabled.

When introduced, the flat-rate public pensions gave way, as expected, to a rapid expansion of occupational schemes. This can serve as a typical example of a positive interplay between public and occupational schemes.

This perspective on the introduction of universalism contributes to a revised understanding of the traditional, somewhat heroic, version of the role that Social Democracy plays in social policy development. Esping-Andersen (1985:147) argues that Social Democrats proposed universalism early on, and fought against income testing as well as private schemes to promote a broad class solidarity. As shown by Pettersens (1987:178) and later Hatland (1992:39) it is perfectly true that the Labor Party was an important factor behind the introduction of the first pension system, but not the main force behind the development of universalism.

This discussion shows that factors other than political consensus and the role of non-socialist parties should also be taken into consideration when attempting to explain pension policies. The growth in occupational programs forced a dominant and strong trade union movement to take action. The common goal between LO and the non-socialist parties of increasing the occupational sector, created a pressure for the removal of income testing. Hence, the trade unions are shown to have played a separate role in the development of the pensions system. Moreover, it is evident that the character of the public pensions system (i.e. income testing) influence the nature of the public private interplay.

6.3 Crossroad 2: Income relation and social inequality

The new division of labor between universal basic public pensions and private supplementary pensions did not become a lasting solution in Norwegian pension policies, as it did, for example, in Denmark. In Norway, a new process of private-public interplay was already in motion that would rapidly change the face of the Norwegian pension system.

The introduction of a national state income-related pension system in 1967, cannot be understood without focussing on the impact that labor market decisions had on public policy. Two factors are at the heart of this argument. First, public policy – universalism – triggers a process of occupational pension growth. Second, this expansion of occupational pensions creates an important element in a political consensus in favor of expanding public responsibility.

Bargaining against markets.

The growth of occupational pension schemes and the establishment of a fully universal flat-rate system took place in an industrial relations setting in which a highly centralized LO played a dominant role as the representative of wage earners. As the coverage by occupational pensions increased among some segments of the membership, and wage levels and living standards rose, the demand for a general scheme of supplementary pensions was put on the trade union agenda, rather than on the political agenda.

LO was never directly hostile to the expansion of occupational pensions as such. It was the fact that the system was highly fragmented and employer-dominated that was deemed unsatisfactory by the LO leadership. In 1951, LO's pension committee already pointed to the problems of a decentralized system of corporate pensions⁹:

«Economically strong enterprises can establish such arrangements, while economically weak enterprises or enterprises with a management with only limited social responsibility do not have such systems».

This was seen as in conflict with the basic social policy principles of the trade union movement, as well as the goal of establishing formal agreements on wage and working conditions. In the long run, LO could not tolerate that a significant part of the total compensation was determined outside established bargaining routines. Welfare arrangements at the company level tended to strengthen company loyalties at the expense of broader union solidarity. The reinforcement of union loyalty was crucial to keep up the centralized and dominant position of the LO confederation.

Moreover, LO estimated that only between 30 and 40 per cent of their active members were covered by occupational pensions in 1958 (Holler 1958). As long as the question of supplementary pensions was left to individual employers or to local bargaining, the weaker segments of the LO-membership were not likely to be covered. Again, the issue of internal union loyalty became a core element in union motivation.

Thirdly, the existing occupational pension schemes served to tie employees to their present employers, thus restricting the mobility of elderly workers in particular¹⁰.

Last but not least, the discrimination practiced by employers between blue and white collar workers created strong resentments. It served as a focal point for the mobilization of pension demands among unionized workers.

⁹Protokoll fra Representantskapet mai 1951:118.

¹⁰The point was elaborated by a committee appointed by the Trade Union Congress in 1957.

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

«Our ultimate goal is to secure all wage earners in this country the same pension rights, whether they are employed in the private sector, or in central or local government».¹¹

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

LO considered two alternative strategies to achieve a more comprehensive system of supplementary pensions. One was to follow the example of the Swedish LO (Molin 1965; Heclo 1974) and demand a legislated supplementary pension scheme covering all wage earners. Since the Labor Party had an absolute majority in the Norwegian parliament the conditions for progress by political means seemed favorable.

Even so, the Norwegian LO did not follow the Swedish example. They decided on the alternative option: to demand that supplementary pensions be on the bargaining agenda vis-à-vis the Norwegian Employers' Confederation (NAF).

This decision to take the question of supplementary pensions to the bargaining table was influenced by strategic considerations, clearly illustrating that the trade union movement acted as a separate actor when pursuing social policy goals. In the late 1950's, LO faced a new problem of individual exit, hence membership stagnated and even declined. A negotiated pension scheme would allow LO to take credit for a major improvement in the social standards of wage earners. Furthermore LO hoped to be able to exclude non-members from the scheme and thereby create a positive incentive to boost membership. It was important to the LO, however, that the scheme should include all unionized workers, and not allow for segmentation across trade union branches. Through this «voice» strategy, loyalty among union members and among unions in the confederation could be increased.

Moreover, LO and the Labor Party thought that if they put income-related public pensions on the political agenda, it would create severe resistance among the non-socialist parties, as it had occurred in Sweden. Thus, an ambitious public scheme

¹¹ Protokoll fra LO-kongressen 1957

was, from a short-term perspective, not a realistic alternative. On the other hand, the introduction of a universal public system was expected to enforce the existing growth in enterprise-based occupational system. If this development were allowed to continue on a decentralized basis, it could block later attempts to establish collective and solidaristic solutions.

The LO's goal to achieve a more comprehensive pension system through collective bargaining also found support from the Labor party. Minister of Social Affairs Gudmund Harlem summed up his position at the 1957 convention:

«In my judgement the goal for wage earners must be pension arrangements that provide about 60 per cent of the income in old age pensions. This goal can, I am convinced, only be achieved through trade union struggle, as has been proposed at this convention, for increased occupational pensions. In any case, it is not realistic to think that satisfactory pension arrangements for wage earners can be achieved by only increasing benefit levels in the statutory scheme» (LO 1957:245)

LO also argued that an occupational system could contribute favorably to easing the future burden of financing and would also contribute to savings and investments. Occupational pension funds could be an arena for union influence over investments. LO argued that wage earners had «a strong moral responsibility and a right to take part in the control of pensions funds» (LO 1957:41).

LO chose to put forward a proposal for a contractual scheme covering workers in enterprises included by the LO-NAF agreement. Benefits were moderate, but were expected to increase up to the level of white collar workers'.

In a round of centralized wage bargaining in 1958, LO and NAF agreed to establish a supplementary pension scheme (FTP) covering workers in the unionized sector. Details of the scheme were finally agreed upon in 1960. In the joint LO-NAF report of the future contractual scheme, it is clearly shown that the state occupational scheme (SPK) serves as a point of reference (NAF and LO 1961).

The resulting FTP-scheme followed the LO proposal with three important exceptions. From the outset, benefits were modest and LO failed to achieve a system of automatic index regulation. Consequently the FTP-scheme did not match the generosity of the income-related schemes of public employees and white collar workers in private companies.

Second, NAF strongly opposed seeing pension fund investments as a part of any form of active union investment policies. And third, the fact that the NAF insisted on including non-unionized employees in the scheme also implied that the potential for boosting recruitment was reduced.

The situation was somewhat different in the public sector. The state as employer agreed on the principle of equal treatment of all groups of employees. From

1962, blue collar workers were also given a pension plan aiming at 66 per cent income replacement. The LO policy of «equal treatment» from the 1957 convention thus became reality in the public sector.

In the private sector, the FTP-scheme was in need of considerable improvements in order to achieve the ambitious goal of equal treatment. The main importance of the FTP-scheme and of the changes in the public sector occupational scheme were, however, to trigger a political process which, within a few years, led to the establishment of a statutory supplementary pension scheme.

From bargaining to politics

The introduction of the FTP-scheme left a significant part of the labor force, and hence the voters, without supplementary pensions. Moreover, the costs of the bargaining strategy turned out to be high. The centralized bargaining in 1958 involved considerable wage restraint, which created dangerous tensions within LO. Core groups of relatively well-paid manufacturing workers were already covered by company-based pension schemes. For these groups the FTP-agreement only led to marginal improvements. Unions organizing workers in low-wage industries, however, felt that the costs of the FTP-scheme were high in terms of wage restraint and member premiums. Moreover, public sector unions have successfully managed to «solve» their pension problem.

Prior to the 1961 Parliamentary election, both the Labor Party and the Liberal Party signalled commitment to extend supplementary pension coverage to wage earners outside LO and NAF and to the self-employed. For both parties electoral support from these segments of the gainfully employed were of strategic importance. Both the Conservatives and the Agrarian Center adhered to the flat-rate principle but suggested a substantial rise in benefit levels. Of course, the unprecedented economic growth in the early sixties helped to put an expansive pension reform on the political agenda.

The contractual pension scheme was one of the factors that forced several political parties to change their view on income-related pensions. LO had shown the ability to, in Baldwins (1990) terms, cater to its own members by making broad pension coverage a «fait accompli». In the 1950's, a political demand for a national income-related pension system could have been seen as a socialist reform, creating strong resistance among non-socialists. The fact that the core group of the labor market already was covered strengthened the demands by marginal groups for increased state action in the bargaining process. These were groups that the non-socialist parties saw themselves, largely, as representatives of. In other words, industrial relations activities related to pensions had significantly altered the basis for

political conflict over pension issues and the conditions for the union voice in this respect. At the same time internal conflict over pension costs in the «LO–family» could damage union loyalties to the confederation. A problem which would be solved by the introduction of a statutory scheme.

The 1961 election left the governing Labor Party without a stable majority in Parliament and the pension issue became an object of party tactics (Rokkan 1966). After the government crisis in 1963, the Labor Party announced plans to establish a statutory pension scheme for all income earners aiming at 2/3 of prior income. The Conservative Party and the Agrarian Center, the opposition parties originally opposed to supplementary pensions, decided to give way, and hence, a broad political consensus had been achieved for a radical new pensions policy¹². The new policy departure was welcomed by LO, since the heaviest financial burden was to be carried by the employers and since the reform promised to fulfill the goal of equal pension standards for all wage earners, as fixed by LO in 1957.

The main features of this new National Insurance (Folketrygden) scheme were elaborated by the Labor government in a green paper presented in 1964, and the scheme was finally implemented in 1967 by a non–socialist coalition government elected in 1965. From the outset, the NI system (Folketrygden) included old age, disability, survivors and single mothers pensions. The system combined universal basic pensions with statutory supplementary pensions related to both contribution records and income levels. The supplementary pension was to compensate income up to a ceiling fixed at 2 1/2 times the average annual wage of industrial workers.

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

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

¹²There is some disagreement among scholars on the extent of this consensus. Kuhnle (1983) argues that consensus to a large extent characterizes Norwegian social security debates, while Nordby (1990), Pettersen (1987) and Seip (1986) argue that conflicts existed and that the final design was based on substantial compromise. As will be argued in the concluding part of this chapter, one reason that political consensus over pensions was possible is that basic conflicts in pensions policies unfold in the bargaining arena.

Labor cabinets in the 1970's were not prepared to meet the demand for fiscal discipline which would be required to revitalize the NI-fund. Instead expensive social security reforms¹³ were carried out without a corresponding increase in premiums. In the same period reductions in employers' contributions and member premiums were used as part of income-policy packages aimed at reducing growth in labor costs (Kolberg 1983). As of today, the system is financed exclusively on a pay-as-you-go basis.

The establishment of a national income-related pension system in 1967 was expected to marginalize the provision of occupational pensions, thereby crating a more equal distribution of pension rights. The FTP-scheme was closed down. However, in both the public and private sectors, the system of occupational pensions continued to exist as a third pension layer. Favorable tax rules for occupational schemes continued to exist and no reduction in collective group insurance became visible in the years following the 1967 reform (Hippe and Pedersen 1988).

Even though it is not spelled out directly, there is reason to believe that the continuous existence of occupational schemes was necessary to secure the support for the NI-reform among public employees and white collar workers. Hence, the political consensus was based on an «everyone wins' solution. This created the basis for the perpetual importance of public occupational schemes, as well as for a decentralized employer-controlled system of private sector occupational pensions.

This discussion shows that the capacity to establish broad coverage of occupational pensions through the bargaining system contributed to a political basis for increased public responsibility in pension politics. The focus on industrial relations in the formation of pension policy does not rule out the other explanatory variables that are traditionally offered. The fact that the Swedish Social Democrats managed to gain victory in the harsh struggle of public responsibility in the pensions area is seen, for example, as an important factor behind the changing policy agenda in Norway and the broad political support for the reform (Esping-Andersen 1985). However, it is difficult to prove that the non-socialist support was purely based on tactical reasons, i.e., fear of losing a political battle. The partial success of the trade unions in catering to broad groups of workers in the public and private sectors created a very different situation than that found in Sweden some years earlier.

¹³ The age of retirement was reduced from 70 to 67 years and a special supplement for pensioners with short contribution records was introduced.

6.4 Crossroad 3: Early retirement pensions – Bargaining or politics?

With a general pension age of 67 years and no regular public early retirement pension, employment participation among older workers in Norway is among the highest in advanced industrialized countries. The goal of promoting work rather than labor force exit was successful in the post-war period of economic growth. However, reduced growth rates and increasing structural problems in the economy, created an increasing pressure to reduce employment among older workers. As a result, the public disability pensions became, to a large extent, a *de facto* early retirement scheme (NOU 1994:2).

Moreover, employers took direct action by either providing incentives for employees to apply for invalidity pension or by establishing separate enterprise based systems of early retirement. In 1989, around 20 per cent of private sector employees were employed in enterprises which offered early retirement pensions on a regular or *ad hoc* basis (Hippe and Pedersen 1992:183). Consequently, employment participation, primarily among men, has fallen in the 1980's (Hippe 1992).

This development caused two types of policy response. On one side, the government was eager to close the exit gate through invalidity pensions that contributed to an increasing expenditure growth in the NI system. On the other side, the trade unions were increasingly concerned with the negative distributional and social outcomes of the decentralized system of occupational early retirement. The resulting interplay between employers, unions and the government, however, did not lead to the establishment of a public early retirement system, as found in most other European countries. In 1988, LO and NAF agreed to establish a contractual scheme for early retirement (AFP) in the private sector. Following this agreement, both state and local sector negotiations led to the establishment of a corresponding AFP system.

The contractual AFP system is a fascinating example of private–public interplay, and an important crossroad in Norwegian pension politics. In light of the historical development in pension politics discussed so far, three questions need to be answered. First, what happened? Second, why did employees and employers choose a contractual solution? And third, how does the establishment of the AFP system affect the process of policy feedback? When it comes to this last question, one must take into consideration that we are in an early stage in this process. One can, therefore, only point to possible future developments.

What happened?: The AFP system

In the private sector centralized bargaining between LO and NAF in February 1988, LO proposed to introduce a contractual system of early retirement. NAF declared itself willing to support the proposal on two conditions. First, the government would have to participate in the financing of the scheme. Second, under no condition could the contractual scheme result in a general reduction of the pension age, which had been the original LO position.

After receiving the necessary support from the government, LO and NAF agreed to establish a system that offered pensions from the age of 66, beginning January 1, 1989, with a reduction to age 65 from 1990. Income replacement was set at the same level as in the NI-scheme. Following the NAF proposal, the government would pick up 40 per cent of the costs. The rest is paid by the employer through a levy of 1.2 per cent of total payroll and 10 per cent of the pensions paid directly by each employer.

This AFP scheme is an interesting example of private-public interplay because it constitutes a mixed form, what I have called tri-partite welfare (see Chapter 1). Even though it is a contractual system, the government contributes to the financing of the scheme. Moreover, the system is administered by the NI-bureaucracy. It is especially intriguing to see that a scheme covering only segments of the private labor force to a large extent is financed by government contributions.

In the public sector, unions with more knowledge and experience in pension bargaining reached a somewhat better result in their negotiations one month later. This could, of course, also be due to the fact that the state as employer is a softer counterpart than the NAF. Collective bargaining in the state sector produced as a result the option to retire (voluntarily) at the age of 66 in 1989, and 65 in 1990, with a full occupational pension. In other words, early retirement in the public sector would mean no reduction of occupational pension rights. In the private sector, the AFP scheme did not secure continued premium payments for those AFP recipients who were covered by occupational pensions. This meant losing the crucial last years of membership in the private (final salary) schemes. Hence, there was a strong incentive to seek invalidity pensions, where additional benefits would be provided by the occupational system and membership would be continued up to 67 years.

Not surprisingly, the take-up rate was small in the first years, and the pressure on the invalidity scheme continued despite the fact that eligibility rules had been tightened. A reform of the AFP system was once again put on the bargaining table in 1992. LO proposed a reduction of the pension age to 62 years and an increased benefit level (NOU 1994:2). The parties agreed to reduce the pension age to 64 years (from 1.10.93) if it could be shown satisfactorily that this would not imply a general reduction of the pension age for all employees. Moreover, they agreed to increase

the compensation level by introducing a flat rate supplement provided that these supplements would be tax free. Again the government contributed to a solution by promising that they would propose a change in the current tax legislation to secure that the extra payment (in the form of severance pay) would be tax free also for AFP pensioners.

In the public sector bargaining, the parties reached a corresponding agreement to reduce the pension age to 64 years. However, details of the agreement were postponed until after the 1993 private sector bargaining. In the 1992 bargaining the state as employer stressed that benefit levels for those retiring at 64 years should be at the same level as in the private sector.

In 1993 the AFP scheme became the core issue in a round of centralized private sector bargaining. The employers would not implement the planned reduction of the pension age to 64 years unless they were guaranteed continued governmental contributions to the scheme. Unions and employers joined forces against the government which was reluctant to expand its participation in the AFP scheme. The fact that the government through its promise to contribute financially actually bypassed Parliamentary expenditure decisions caused criticism, especially from the Conservative party. Even so, both LO and NHO declared that the negotiations would fail if the government did not participate. The result would be the largest strike in the private sector in decades. To increase the pressure on the government, LO announced, according to the formal procedures of labor conflict, that all their private sector members would go on strike. Eventually the government gave in and contributed to the financing of the contractual scheme, again causing criticism for letting the industrial relations partners dictate public policy.

The next year AFP was once again a core issue in the first industry-wide private sector negotiations since 1986. LO chose to let the «Fellesforbundet» (Manufacturing Workers Union) lead the way on the AFP issue. As before, the main question was whether or not government contributions could be obtained. In a letter to the LO and NHO the Prime Minister once again secured that the government would contribute if the pension age were not reduced further.

Since 1988, through the bargaining process, the AFP system has become a significant part of the Norwegian pension system. Contractual early retirement pensions cover all public sector employees and approximately 500,000 (or 40 per cent) of private sector employees (NOU 1994:2 p.101). The take-up rate has increased, and the growth of new disability pensioners has been reduced (NOU 1994:2). The reduction in disability pensions is not only caused by AFP growth, but also by a set of reforms of the eligibility rules.

Because AFP seems to be a lasting institutional solution, smaller nation-wide employer federations, such as in banking, have also applied for state contributions

to their AFP schemes. Giving governmental support to single employers outside the employer federations is also under discussion – provided that they establish corresponding contractual systems and also reduce the pension age in the private sector occupational old age schemes (NOU 1994:6). This would mean considerable widening of contractual early retirement pension coverage in the private sector.

Currently, the major conflict is that of reducing the pension age to 62 years, according to an LO proposal. The Labor Party government has (once again) stressed that the financial contributions needed to achieve a pension age of 62 in the AFP scheme are out of the question (St.meld.nr35 94/95). Not surprisingly the AFP issue was raised in the 1996 industry-wide collective bargaining (by Fellesforbundet). After a nine days strike in the manufacturing industry an agreement was reached May 21. where the parties principally agreed to reduce pension age to 63 years from October 1. 1997 and to 62 years from March 1988.

This arrangement is according to the agreement to cover only for persons with a very long work career and compensation levels should not be higher than 70 per cent (Aftenposten 22/5-95). It is made clear that this will take place without increased government contribution.

Choosing collective bargaining.

Even though Norway was governed by a Labor government, LO did not make any strong attempts to find political solutions to the question of early retirement. It is perfectly true that, in accordance with their program, LO demanded a general reduction in the pension age. At this time, however, it was quite clear that such a reform was in no way realistic, neither as a political nor as a bargaining strategy.

The alternative strategy was to go for some kind of flexible early retirement scheme. The interesting point here is the fact that instead of engaging itself in a campaign for the introduction of a flexible pension age in the NI system, LO chose collective bargaining as their primary strategy.

Based on the LO support for the 1967 political solution to income-related pensions and the fact that the social partners actually closed down the contractual scheme, one should expect that LO had given up their goal of using centralized collective bargaining to obtain pension progress. In order to understand the renaissance of pension issues in collective bargaining and the shift in the union voice I will offer four arguments:

First, LO faced considerable pressure from below to find rapid solutions to what was seen as an unacceptable system of early exit from the labor market. This was caused by actions taken by companies to increase early exit from the labor force. Both permanent and ad hoc schemes were established. The most generous schemes provided an early retirement pension fully financed by the company. In most cases,

however, early exit was obtained by guaranteeing a compensation level of about 2/3 of previous income if retirees used the opportunity to obtain sickness benefits and then unemployment benefits. Employees had to register as unemployed even if they had no intention of re-entering the work force. The system was heavily criticized because of the alleged misuse of both sickness and unemployment benefits, and because it forced people to «stay in the unemployment line» when they were actually retirees. Another way to promote exit was to provide so-called «gift pensions» to those who could obtain invalidity pensions. And, of course, workers were laid off without any form of compensation.

LO was forced to support the system of combining unemployment and company-based supplementary pensions because there were no acceptable alternative. It was, however, quite clear that this was seen as unsatisfactory in a longer perspective. There was therefore strong pressure on LO to rapidly achieve a solution to this «unworthy situation». In the 1988 agreement, LO and NAF stressed that this system should be a «worthy alternative to the current practice» (Protokoll LO-NAF 1988). The government explained its involvement primarily by the expectation of reduced usage of invalidity pensions (Ot.prp. nr.15 1988–89).

This argument adds, first, a social element to the explanation for why unions gave priority to early retirement issues, more than for why collective bargaining, again, was used as a social policy instrument. Therefore, more pragmatic and tactical factors should also be taken into consideration.

A second argument is related to what can be seen as a gradual shift in attitudes towards public and private responsibility taking place in the trade union movement. As in the 1981–1985 program, the 1985–1989 LO program left no room for private or contractual alternatives. Rather it said:

«The NI system should be the cornerstone of our social insurance system and provide sufficient benefits, so that there is no basis for additional private arrangements» (LO 1985:66).

Moreover, there is no indication whatsoever that a flexible pension age could be achieved through private sector schemes. In the subsequent years, LO came to change its view on the division of labor between public and contractual arrangements. There was clearly a growing awareness in the trade union movement that a relatively widespread system of occupational pensions had developed at the company-level during the last decades. This helped to provide a gap in income after retirement between the highest and lowest paid – a situation that clearly was contrary to the goal of creating equal pension rights among all wage earners. In 1988 an ad hoc LO committee proposed a change in policy and clearly stated that both legal and contractual arrangements were possible avenues for social policy progress:

«LO will work for legal and contractual regulation to achieve its main political goals in pension issues» (LO 1988:6).

It should also be taken into consideration that unions in the public sector had shown that occupational pensions successfully could be made the subject of collective bargaining. In 1986 local government employees managed to integrate the occupational pension system in the collective wage agreement. Through the formal right to pension bargaining in the public sector, several improvements in the local and state schemes were achieved, among others an increased income ceiling and improved indexation (Hippe & Pedersen 1988:48). To a large extent public sector unions showed that collective bargaining could be an efficient mechanism for achieving increased welfare benefits.

This process of gradual policy shift is illustrated by the fact that the 1989–1993 program and the current LO program contains the explicit goal of increasing collective pension coverage. The NI system is no longer seen as the only provider of social insurance benefits: «The NI system must be secured as the basis of the social security system» (LO 1993:32). Equal treatment of all wage earners is still the goal as it was spelled out by the LO leader Nordahl at the 1957 convention. Again it is through collective bargaining that this ambitious goal should be achieved, and, as before, it is the occupational benefits of public employees that serve as a reference point (LO 1993:19).

Third, the need to change strategy was crucial in a situation where competition among unions had intensified. Union competition has sharpened union debates on organizational reforms, bargaining strategies and priorities (Stokke 1992, Dølvik and Stokland 1992). As one of several national union federations, LO could not choose its social policy strategy without considering the activities of the other federations. Both AF (the Federation of Professional Associations) and YS (the Confederation of Vocational Unions), even though significantly smaller than LO, had faster membership growth. Both of these national union federations had engaged themselves more actively to promote occupational pensions, and coverage was higher among their member groups than among LO members.

Moreover, the so-called marriage between the two branches of the trade union movement has grown increasingly troublesome and LO is clearly trying to establish a more independent position. This goal of strengthening the independent role of the LO unions made it more important to stand out as a separate social policy entrepreneur, rather than striking political bargains with the Labor Party.

Last but not least, one should take into consideration the possible link between direct wage bargaining and the role of contractual pensions. The economic downturn in 1986 put strong pressure on the industrial relation system. LO took part in a series of moderate centralized wage agreements. In 1987 and 1988 the

LO–NHO agreement had been turned into a wage law to secure an effective wage freeze. Because of this, LO stood out as what is often called a responsible organization. This strategy caused some turbulence among its rank and file members. The problems with this «responsible» strategy were clearly illustrated by the fact that a majority of the LO members voted against the 1989 mutual LO–NHO proposal for a wage agreement. The LO leadership were, therefore, clearly in need of concrete signs of reinforced activity on behalf of their members. Contractual pensions could serve as a important symbol without jeopardizing the positive effects of the wage freeze policy.

At the same time, both employers and the government were eager to safeguard continued moderate wage development in a situation with relatively high levels of unemployment and increased international competition. For the government, their financial contribution to a contractual early retirement scheme could be seen as a small price to be paid to achieve their overall income policy goals. The importance of this argument was clearly illustrated by the letter sent to LO–NHO from Prime Minister Gro Harlem Brundland at the time of the 1994 wage negotiations. In this letter she signalled the willingness to provide government contributions to the scheme and used the opportunity to link financial support directly to the need to secure what she calls a moderate wage increase¹⁴. This is a fascinating example of direct government involvement in collective bargaining. It shows how the occupational early retirement scheme must be seen as a function of government income policies, of goals to reinforce the structure of Norwegian industrial relations, of employers' need to change employment levels and structures, and of social policy objectives. In other words, it illustrates how the nature of unionism and the industrial relations system constitutes a crucial filter for the interplay between public and private welfare arrangements.

The process of policy feedback.

As I have argued with regard to the two previous crossroads, private arrangements have triggered an interaction process between state and market leading to increased public responsibility. It is close at hand to argue that this will happen again. Will we see a process from bargaining to politics or are the conditions for a positive interplay different today?

Clearly, the introduction of the AFP scheme started a process towards an expansion of early retirement schemes. As could be expected, representatives of the non-socialist parties have argued that it is unacceptable that only wage earners in the organized part of the labor market are covered by early retirements pensions

¹⁴Letter of 4/5–1994 from the Prime Minister's Office.

(St.meld.nr.2 1993:143). They have proposed also letting regular occupational pension schemes (presently from the age of 67) provide early retirement benefits. A public committee on private pensions has recently proposed that both collective and individual pension arrangements should also be allowed to provide early retirement benefits, in other words, these benefits should also be given full tax deductions (NOU 1994:6). Its argument is that all groups of wage earners should be given the option to integrate early retirement savings into their pension schemes, not only those covered by the contractual AFP scheme. During the parliamentary debate over welfare policies in may 1996 a majority (non-socialists) supported the introduction of early retirement benefits equal to those found in the AFP scheme in tax favored individual pension schemes. Hence a broader system of tax-favored private early retirement benefits will be established, even though it is being opposed by the (minority) labor government.

The core question is, of course, whether we will see a stable private solution to early exit from the labor market or if a statutory system will be introduced. A broad committee of experts, bureaucrats, and representatives of unions and employers federations has given an important signal by proposing to integrate a more flexible element as a part of the NI system (NOU 1994:2 s 247). Even though their main goal is to create stronger economic incentives for wage earners to continue their work, their principal recommendation is clearly that early retirement pensions should be achieved through the national system. It is interesting to note that the representatives of the three national trade union federations as well as the representative of the NHO together delivered a minority statement as a response to this proposal. They argue against an expansion of the NI system:

«This minority is of the opinion that it would be better to continue the process that is started through AFP, where flexibility downwards is based on agreements in the labor market» (NOU 1994:2,s.248).

When both employees and employers argue against the expansion of the public system, there is clearly a new element in Norwegian pension politics.

The explicit goal among the labor market organizations to strengthen the contractual arrangements can be seen as a result of a changing industrial relations system. A new basis for social partnership is crucial for the survival of centralized bargaining. Moreover, increasingly competitive unions are less willing to reduce their importance in social policy issues by favoring the socialization of contractual schemes.

Another argument in favor of a more lasting private solution that is increasingly being cited is the potential for a negotiated pension scheme to increase savings and to develop new institutional investors. This argument has been offered by a joint LO and Labor party committee (LO/AP-Felleskomite 1992), among others.

The important aspect of this proposal is primarily that the former important ambition of gaining direct political control over investments no longer plays a dominant role in the trade union movement or in the Labor party. One of the goals behind the introduction of the NI system in 1967 was clearly to gain increased political control over savings and investment decisions. As long as the goal behind private pensions schemes is primarily to develop new institutional investors, an important point of conflict between unions and employers is removed.

The capacity to establish a contractual scheme for early retirement may have also inspired those who advocate an increased role for the unions as a direct social policy agent. In this way it can signal a renaissance of collective bargaining over social policy issues.

Taken together, it is highly uncertain whether the process of policy feedbacks in early retirement will follow the same path as seen in the introduction of supplementary pensions in the 1960's. Trade union motives, industrial relations, and public employment policies, together, create new surroundings for the interplay between state and market in social policy.

6.5 Conclusion: Dynamic social policy

At a theoretical level, this discussion of three crossroads in Norwegian pension politics challenges the explanatory potential of theories that focus on the state as the key actor. The Social Democratic mobilization theory can serve as a good example. This interpretation suggests a particular connection between working class power and social policy expansion.

Mobilization theory asserts that wage earners unambiguously prefer universal political pension arrangements. Trade unions' role, first, is to mobilize voters for a Labor Party that becomes the driving force in a struggle between political parties in order to expand public welfare responsibility. Therefore, the mobilization of the working class is the dominant explanatory factor, and left cabinet strength the major empirical variable. Moreover, the combination of universalism and income replacement in the national system secures reinforced political support for this institutional solution.

This discussion has shown that important elements in this theoretical construction are in need of revision. No doubt, the mobilization of the working class is important for understanding social policy developments. The interpretation of the connection between the working class and pension policy is, however, stated too narrowly. First of all, the role of organized labor should be viewed in a different

manner than is traditionally found. To a large extent, a mobilization perspective seems reasonable. Wage earners demand improved pension rights at the company-level, through collective bargaining, and political pressure has created a significant force from below. Even so, wage earners' preferences have not been unambiguously in favor of universal political pension solutions. Rather, wage earners and their representatives see the divide between public and private as a continuum. This discussion shows that unions have systematically used collective bargaining to gain increased social security for their members.

Second, the evolutionary logic of pensions can be understood primarily as the interaction between public policy and labor market institutions. Pension politics have been shaped by a distinct interplay between labor market developments and public policy. In other words, not only public policies determine public pension policy. There is a mutual interplay among different arenas of decision-making – state, bargaining, and market. The introduction of universalism was closely related to the goal of creating an expansion of income-related occupational pension benefits. Universalism created a basis for private pension expansion, which again triggered a political process leading to the establishment of a statutory national system. Baldwin's (1990:30) idea of (risk) groups' ability to be self-reliant as a mechanism for social policy progress can be useful in this respect. There is reason to believe that the successful socialization of the contractual system is linked to the fact that LO did not manage to create compensation in the contractual system close to what public sector employees already had. In other words, LO was only partly self-reliant and was thus willing to make room for a political solution. In the case of early retirement pensions, the ability to be self-reliant has been stronger. This could imply that LO will engage themselves more actively in a struggle to defend the contractual scheme against socialization.

Third, from this perspective follows an alternative understanding of political conflict in Norwegian pension politics. According to traditional mobilization theory, expansion of public responsibility is the subject of a conflict between left and right wing political parties. The Swedish struggle over ATP in 1959 is used as a typical example of this conflict (Heclo 1974). In the Norwegian case, it is nevertheless a strong political consensus that is most striking. I will argue that the notion of conflict and consensus can be reconciled by looking at pension policy as a result of an interplay between state and market. To a large extent the conflict unfolds in the labor market. It started out at the local level and moved gradually into the centralized bargaining system. One example is the importance of equal treatment of white and blue collar workers that has been agreed upon in the bargaining system, after a long period of disagreement. Equal treatment was actually first fully introduced by the state as employer in 1962. When partly or fully introduced in the labor market, the

basis for political consensus was laid down. In the 1960's, as today, the non-socialist parties could not accept that core groups of their electorate were excluded from important welfare benefits.

Closely related to this argument is whether or not the Labor Party has been the driving force in pension politics. As an *a priori* general rule, this concept of Labor Party dominance is not acceptable. First, the introduction of universalism must be viewed as the result of a broader political alliance. Second, expansion of public pension responsibility is more adequately understood as the result of trade union ability to expand occupational arrangements and thereby create a broader political basis behind pension reform. And, last, in the case of early retirement pensions, the Labor Party cannot be said to be either the key actor or the driving force. Nevertheless, it should be recognized that a Labor government might have been more willing to contribute financially to a contractual agreement than would a non-socialist government. In this way a Labor government can be seen as an important precondition for the expansion of private sector pensions.

And last, the perspective of dynamic pension policy places the system of industrial relations at the heart of the argument. The system of labor relations bridges the gap between state and market. Only an integration of industrial relations and social policy perspectives can provide an adequate understanding of pension developments. At a theoretical level, the importance of public sector unionism and the state as employer is striking. To a large extent occupational pension benefits for public employees have served as a reference point for private sector wage earners. The existence of a heterogeneous and at the same time centralized trade union movement has made it important to find solutions to the huge differences in pension rights found among LO member groups. This has been a core issue and still is, figuring prominently in the new goal of increasing coverage of occupational old age pensions in the private sector.

This discussion points to certain aspects of union motives and behavior. Undoubtedly, unions in Norway have done more than just raise wages. And, the trade union movement is more than a loyal supporter of public solutions to the welfare needs of their members. Clearly, union action in pension issues is also governed by attempts to reduce the potential of individual member's exit, and maybe even more important, to strengthen internal loyalty among unions in the national confederation. Hence, union action in social policy is determined in a process of exit, voice, and loyalty at very different levels (Hirschmann 1970). Union behavior takes into consideration potential exit both from individual members, from individual unions. Moreover, loyalty both within the union movement as well as in the labor movement in a broader sense creates barrier to exit and to the deterioration of political support for national solutions to welfare needs. Increasing union competition,

increased international economic competition and generally looser ties between the Labor Party and the trade union movement have significantly changed the conditions for the union voice and the possibility to be loyal supporters of national welfare and income policy goals.

Taken together, it is a fundamental mistake to consider private pensions as only a simple function of public coverage and generosity and in a broader sense, to see pension institutions as invented by design. The invention of pension institutions occurs as social conflicts are solved through compromise and as complex constellations are reduced to less complex ones (see Mjøset 1992:654). In the Norwegian case, this process has to a large extent been conditioned by the nature of the industrial relations system, the strength of organized labor and employers, and the scope of public policy. In other words, there can be a statistical relationship between the organizational strength of the working class and the welfare state. It does not, however, indicate how and why the process of social change took place, and how pension policies will develop in the future.

PART 3

The nature of employee benefit provision

Chapter 7 The invisible handshake – Perspectives on occupational welfare provision

7.1 Introduction

The focus in Part III is on the current status of labor market based welfare schemes, specifically on the incidence and distribution of voluntary and contractual benefits among public and private sector wage earners in the Norwegian labor market.

This chapter argues that voluntary and contractual employee benefits can be seen as the result of an invisible handshake between employers and employees (and their unions) in a setting of mainly closed employment relationships. The main goal of this chapter is to propose an explanation of why employers provide welfare benefits to their employees rather than simply increase the cash wages of particular employees. As a result of this theoretical discussion a conceptual model of employee benefit provision is put forward. The discussion leads to the hypothesis that in a strongly regulated and institutionalized labor market, where employment to a large extent is secured and the system of personnel management and remuneration is formalized, the incidence of welfare and other benefits is relatively high despite the existence of a comprehensive and generous public welfare system.

Even though employers are exposed to the same public welfare system and the same tax rules, the provision of welfare benefits varies considerably among them, and as a result, among individuals. This creates a puzzle as to how to piece the theoretical elements into an understanding of occupational welfare provision and distribution in the current Norwegian labor market: Which employee benefits are offered to Norwegian wage earners? Who gains and who loses from this system of remuneration? Why is it that some employers offer their employees more, and better, benefits than do others?

It is, however, far from obvious how to approach these questions both theoretically and methodologically. In Norway, there has been very little research on the mechanisms that create the disparity in job rewards, especially when it comes to welfare benefits. The research that has been conducted has focussed primarily on how individual characteristics affect the attainment of welfare benefits (Holmer Hoven 1982, Ryen 1984, Knudsen 1991). Internationally, theoretical perspectives have been developed primarily to explain provision and distribution in labor

markets less institutionalized and with very different regulatory frameworks than found in Norway. Moreover, (labor) economists who study employee benefits often ignore the social policy aspect of many benefit categories and focus heavily on the human capital and human resource management aspects. Therefore, at this stage of theoretical and empirical analyses, it is necessary to construct a more detailed framework for understanding benefit provision in a highly institutionalized labor market surrounded by a comprehensive welfare state.

Public sector employees are generally offered a standard package of welfare benefits in which, for example, occupational pension and disability arrangements in the state and local sector are coordinated and standardized. When explaining variation in individual outcomes it is private sector firms and employers that become the core target for possible explanations. To some extent, the state represents one employer, even though an extremely large one, among a host of employers in the labor market. The discussion in this chapter will therefore focus on how to understand «the social policy of the firm»¹.

This discussion takes us to the center of an ongoing dispute between neo-classical economists on one side and institutional economists and labor market sociologists on the other. The core question can be said to be whether institutions, such as trade unions, formalized personnel management, and work force structures, have decisive impacts on wage determination and, thus, on welfare benefit determination. In other words, there are two critical questions at play: Do institutions matter and can variation be explained by inter-firm differences? In both cases, a positive answer challenges the basic neoclassical theory of wage determination which views wage determination as independent of firms' institutional characteristics and, more important, it would shed new light on remuneration strategies and on the role of labor relations in a Social Democratic welfare state. The provision of welfare benefits is obviously a very small part of the larger puzzle of how firms function. Nevertheless, it provides an opportunity to see if and how a traditionally overlooked part of remuneration contributes to producing inequality in the labor market.

I will make the case that the concept of the internal labor market provides a useful framework for an analysis of how institutional aspects of companies can explain decision-making with regard to welfare benefits. As noted by Sørensen (1983:273), non-market, administrative mechanisms are responsible for variation in individual earnings attainment because most employment relationships are closed through explicit or implicit contracts between firms and their employees. The

¹The phrase 'Social Policy of the Firm' was used by Martin Rein in his essay from 1983 where he argued in favor of paying increased attention to (social) policy decisions carried out by the private sector of the economy. However, he did not offer an explanation for variation among firms. Even so, Rein's important contribution was to stress the need to redefine the concept of welfare including, importantly, the social policy of the firm.

provision of welfare benefits would typically not take place in a fully open employment relationship where workers do not know if they might leave the company tomorrow.

This perspective is certainly relevant in the Norwegian labor market which is highly institutionalized and regulated, indicated among other things by high coverage in collective agreements, relatively high unionization, and a large public sector. Therefore we are, as in a historical perspective, left with a need to analyze employer, employee, and union behavior, rather than to approach occupational welfare as primarily a function of public welfare efforts. It is undoubtedly true, that occupational welfare arrangements have been used by employers as an instrument of labor management and by unions as a way of increasing membership support and controlling wage determination. It is safe to assume that occupational welfare is strongly influenced by the nature of industrial relations. At the same time, we cannot ignore, as (labor) economists tend to do, the fact that these employee benefits actually provide welfare goods, such as sickness benefits and retirement income. Okun (1981:89) concluded that the employment relation is guided by an «invisible handshake rather than by the invisible hand». This expression captures the basic idea of the institutional perspective. We can expect that occupational welfare benefits, in particular, more than other remuneration components, will be guided by such an invisible handshake between employers and employees. Because of their intimate connection to public social policy arrangements, and hence social norms of security and solidarity, welfare benefits can be a useful but uncertain way to promote good relations in industry; to promote loyalty or at least reduce turnover; and to bring about greater productivity or to buy support for other measures. It is the nature of this handshake and its implications that this discussion seeks to address.

The remaining part of this chapter provides a discussion of perspectives on welfare decisions made by employers, employees, and unions. As a point of departure, Section 7.2 argues that firms matter in the study of remuneration policies. Based on the concept of closed employment relationships, Section 7.3 addresses, in more detail, how characteristics of companies can contribute to an explanation why benefits are offered; this is followed by a discussion, in Section 7.4, of possible employer motives. Based on the concept of internal labor markets, the chapter moves on to a discussion of employee motivations (Section 7.5) and the role of unions specifically (Section 7.6). Summing up the implication of this discussion, a set of hypothesis attempting to explain the differences in occupational welfare provision across companies and individuals is put forward (Section 7.7). The concluding section gives a short discussion of the methodological implications of this perspective (Section 7.8).

The subsequent chapters in Part III offer empirical analyses of employee benefit provision, of the distribution of benefits, and of attitudes toward this form of remuneration and social policy practice. Chapter 8 presents an analysis of the incidence and development of different welfare benefits as well as a test of whether employee benefits can be divided into distinct groups of benefits, i.e. the nature of the dependent variable. In chapter 9 both individual and company based data will be made subject of multivariate analysis in order to assess the underlying logic of private sector company provision of employee benefits discussed in this chapter and to see whether there are significantly divergent distributional processes underlying various categories of employee benefits. Finally, Chapter 10 analyzes attitudes toward core aspects of occupational welfare provision – such as the cash value of benefits, control over benefit decisions, and the strategic role of trade unions.

7.2 Does the firm matter?

No doubt, it is safe to conclude that we have relatively limited knowledge about what actually goes on at the company level, especially when it comes to understanding the provision of welfare benefits in the Norwegian setting. An increasing number of scholars argue, however, that it is the firms that link the micro and macro dimension of inequality. Baron and Bielby (1980) argue that we «cannot treat firms as black boxes in the empirical analyses»; thus they conclude that we should «bring firms back in». Sørensen (1993:1) argues that the study of firms should be a focal point in the study of the labor market, but concludes rather pessimistically: «Nevertheless, we do not find the study of firms to be a primary focus in the main sociological and economic research traditions studying inequality in the labor market.»

Among scholars focussing primarily on outcomes other than inequality and wage determination, a renewed interest in the firm can be seen. One tendency is an increasing focus on what is called micro–micro studies (Aoki 1990:2), meaning analyses of the internal structure of firms. Aoki states that one of the important sources of industrial strength in the Japanese economy can be found in the internal structure of firms. In the United States, the same theme has been central for understanding the productive performance of American companies (Dertouzos, Lester, Solow 1989). Aoki (1990:2) proposed a «need to broaden the scope and re-order the focus of the theory of the firm». Another way of phrasing the problem is offered by Freeman (1991:9) who suggests the following questions for future research: «Do labor institutions substantially affect important economic outcomes?» This question involves, according to Freeman, an improved understanding of how

firm-level policies operate and affect economic outcomes. Do, for example, «personnel practices work as a package – positive labor relations involves high wages, good benefits, job security etc. – or can a firm be «good» on one dimension but not another?» (Freeman 1991:9).

The tendency to overlook the firm level in theoretical and empirical work has several explanations. First, as will be discussed later, neoclassical economics provides no reason for focussing on the firm as such. Firms are fully structured by external market forces, and hence it is, to borrow an expression from Sørensen (1993:7), «therefore as unnecessary to study firm level processes as would be the study of grocery stores for our understanding of the mechanisms that determine the price of potatoes».

Second, stratification research has focussed almost exclusively on the determinants of individual socio-economic achievement. This research tries to show that individual achievement is a function of structural factors such as class, authority, organizational size, or labor market sector (Baron and Bielby 1980, Sørensen 1983, 1986, 1993). A typical example is the prominent debate on the gender gaps in wages and fringe benefits, with results pointing to the fact that gender gaps exists in both wage and non-wage compensation (Perman and Stevens 1989, Currie 1993). The basic problem with this approach is that it provides us with interesting predictions on differences in output across individuals without getting much closer to why this occurs. Typically, Perman and Steven (1989:400) conclude in their analyses of the «gender distribution of fringe benefits» that «we are still left with the question of why firms in these industries offer less?»

And third, labor market sociologists who argue that labor markets are segmented or differentiated have focussed on variation among industries and sectors and have left firms basically untouched, despite their critics of standard economic theory (Doeringer and Piore 1971).

In the neoclassical perspective, occupational welfare benefits represent a part of the total wage, which again would equal the marginal productivity of the worker. A competitive labor market tends towards equilibrium in the sense that workers of a given quality receive the same level of remuneration across employers. Employers who pay below the market clearing wage will be unable to attract and retain qualified workers. Employers who pay more than the market wage will be driven out of business by high labor costs, i.e. when labor markets are competitive, wage rates can not be influenced by individual firms. Labor is a commodity like any other and firms acting as consumers will buy the needed labor for the lowest price available. There is no reason to expect firms to be important in the sense that they would cause systematic variation in remuneration. Therefore, in a typical labor economics textbook, the existence of fringe benefits is explained by favorable tax rules and em-

employees' preferences for such benefits; furthermore, the traditional argument is that employees pay for their benefits in the form of reduced direct wage (For an example, see Flanagan et al 1989:240–249).

Favorable tax rules, however, cannot explain why welfare benefits vary significantly across companies, although one explanation offered is that there is greater demand for such benefits among high income earners because of their higher marginal tax rates. As a theoretical model, neoclassical theory falls short of explaining why differences occur across companies and over time. Differences in supply and demand factors in a competitive market would not create systematic variation in benefit provision among employers and companies. The differences would be across jobs, occupied by individuals with different skill levels.

A growing body of empirical evidence tends to give support for the fact that firms matter, and that compensation differs across companies. In a review of research on wage differentials, Groshen (1991:360) argues that the «simple competitive model does not hold: wages vary among employers». She concludes that «these studies provide strong evidence that within occupations employer differentials exist, and that they are associated with measurable attributes of employers such as firm or plant size». This conclusion is of special relevance when analyzing welfare benefits because they are mostly collective goods, where all employees in a company are eligible. Therefore, we need models that can explain why an employer might pay the costs of providing welfare benefits to all of its employees rather than to particular individuals.

7.3 Internal labor markets and employee benefits.

Neoclassical wage theory has been a target for much criticism from labor market sociology, Marxist theory, and institutional economics. My goal is not to review this discussion, but to point to a basically different concept of the employment relationship that could provide us with a conceptual structure of welfare benefit policies at the firm-level, namely the theories of firms and closed employment relationships². Neoclassical theory views the employment relationship as «open» in the sense that anyone can offer their labor for any task and current workers can always be replaced with someone who works harder or will accept less pay. Generally, institutions and practices that are internal to companies have to a relatively limited extent been explored by economists (Lazear 1991:89).

²For a review, see Sørensen 1993.

In the real world, however, firms establish mutual agreements with their employees through explicit or implicit contracts. These social relationships are employment relationships. When employment relationships are closed in a firm, this defines an internal labor market (Sørensen 1993:11)³: «Here attainments are produced not by competitive markets, but by administrative procedures allocating people to jobs providing different levels of earnings and other attainments». Sørensen (1983:273) defines an internal labor market as a situation in which «the interaction between marginal productivity and individual supply characteristics does not determine the specific wage rate an individual obtains. Non-market, administrative mechanisms are responsible for the observed earnings attainment process». In an internal labor market, employment is to some extent secured, and the system of personnel management and remuneration is formalized and institutionalized. Furthermore, jobs are often organized into career ladders. Since firms can only dismiss workers in exceptional circumstances in closed employment relationships, they are forced to develop motivation systems (See also Colbjørnsen 1986). In this way, the concept of the internal labor market is closely connected to the study of motivation systems. There is a entire body of literature which aims to test the effects of different forms of remuneration, such as the systems of piece rates and target rates (see, for example, Petersen 1992).

The provision of welfare benefits would typically take place in a system of closed employment relationships. It can best be illustrated by old age pensions which are designed to motivate employees to stay with the same company. But, other benefits like health insurance, sickness and family benefits are also of primary importance to employees having somewhat longer perspectives on the employment relationship. If you know that you might leave the company tomorrow, you would prefer to be paid in current direct wage, instead of being eligible for a future right to, for example, pregnancy leave. In this sense, the existence of occupational welfare schemes is a direct indication that the employment relationship is, to some extent, closed by collective agreements or by some sort of human resource policies.

Trade unions can be a part of an internal labor market. Unions have as one of their main purposes the creation of explicit contracts regulating employment and wages, hence they create closed employment relationships and therefore internal

³The theory of internal labor markets can be traced back to Doeringer and Piore's (1971) goal of synthesizing the works of institutional labor economists, such as Dunlop and Kerr with newer developments in human capital theory (Becker). Doeringer and Piore argue that investments in firm-specific training give rise to internal labor markets. In other words, firms create internal labor markets to minimize the cost of investments in enterprise-specific human capital. Hence, Doeringer and Piore causally link technological and job specificity to internal labor markets (for a discussion, see Marsden 1986:146–152). However, several explanations for the existence of internal labor markets can be found: transaction costs, unions, governmental regulations, composite rents and, as noted, firm-specific skills. A reason for the theory's popularity could be the fact that it is empirically testable.

markets. Internal labor markets, however, can also exist without unions present. Typical examples are large non-union multinational corporations, such as IBM. In these companies, employment is to a large extent guaranteed and careers are shaped by internal mobility between jobs and positions. A wide range of work on human resource management exists, arguing in favor of a formalized relationship between firms and their employees in a non-union setting (Ulman 1992:178).

As a highly regulated labor market, both by labor legislation and by contractual agreements, the Norwegian labor market is to a large extent dominated by closed employment relationships. Labor law provides most employees with a relatively high level of employment security. First, among 35 per cent of all wage earners are employed in the public sector. Second, among private sector employees more than 90 per cent regard themselves as permanently employed. In addition, 77 per cent of all employees report being covered, fully or partly, by collective agreements. Among private sector employees the corresponding figure is 62 per cent. As shown in Table 7.2, a large majority of the labor force has been employed continuously by the same employer for a relatively long period of time, indicating that employment is basically closed. Only approximately 10 per cent of men and 15 per cent of women

Table 7.1. Two indicators of employment relations in Norway. Per cent of wage earners by nature of employment and per cent of wage earners by wage determination system. NSD-survey 1992.

	Nature of employment			Wage determination	
	All	Private		All	Private
Permanent	90.5	92.6	Collective	57.1	34.9
Temporary	5.7	4.4	Collective/individ.	19.5	27.1
Substit./others	3.8	3.0	Only individual	20.3	33.6
			Do not know	3.2	4.5
N	1492	882		1480	876

Table 7.2 Length of continuous employment with the same employer by sector and sex. Per cent of wage earners 1992. NSD-survey.

Years employed:	All		Private		Public	
	Men	Women	Men	Women	Men	Women
1 or less	9.5	14.9	10.6	15.3	7.2	14.1
2 - 3	14.2	17.6	14.9	20.3	12.4	20.3
4 - 7	28.1	26.4	30.3	29.5	22.7	23.0
8 - 14	21.5	22.0	21.1	18.6	22.7	25.7
15 or more	26.6	19.1	23.1	16.3	35.1	22.0
N	850	812	597	404	252	407

report that they have been employed one year or less by the same employer. Not surprisingly, men tend to work with the same employer more than do women. This is especially true in the public sector.

It should be noted that the level of permanent employment is somewhat overestimated when based on surveys among registered employees, as is the NSD-survey. Moland estimates the number of temporary employees at between 10 and 15 per cent (Moland 1994). The highest per centage is found in public sector. Even so, this does not change the basic picture of a highly institutionalized labor market in Norway.

Of course, the concept of the internal labor market should not be seen as a dichotomy where employment relations are either completely closed or fully open. Rather it should be considered a continuum between the two extremes of fully open or closed relationships. As a framework for understanding benefit provision, it is important to recognize that the great majority of employment relationships in Norway tend toward the closed form, i.e., employment is explicit based on contracts and it is regarded to be stable or permanent.

A core aspect of internal labor markets is the bureaucratization of the company, including the establishment of formal systems to determine remunerations. Structures like personnel departments are seen as distinct features of internal labor markets (Bridges and Villemez 1991:745). There is reason to believe that formalized personnel systems would increase the likelihood that welfare benefits will be provided. Professional human resource managers are more likely to be educated in areas connected to insurance and welfare benefits. Typically, it is the relationship to these personnel managers that insurance companies put considerable effort into maintaining. Moreover, they are closer to employees and their concerns and are probably more willing and able to understand a demand for welfare measures. The goal of human resource managers to create positive employment relations could increase their interest in benefits that have strong symbolic importance, such as family policies, pensions, and recreation. Data on personnel departments show the high level of formalized personnel management in Norway. Nearly half (47 per cent) of the respondents report that there is a separate personnel department at their company. If we look only at full-time employees, the figure increases to 55 per cent⁴. Internal labor market theory would predict that formalized personnel management in larger companies would be positively related to welfare benefit provision. Typically, Ulman (1992:184) argues that traditionally «the combination of high wage and generous welfare policies is a characteristic of internal labor markets.» In their classic work on internal labor markets, Doeringer and Piore were also concerned with the dual nature of labor markets. As opposed to the primary labor market, the

⁴Source: Individual data, NSD-survey 1992.

secondary is characterized by «low wages and fringe benefits, poor working conditions, high labor turnover, little change of advancement, and often arbitrary and capricious supervision» (Doeringer and Piore 1971:170). The prediction that occupational welfare benefits would vary systematically between a primary and a secondary labor market might not be fully relevant for the Norwegian labor market because there is probably not such a distinct dualization of the Norwegian labor market (Colbjørnsen 1986). Even so, formalized structures, typical of internal labor markets, can contribute to an explanation of variation in welfare provision without necessarily creating a dualistic structure.

No doubt, the extent of internal labor markets and hence the formalization of personnel management vary across industries. Manufacturing and finance services establish internal labor markets to a larger extent than is done in, for example, hotel and restaurants. Higher educational levels and higher skill levels make employees harder to replace, thereby creating a need to retain employees with the firm. Moreover, the existence of special training and education, as found in banking and insurance (for example the Bank Academy) contributes to building internal labor markets (Colbjørnsen 1986). Hence, industry becomes an important variable in an analysis of welfare remuneration provided that internal labor markets and formalized personnel management have an impact on remuneration strategies.

7.4 A closer look at employer motives

An employer's decision to provide welfare benefits can be explained by «efficiency wage» reasoning. The efficiency wage theory argues that it may be profitable for employers to pay workers wages higher than those they could command elsewhere. One should note that paying efficiency wages makes sense only if employees expect to have a long-term employment relation with the firm. If workers switched jobs frequently, firing would not represent an efficient penalty and employers would have no incentives to pursue an efficiency wage policy. Therefore, occupational welfare as an aspect of a high wage policy is likely to arise only when there exists closed employment relationships and thus some form of structured internal labor markets.

Providing generous occupational welfare schemes, relative to other employers, offers employers two types of benefits. First, employees should work harder and stay longer because they have a strong incentive not to lose their job. Second, the firm can save money by devoting fewer resources to control and monitoring.

The theory of efficiency wages, however, cannot explain why benefits are provided as a team remuneration to the entire work force or why they are given as

non-wage benefits rather than as a direct wage. And, of course not why remuneration is given as both non wage and team remuneration as is the case of occupational pensions and other welfare benefits in the Norwegian labor market. Hence, in my opinion, we need to bring in non-economic elements to explain the social policy of the firm. Akerlof (1984) has taken the efficiency wage theory a step further by arguing that the «gift» of high wages encourages a reciprocal «gift» of high efforts by employees. The possible symbolic effects of occupational welfare are rarely mentioned in the economic literature. Nonetheless, limited arrangements such as additional family leave or sickness pay can signal a company's interest in the welfare of its employees. I will argue that this gift exchange perspective can be of some relevance for understanding occupational welfare. (Efficiency) wages paid as welfare benefits can have a stronger gift symbol attached to them than when they are paid in the form of a higher direct wage. If this is not the case, there really is no good argument for using welfare benefits to pay employees over the market level. Precisely because welfare benefits supplement the public schemes, they can profit by the norms attached to public welfare benefits. As opposed to wages, they have a stronger built-in element of solidarity, «taking care of», justice, and so forth. When pensions or family leave are used as remuneration, that automatically signals a stronger social responsibility from the employer than when wages are only paid directly. This is clearly illustrated when unions accept large wage differences, but argue strongly against the fact that some workers have occupational pensions and others do not. If pensions are only wage in disguise, why bother?

The «gift» concept would point in the direction of using welfare benefits as a remuneration strategy, instead of other types of employee benefits such as free telephone or newspapers. This is because benefits associated with social and economic security might have more potent symbolic value. In addition, generous public programs make it less expensive for employers to meet certain targets of income replacement for workers who are disabled, retired early, sick, or elderly. Dobbin and Boychuck (1996) have suggested that this cost effect was found in the US after the «New Deal» which had a positive impact on occupational pensions coverage. The is probably also the case in Norway, boosting coverage to a high level.

Lazear (1991) provides an argument closely related to Akerlof's. He sees welfare benefits as generating wage compression, which has psychological benefits, especially when technology requires cooperation. A wage structure that is too closely related to differences in individual productivity creates morale problems and destroys the team spirit of an organization. Workers care about their relative positions as well as their absolute standards of living. Occupational welfare arrangements can be a way of combining cooperation and competition. The larger the spread between winners' and losers' prizes, the greater the incentive to be uncooperative. One solution is to compress the wage structure or build in elements of team remuneration.

Longer vacations, family leave, child care, life insurance, and so forth have a built in element of team remuneration. «Several occupational benefits are of equal value to all workers with families of similar size, no matter how much they earn. Because the value of these benefits represent a larger per centage of low wage worker's compensation, such benefits tend to compress earnings differentials» (Flanagan et al 1989:246). This is clearly not the case with defined benefit pensions as found in Norway due to tax regulations. Rather, the relative importance increases with income level because the public system has a lower income replacement level for higher income brackets.

Even so, the fact is that benefit arrangements that cover the entire work force can serve as a symbol of workers' equal worth and importance. Therefore, occupational welfare schemes covering the entire work force provide an opportunity to use team remuneration with an element of symbolic gift relation attached to it.

Whatever argument is used, it is clear that the provision of welfare benefits in an internal labor market setting cannot be fully explained by economic arguments, but must be supplemented by sociological and psychological considerations. These non-economic factors can have important implications for the distributional pattern of different categories of benefits. Some benefits are provided to the entire work force because they are motivated by a broader set of social and psychological considerations.

On the other hand, it is reasonable to believe that employee benefits such as free cars, free telephones, or other traditional fringe benefits are guided by a different logic than welfare benefits because there is a very different link to public programs and the symbolic values attached to them is different. Hence, they are probably more often provided to individual employees because of their status and job functions, and the motivation is more directly related to the possible wage (in disguise) effect. Therefore, a possible hypothesis is that employee benefits at least can be divided into two categories and that the distributional consequences and the decision-making processes are significantly different between these categories.

The theoretical association between internal labor markets and efficiency wages may help to explain the strong empirical relationships that exist between the level of benefits and firm size. Large companies tend to contain elements such as unions, formalized personnel structures and so forth. At the same time, strict monitoring and control can be hard to achieve, thus creating the need for positive symbolic components in the remuneration policy.

An more speculative argument notes the possible role of strong social paternalism on behalf of the work force observed among founders of successful large companies. One example is Eastman Kodak in the US (Jacoby 1996), another is Throne Holst at Freia in Norway (Rudeng 1989). Because of this paternalism, many

large companies have a tradition of providing company-based welfare benefits such as pensions, housing, recreational facilities and so forth. If the paternalistic argument is to be a unique explanation behind the introduction of welfare benefits it must more generally be argued that individuals who make decisions on behalf of firms may have a preference for acting fairly and thus seeing psychological factors as a constraint on profit-seeking (Kahneman, Knetsch, Thaler 1986). Of course, in a market economy social paternalism survives first of all if it proves to be economically efficient.

Human capital approach.

It should be recognized that human capital theory is often used to provide an alternative explanation for differences in compensation. Human capital theory simply states that individuals invest in training to raise their skills because this will give increased economic return. Therefore, people with more education and longer work experience are expected to make more money because they are more productive. Seen from an employer's perspective, occupational welfare benefits could have a human capital element allowing the firm to attract certain kinds of employees. Realizing that highly educated workers may expect a certain level of occupational benefits, employers may be forced by the market to provide these in order to recruit new workers. Moreover, in a setting of public social schemes with a strong redistributive design because of income ceilings or other technical arrangements, «compensatory» occupational programs could be a useful and necessary human capital instrument.

Using non-wage remuneration could also be seen as a way of improving the productivity of the existing work force. Increased productivity could, for example, be achieved by providing extra vacation time to let employees «recharge their batteries». The rationale, however, is more frequently attributed to what is called deferred compensation. This concept is based on Oi's (1962) theory of labor cost as a quasi-fixed cost. When companies hire and train employees, that involves costs. Hence the longer the worker stays on the job, the longer can the costs be written off. Therefore, employers seek incentives to reduce turnover and thus to reduce hiring and training costs. In this sense, deferred compensation could be subsumed under transaction cost theory. It implies an implicit contract where workers accept a wage less than marginal productivity at an early stage of their career in exchange for a long-term employment. This helps to protect the company's investment in human capital. Hence human capital theory can explain how positive inequality between the marginal product of labor and the wage rate can occur in the short run.

Lazear's (1979,1981) theory of what was later named the «theory of deferred compensation» offers an alternative neoclassical explanation of the age-earnings profile. The employer can increase productivity and profit by increasing the employee's wage continually and predictably over the course of the career in the firm. The wage rate functions as an incentive to remain with the firm and to work hard. Old age pensions as a form of deferred compensation can easily be explained by this theory. Pension plans become a tool for increasing productivity in the first years of life as well as for providing an optimal point for determination of the labor contract. In the Norwegian setting, it should be recognized that strict vesting rules (i.e., a maximum of 3 years) significantly reduce the employer's possibility to use pensions to retain employees. Furthermore, the Norwegian government has put forth a proposal to secure full linearity in pension accrual and full vesting after one year⁵. This would imply that occupational pensions would lose their potential as tools for retaining workers in the firm. Moreover, it is interesting to see that, in the government's proposal, occupational pensions are seen primarily as a social policy instrument rather than as a management instrument.

The human capital approach does not indicate that valuable employees with high human capital are necessarily paid over the market wage. In this sense it is not an efficiency wage, where welfare benefits represent the modern version of Ford's five dollars a day. It predicts rather, that there is a trade-off between wages and welfare benefits.

Taken together, human capital perspectives point to the important fact that employers can have a direct interest in spending a part of the total wage costs as welfare benefits. More importantly, it indicates that there is a link between the structure of the labor force at the company level and the provision of welfare benefits. Based on human capital theory, there is reason to expect that employers who employ workers who are hard to replace because of education or experience will offer the best benefits. Hence, firms with a highly educated, high income work force might be more willing to use occupational benefits as a part of their (internal labor market) administered wage policy. In a country where traditional low wage industries (e.g., textiles) have closed or moved due to high wage policies and where average education level is very high, human capital perspectives point in the direction of increased importance of welfare benefits and other indirect remuneration strategies.

Nonetheless, it is important to stress that as an alternative to deferred wages a firm could achieve the same results by simply providing a seniority-based wage structure. Moreover, firms could attract workers by increasing the direct wage instead of using welfare benefits which can be a relatively costly way to compensate

⁵ St.meld.nr.35 1994/95 Velferdsmeldingen

employees, involving set-up costs and administration. Thus, the human capital approach stops well short of providing a full explanation for occupational welfare arrangements.

7.5 Employee demand

The arguments presented so far have focused on employer behavior. However, the existence of formal personnel structures and responsive personnel managers should lead our attention towards the importance of the work force. When a company provides a certain benefit or a range of benefits, it takes into consideration the structure of its labor force and the needs of its workers. Since most welfare benefits are designed to complement public welfare schemes, the need for these arrangements will vary across groups of employees. Hence, the variation among companies can be due to differences in employee composition. Or, in other words, the demand for welfare benefits will vary depending on employee characteristics.

Economic theory points to the fact that, due to their high marginal tax rates, employees in higher income brackets prefer benefits. However, another aspect of public policy should also be considered. When public schemes are designed to give higher income earners less income compensation than lower income employees, this creates, in combination with favorable tax rules, a demand for supplementary benefits in the labor market. A typical example is old age and disability pensions where the replacement level is reduced significantly for the part of the income exceeding average income. Or in the case of sickness benefits, where only income up to the average is compensated.

Introducing a occupational pension scheme at the company-level would thus have the effect of serving as a team remuneration, and at the same time have a greater importance for high income earners than for low income earners.

Another aspect of an employee structure is its gender composition. On the one hand, women are often seen to put more weight on economic security than are men. On the other hand, women are often less informed about economic issues, such as pensions (Fløtten 1991). Even though one could expect a strong demand for welfare benefits by women, this might not be the case because of their relative low wages and resulting preferences for cash wages. A more structural argument should also be taken into consideration. Women are more often than men found in low education and low income occupations and they are more often working part-time. A possible negative effect from female employment on company benefit provisions could be traced to women's relatively weak bargaining strength rather

than to gender differences in preferences. Women are more often to be found in jobs where it is relatively easy to be replaced. As shown in table 7.4, 41 per cent of the women compared to 17 per cent of the men report that it takes less than two months to train a new person to replace them in their job. This sizable difference could also be the effect of lower self-esteem rather than lower skills. Even so, the effect would be reduced capacity to change wage determination decisions at the company level.

Taken together, even though one could easily argue that women have a different set of values related to social and economic security than do men, the structural differences in labor market position between men and women are so distinct that it would generate differences in demand for benefits independent of the existence of unique female values.

Finally, one could point to the fact that a more educated staff would not only know more about their needs for insurance and other benefits, they would also be more able to communicate their preferences to managers.

If high income earners demand welfare benefits, we would expect a correlation between the wage level of a company and the benefit provision. Based on American data, Ehrenberger and Smith (1981) find that high wage employers pay a greater per centage of total compensation in the form of fringe benefits than do low wage earners. Even so, traditional economic theory implies that employees pay for their welfare benefits through lower direct wages than they would otherwise receive. This negative relationship between wages and benefits is difficult to establish empirically. Seen at a given point of time, those who receive high wages also receive very good welfare benefits. Few empirical studies of this tradeoff exists. There are, however, some studies that indicate that employees pay for their pension benefits (for a review, see Ehrenberger and Smith 1981; see also Triplett 1983). Even so, Freeman (1981) concludes that: «It is unlikely that employer wage differences compensate for differences in fringe benefits».

Table 7.3 Training time needed to replace existing employee. ABU-survey 1993.

	All		Public		Private	
	Men	Women	Men	Women	Men	Women
Less than 1 month	8.8	23.9	8.6	25.5	8.6	21.7
1 - 2 months	8.5	17.4	9.4	17.5	5.7	16.8
3 - 11 months	21.7	26.3	22.6	29.9	18.8	24.1
1 - 2 years	28.8	16.2	29.6	14.9	27.7	17.4
3 ore more	25.7	7.9	24.0	5.7	30.8	10.0
Do not know	6.6	8.4	5.7	6.5	8.5	10.2
N	2239	1921	1572	878	664	1037

In the Norwegian context, there is reason to believe that the low level of information among both employees and employers on the actual costs involved, and the fact that these benefits are not traditionally a part of collective bargaining is a hindrance for a full tradeoff between direct wages and benefits. If this is the case, it indicates that benefits serve as an efficiency wage more than only as a part of a tailored compensation package to suit the preferences of high educated and competent employees.

Nevertheless, a positive relationship between direct wage and employee benefits tells us that total wages are more unevenly distributed than are direct wages, which traditionally are used to measure wage distribution. In a labor relations system which puts much weight on a so-called solidaristic wage policy at the national and industrial levels, employee benefits can function as a valve for local employers to increase wage differentials. Paradoxically, a centralized solidaristic direct wage strategy can contribute to an increased need by employers to use wages in disguise such as welfare benefits to meet the demand from high educated, high income workers. Defined benefit pensions would be a good instrument because they are provided to all permanent employees, and, at the same time, they favors high income workers, i.e. they increase the income dispersion.

7.6 Can unions boost benefit provision?

Unions are typically a core element in internal labor markets in Norway, as they are in many other countries. Nearly 60 per cent of all wage earners are union members and a majority of all private sector companies have a union present⁶. Therefore a discussion of the effects of employee demand and preferences on benefits must take into consideration the possible impact of unions. Nevertheless, the impact of unions on wage determination is a topic that has caused significant disagreement in the labor market literature (See Poole 1984, Kaufmann 1993, McNulty 1984, Marsden 1986). The core issue has not been whether unions affect wage determination, but if they in the long run actually reduce the social output. Freemann (1992) clearly illustrates this point by asking the question: »is declining unionization good, bad, or irrelevant?»

In a review of union impact on pay policies, Balkin (1989:300) concludes «that management adjusts its strategies and structure when unions enter the picture, which results in different pay policies than would be the case in the absence of unions.» As opposed to a simple monopoly model where unions misallocate labor and reduce social output, institutional economists have focused on the collec-

⁶Source: Fafo–MMI survey 1991.

tive voice «face» of unions that change work relations in socially beneficial ways (Freeman 1992:144). From this perspective, unions do more than simply raise wages.

Among other things, unions are seen to alter the composition of the wage package towards welfare benefits. In the United States, several studies have shown that unionization has a strong effect on firms' expenditures on fringe benefits (Antos 1983, Freeman 1981, Freeman and Medoff 1984, Feldman and Scheffler 1982, Long and Link 1983). Perman and Stevens (1989) show that unionized workers have more benefits and that rates of unionization reduce the coverage gap between men and women. One of the reasons that women receive less health insurance than men is that they are less likely to work in unionized jobs.

According to Freeman and Medoff (1979, 1984), this could be due to the fact that unions represent a «collective voice» that takes into account the preferences of all the workers to form an average preference that represents the union's position at the bargaining table (Also see Chapter 3 for a discussion). As a democratic institution, a union is seen to be responsive to its average members as opposed to its marginal member. The preferences for benefits can differ between the average member and the marginal member. Since union members tend to be older with higher level of seniority, the collective voice model predicts that unions have stronger preferences for pensions and fringe benefits versus additional take home pay than do the marginal employees.

The study of union impact on pay policies at the local level has to a large extent been based on American data. However, as Freeman concludes: «studies of unionism in other countries suggest that these findings describe other industrial relations systems as well.» (Freeman 1992: 148). Nevertheless, there is little knowledge about the impact of unions and collective bargaining systems, especially in a Scandinavian context. Could we expect that unions have had a significant impact on welfare benefits provision in the Norwegian labor market, or is this primarily a typical effect of so called «business unionism»? Norwegian Trade Unions are traditionally seen as ideological unions supporting a division of work between government responsibility for social policy and union responsibility for direct wage agreements. Occupational welfare benefits are in most cases supplements to public welfare programs. Furthermore, although the central wage agreements do not prohibit «excessive» wage increases, it is traditionally argued that local unions to a certain extent respect the overall centrally formulated guidelines concerning wage policy. Centralization has thus involved wage norms and concepts of fair wages and benefits that have been more or less successfully implemented at the local level.

On the other hand, several reasons exist for a strong union impact also in Norway. First public sector unions have actively engaged themselves in a struggle to include occupational pensions into collective agreements (Hippe and Pedersen

1988, Øverbye 1990). This strategy has been successful and has opened the way for more active private sector engagement. Also the ability to reach contractual agreements on early retirement at a national level has given increased legitimacy to local union attempts to raise these questions in collective bargaining.

Second, local bargaining is a more important element in Norwegian labor relations than is typically indicated in the comparative industrial relations literature. Clearly, the right to conclude contracts on behalf of their members by the LO centrally is an important element in the strong LO hold in Norway compared to, for example, in Denmark where unions are more autonomous. However, complete centralization with no room for independent wage adjustment at the industry or firm levels does not seem to be an accurate characterization of the Norwegian labor market. This is shown by the fact that wage drift, i.e. wage increase on top of contractual wage change has been a distinct part of Norwegian wage development. Many local unions have the right to conduct various kinds of local negotiations with a basis in the central agreement and most unions outside the LO federation conclude negotiations locally. Hence, there is reason to believe that companies with local wage bargaining have created an arena of communication that could result in a higher level of benefits. Benefits become an instrument for both implicit and explicit agreements. Even though benefits are not formally included in the contract, there is evidence that they can be used to improve the labor relations climate and to reach agreements in other areas. Therefore, it is important to test empirically whether management will offer more benefits when collective bargaining is decentralized to the company level. I will argue that unions probably have an impact on welfare benefit provision in Norway at the company level.

Survey data provide an indication of the local element in the Norwegian bargaining system. The NSD-survey shows that 53 per cent of private sector employees answer that bargaining traditionally is conducted locally. These results, from individual data, are supported by company data. Sixty-eight per cent of private sector companies with 10 employees or more report that local bargaining is conducted (See table 7.4).

Table 7.4 Local bargaining activities in private sector firms. 10 employees or more. Fafo/MMI-survey 1991.

	Percent of firms
Contractual right	34.3
Traditionally local bargaining	34.3
No local bargaining	31.4
N	403

Third, not all unions are alike (Bennett and Delanye 1993:105). In empirical work on unions, research is conducted by comparing union and non-union firms. I will argue, however, that it is of interest to look at the effect of different types of unions. Because of political and strategic considerations, unions can behave differently at the local and central level. In other words, LO unions will probably be more supportive of wage norms implemented at the central level. Therefore local unions that are either independent or belong to the Federations of Professional Associations (AF) or the so-called politically independent Confederation of Vocational Unions (YS) could be expected to be more favorable toward local welfare benefit provision. There is reason to believe, specifically, that professional unions, organizing mostly highly educated and well paid employees, more actively attempt to increase the provision of welfare benefits at the company level. This is, among other things, because high income employees are more frequently hit by income ceilings in the public system. Occupational benefits are not decided upon in a vacuum; they are directly linked to the nature of public benefits.

Individual data tend to overestimate the level of union membership. This is also the case here. Even so, they provide a relatively good picture of the structure of unionization in Norway and hence the possibility for competition among unions. It should be recognized that these union federations compete for members and that the market is not divided between unions as is found in Sweden. Moreover, the union federations and independent unions grow at a faster speed than LO and will relatively soon become larger than the LO unions if this development continuous. However, the basis for the dominant LO position is its strong position in the private sector, especially in manufacturing and other sectors of major importance for wage determination.

Taken together, the theory of union impact on benefit provision needs to include consideration of both union type and bargaining level rather than only comparing non-union and union workers. Moreover, there is no single union effect on all kinds of employee benefits. Instead unions would prefer welfare benefits

Table 7.5 The structure of unionization in Norway⁷ NSD 1992.

	All	Private	Public
LO	36.1	33.9	39.2
YS	10.2	8.1	13.2
AF	12.6	5.7	22.5
Independent	9.2	6.2	13.1

⁷Level of unionization is 68 per cent when based on the employee register as done here. In this register all employments lasting more than six month must be registered. When union density calculation is based on labor force statistics, including all kinds of employment in the control week lasting more than 1 hour, density decreases to around 57 per cent.

before other traditional fringes, and unions would prefer schemes for which all employees are eligible.

The union impact can clearly explain why some employers would provide more benefits than do others, since the relevant variation occurs at the firm level. Nevertheless, an increased understanding of union preferences, activity, and impact on remuneration strategies makes necessary a more detailed analysis of the relationships between different aspects of unions and the structure of the bargaining system.

7.7 Elements of the invisible handshake.

Taken together, this discussion indicates that voluntary and contractual employee benefits are the result of an invisible handshake between employers and employees in a setting of more or less closed employment relationships. Provision of benefits is likely to arise only when there exists closed employment relationships and hence some form of structured internal labor markets. The Norwegian labor market is strongly regulated and institutionalized, thus being dominated by employment relations where employment, to some extent, is secured and the system of personnel management and remuneration is formalized. This is in itself an argument in favor of a relative high incidence of welfare and other benefits in Norway.

The nature of this invisible handshake is determined by institutional aspects of the firm, the structure of the labor force, and the role of trade unions in a given setting of a surrounding welfare state policy. How these elements of the 'invisible handshake' come together at company level in conjunction with the design of the public welfare system and the nature of structural variables as industry and market position will determine the outcome. By linking these elements in an empirical investigation of individuals and companies we can come closer to an understanding of benefit provision in the Norwegian labor market and the distribution of benefits between wage earners.

The discussion have pointed to how aspects of the employment relationship can be expected to influence decisions on employee benefits between Norwegian companies. As was shown in chapter one, this can be illustrated in the following way:

The figure depicts internal company variables important for benefit decisions in a framework of closed employment relations as well as the fact that external determinants are at play through an impact on the internal variables.

In the actual empirical analysis only the direct effects will be subjected to testing. It is valuable to identify the effects of selected variables on benefit provision without trying to model the whole causal process; that would involve several

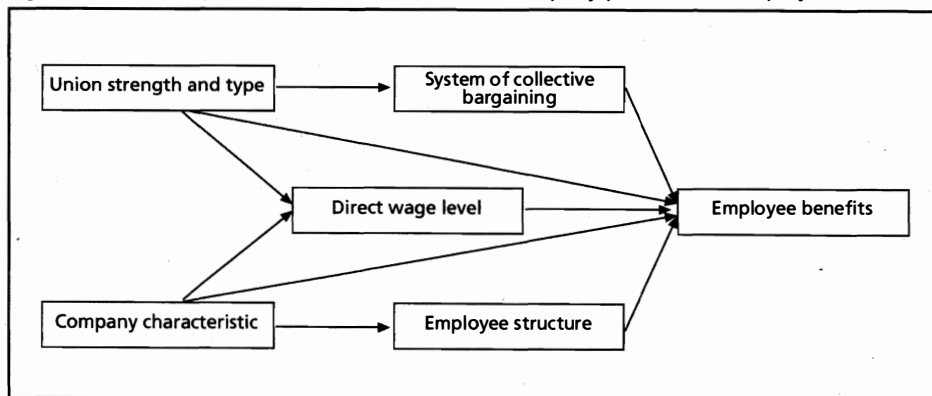
relationships that are hard to measure with existing data. Moreover, it is not of primary theoretical interest to test the effect of union structure on bargaining systems, or the effect of personnel departments on direct wage levels and so forth.

Summing up the discussion in this chapter the following hypotheses can be put forward:

1. The provision or supply of benefits can be governed by human capital strategies. This would imply that education level, income level and gender composition will be associated with differences in benefit provision across companies. Realizing that highly educated and skilled workers expect a certain level of welfare benefits can force employers to provide occupational benefits to retain and recruit new employees. Even though pensions are provided to all employees, they are of greater importance to high income workers. Therefore, companies with a high average wage level and with a larger group of highly educated employees will offer pensions and other benefits more often than other companies.

Nevertheless, the provision of employee benefits cannot be explained as only a human capital strategy on the part of the employer. Employees can be retained and attracted by increased cash wages or by a seniority-oriented wage profile. Non-economic elements must thus be included to explain the use of benefits as a human capital strategy. One such non-economic element is the notion of a «gift» relationship. Welfare benefits, especially, have elements of built in solidarity, «taking care of», and so forth, which signal a social responsibility by the employer. This indicates that the distributional logic of welfare benefits is very different from the underlying logic of other kind of employee benefits. Moreover, it points to the fact that companies with

Figure 7.1. A conceptual model of differences in company provision of employee benefits.



institutionalized personnel management may be more aware of the possible positive symbolic effects attached to occupational welfare benefits.

2. Characteristics of the company can also be expected to have an impact on the supply of benefits. Bureaucratization of the company, such as the presence of personnel departments, is a distinct feature of an internal labor market that can contribute to increased emphasis on benefit provision, especially welfare benefits. Professional human resource managers are more likely to have the resources, knowledge, and ability to introduce or expand benefit programs. The goal of creating positive employment relations could support a preference for benefits with strong symbolic functions attached to them. Hence, the institutionalization of personnel management can contribute more to welfare-oriented benefits than to traditional fringe benefits such as free telephone or car.
3. Structural variables such as industry and company size can be important explanatory variables. The strength of the internal labor market varies across industries. Therefore, we must expect that, for example, the banking and insurance industries offer higher benefit level than do other industries. Also, large companies have been shown in comparative studies to provide more benefits than do small companies, *ceteris paribus*. Again, there is reason to believe that the impact of size varies across benefit categories. Large companies are more often focussed on the need to create a common company culture and high level of identification with the firm. Hence, one can expect to observe a size effect in relation to welfare benefits rather than to free telephones, newspapers, and so forth.

The extent to which economic and market conditions explain variation in benefit provision is uncertain. Benefits are often provided on a long-term basis, typically pensions, and life and accident insurance. Thus, short-run fluctuations can more easily be regulated through employment or direct wages. On the other hand, favorable economic conditions can lead to interaction effects, for example, by strengthening union demands.

- 4 Employee benefit provision is shaped by employee demand. Therefore, the structure of the work force will be a determinant of benefit provisions at company level. Economic theory points to the fact that employees in higher income brackets prefer benefits because demand for welfare benefits increases with income, due, in large part, to their higher marginal tax rates. Redistributive public welfare schemes where replacement levels decrease for high income workers can also contribute to increased demand for (tax fa-

- vored) welfare benefits. Also highly educated employees can be expected not only to demand more benefits than others, but also to be more able to create pressure for increased benefit provision. More important, the effect of employer supply and employee demand pull in the same direction. It is therefore nearly impossible to conclude whether the effect of the high educational level on benefit provision indicates employee demand or an employer human capital effort.
5. The organization of labor relations at the company level can be expected to produce variation in benefit policies across companies also in a Norwegian context. First of all, unionization will in itself contribute to increased pressure for benefits, especially welfare benefits. Unions will typically prefer collective benefits before individual benefits. However, it is possible that unions follow a range of strategies and that unions outside the LO federation have been more active in their efforts to increase welfare benefits at the company level.
 6. The organization of wage bargaining can influence welfare decisions. There is reason to believe that individual wage bargaining tends to increase the presence of typical individual fringe benefits such as free car or telephone. The existence of collective wage bargaining on the other hand would probably contribute to the increased incidence of collective welfare benefits such as pensions and accident and life insurance. In the Norwegian setting, which has a strong element of centralized bargaining with traditionally little involvement in benefit issues, the opportunity to conduct local bargaining can be expected to have an effect on welfare benefits.
 7. Employee benefits may perform a variety of functions. Therefore, voluntary and contractual employee benefits do not work as one phenomenon governed by the same underlying logic. Hence, one should expect that it is possible to identify groups of benefits. It is especially interesting to ask whether welfare benefits constitute a separate factor in the large menu of indirect employee benefit remuneration. Precisely because public welfare benefits are relatively generous in Norway, the provision of welfare benefits could be less costly for Norwegian employers and therefore contribute to a high level of coverage of many benefits. And, as has been stressed, there is reason to expect significant differences in the effects of the explanatory variables. In other words, the underlying distributional processes are different across benefit groups.

When both unions and, in a broader sense, internal labor markets are offered as factors explaining wage determination it is necessary to ask if this is through a process that impedes the generation of free market forces. For a company, whatever their social goals or the degree of employee pressure, the bottom line is to survive in the market. A framework of the kind proposed in this chapter does not, however, necessarily imply that internal labor markets or unions cannot be in compliance with market principles. Groshen (1991:360) points to the fact that any explanation of wage variation by employers must answer two crucial questions: (1) Why does one employer choose to pay more than another? and (2) Why is it that high-wage employers do not go out of business? In relation to the latter question, both internal markets and unions can be seen as compatible with external market forces. Transaction cost analysis provides an explanation for why internal labor markets can serve an important function in a market economy (Williamson 1975, 1985). The theory of the «voice» effect of unions, proposed by Freeman and Medoff (1984), represents an alternative way of linking the institutions of internal markets with the operation of external market forces.

In general, there is a growing interest in integrating institutional and market perspectives. Therefore, the border between classical economics and institutional perspectives is increasingly blurred by the fact that both unions and internal markets can be seen as compatible with basic market mechanisms. Closely connected to this development is the problem of drawing distinct borders between the economics and sociology of labor market studies. Clearly, the provision of welfare benefits can only be understood by moving back and forth across the borders of traditional fields of research.

7.8 A methodological note

This discussion indicates the need for empirical analysis, in particular, in order to map the coverage of a broad set of employee benefits among Norwegian wage earners; to see if benefits are systematically grouped into different categories; to describe the distributional patterns across individual wage earners; and to explain the variation in benefit coverage among employees. Traditionally, this has been done by using individual-level survey data. Again, this can cause some problems due to the lack of information and knowledge among wage earners as to what their benefits actually are, as part of their direct or indirect labor contract. The possibility of supplementing individual-level data with company data can solve these problems to a large extent.

It is primarily when the goal is to explain variation in benefit coverage across individual wage earners that methodological complications occur. This is because differences across individuals can be attributed principally to two different processes of exclusion. First, some companies offer benefits, some do not. Therefore, the corresponding variation among employees is caused, to some extent, by their «choice» of employers. Second, within each company, individual wage earners can be excluded from benefits, due to their individual characteristics. For example, benefits could be provided to men more often than to women, to high income earners more than low income earners, to white collar workers more than to blue collar workers in each company and so forth. In this latter case individual characteristics do matter, in a causal sense, to the likelihood of being covered by a occupational welfare scheme. Hence we are left with a system of external and internal exclusion, or individual vs. collective benefits.

This dual system of exclusion makes variation both among companies and individuals important. If, for example, women have fewer welfare benefits than do men, this can be due to both internal exclusion – in some cases, direct discrimination – as well as to the fact that women are over-represented in companies with relatively fewer benefits. From an applied policy perspective, this notion of different forms of exclusion is important. In other words, at the company level, benefits can be either individual or collective. At the same time, data are available both on a individual level, as well as on the company level. If we combine the level of exclusion (individual or company) with the level of data the following situation occurs as seen in figure 7.6.

Category 1 represents the easiest situation, methodologically, to handle. When benefits are offered to all employees at the company, i.e. exclusion is external, individual characteristics have no effect on the likelihood of being covered by a scheme. The relevant variation is across companies, as the unit of analysis. In this case, company data provide a good basis for the analysis. It is not the fact that a single employee has a high educational level, a certain income, or sex which is of importance. It is the gender or educational structure of the work force which is of significance for the decisions made by firms. Of course, a core questions becomes to what extent benefits actually are collective⁷. The available data do not offer an answer for all benefit categories. We do however, know that occupational pensions

Figure 7.2 Combining level of exclusion with level of data.

		Level of Exclusion	
		External	Internal
Level of data	Company	1	2
	Individual	3	4

must be provided to all employees in order to allow for tax deductions and that also other insurance, such as life and accident insurances, are generally offered to the entire staff. To the extent that we can confirm that, first, welfare benefits constitute a separate category of benefit provision and, second, that these benefits are provided collectively, company data offer a good basis for explaining differences in welfare benefit provision.

On the other hand, when benefits are also provided individually at the company level (category 2 in figure 7.6), company-based data cannot be used to estimate coverage or, more importantly, to map the underlying distributional process. When, for example, free cars or free telephones are used as a remuneration arrangement for some employees in a company, it is their individual characteristics which are of importance in a causal sense. These are not captured by company-level data.

A third combination is to use individual data to analyze differences in (collective) welfare benefit provision (3 in figure 7.6). In this case personal characteristics and semi-company variables are entered into a multivariate model. This is perhaps the most frequently found approach to analyzing employee benefits. In other words, one disaggregates all higher order variables into the individual-level. Baron and Bielby (1980) criticize the use of individual data because they do not allow us to capture what is going on at the company level (Baron and Bielby 1980:745). Variables measuring important aspects of company characteristics, such as economic results, management institutions and so forth cannot be measured adequately at the individual-level. Thus, it is very difficult to understand what is going on at the company level with only individual data available. On the other hand, the analysis offers a possibility to capture the individual distributional result of collective benefits as long as the relationships between individual characteristics and benefits provision are not seen as capturing causal relationships.

Methodologically, the most important problems arise when we are interested in internal exclusion from benefits and the data are collected individually. A typical example is a free car which is never provided to all employees. In this situation, there is a process of interaction between the two levels of decision-making, the individual-level and the company-level. When using individual-level data one can not isolate how much variation in benefits is due to variation across companies, and how much to internal exclusion of certain groups of employees. Ideally, one could use a method called, among many names, Hierarchical Linear Models in order to test the effects occurring at each level and across levels (Bryk and Raudenbush 1992:3). The model provides a technique for nesting models on different levels, in

⁷Using individual data, Knudsen (1991) has shown that fringe benefits tend to be grouped in two clusters, what he calls collective and individual benefits. The collective benefits corresponds to what I define as occupational welfare benefits, such as old age pensions, sickness benefits and so forth. Individual fringe benefits are company cars, free phones and so on.

this case the individual- and the company-level. However, this requires that the data available have certain qualities; specifically, one must be able to link individuals to the higher level cases, i.e., to the companies. Data arranged this way are not available. The ABU survey in 1989 opened the way for a two-level approach - i.e., companies and workers - but the survey does not contain valid measures of the dependent variables.

Therefore, in the forthcoming analysis, I will use both individual-level data as well as company-level data to create a comprehensive portrait of employee benefits in the Norwegian labor market:

Individual-level data, measuring a broad number of employee benefits, offer an opportunity to analyze the structure of employee benefit remuneration and to look into the distributional result. From a policy perspective, knowledge of the distributional pattern at the individual-level is important, independent of the underlying causal process.

Furthermore, I will use individual-level data to provide basic insights into differences in underlying distributional processes across categories of benefits. These data are, at this point, the only data appropriate for comparing a range of benefit groups.

Based on this preliminary analysis, the next step will be to analyze differences in welfare benefit provision across companies based on company data. The analysis of occupational welfare programs is especially well-suited for a multivariate analysis of the causal relationships underlying variation in benefit provision, because the inter-company variation explains the dominant share of the variation in the dependent variable. Because of the occupational welfare benefits' largely collective nature, the need for multi-level models becomes marginal. The strong focus on (collective) welfare benefits when analyzing the underlying distributional logic is, however, not a large problem since the main theoretical focus is on occupational welfare benefits rather than on the full range of benefits provided as a part of the labor contract.

Together, this analysis can provide a relatively precise picture of both the distributional patterns and the mechanisms that create variation in the social policy of the firm.

Before we turn to the analysis of variation in benefit coverage, it is necessary to consider in more detail which benefits are provided in the Norwegian labor market; the extent to which they can be grouped into distinct categories; and recent developments in benefit coverage. This is the subject of the next chapter.

Chapter 8 Employee benefits in the Norwegian labor market – There is more than meets the eye

8.1 Introduction

For a large group of wage earners, paid work is not an exit from the welfare state, it is a point of entry into a field of occupational employee benefits complementing and supplementing public programs. Nevertheless, indirect remuneration in the form of non–statutory employee benefits or occupational benefits, represents a relatively unexplored form of remuneration and private welfare policy in Norway.

As discussed in the introductory chapters, occupational welfare should according to traditional macro–oriented welfare state and industrial relations theory be of marginal importance and remain class distinct, benefitting primarily upper level white collar employees, in a surrounding of highly generous public welfare programs and of centralized industrial relations (See hypothesis 1 and 3 in chapter one). Through detailed analysis of Norwegian data it is possible to see if welfare benefits even so constitute an important part of indirect remuneration also in a setting of a «scandinavian type welfare state». Moreover, the analysis can give an answer not only to the question of marginal importance of occupational welfare, but also to the issue of redistribution: are occupational welfare a primarily class distinct phenomenon in the Norwegian labor market?

Therefore, this chapter examines the nature of employee benefit remuneration in the Norwegian labor market. As this analysis intends to show, voluntary and contractual benefits represent an important and growing arena of welfare provision in Norway.

The goals of the analysis are:

- First, to demonstrate to what degree occupational welfare arrangements provide broad coverage among private and public wage earners and to what extent welfare benefits constitutes a crucial part of the total provision of non–statutory employee benefits.

- Second, to assess recent developments in the provision of a range of benefit schemes: Is this form of indirect remuneration growing? And, are welfare benefits growing more rapidly than are other types of benefits?
- Third, to explore the extent to which the provision of welfare benefits are in the employer's domain or in the domain of collective bargaining and union involvement.
- And fourth, to test whether separate dimensions of employee benefits can be identified. Do benefits that complement public social policy programs – those that I have labeled occupational welfare benefits – constitute a separate factor in employee benefit remuneration?

Before turning to the actual analysis, a methodological point should be made. Level-of-living surveys that have been used in order to analyze coverage and distribution of benefits in Norway (Øverbye 1985, Knudsen 1991) cover only a limited number of welfare benefits. And, more importantly, the way questions regarding occupational pensions have been formulated have made them unsuitable for analyses (i.e., coverage appears to be less than half of what it actually is). Because of limited knowledge about the occupational welfare system among individual wage earners, the survey design is important for providing high quality data. Therefore, this analysis is based on three data sets, of which two were specifically designed to analyze employee benefits. These are the NSD survey, the ABU survey, both based on samples of registered employees, and the Fafo/MMI survey of private sector companies (See Appendix 1).

Comparing results from different surveys is importance in a field of study where there are uncertainties connected to the quality of data based on individual wage earners' responses. Comparing individual-level data from multiple sources, as well as individual- with company-level data do, however, make possible well founded conclusions on benefit incidence. Moreover, the availability of directly comparable data from 1989 and 1993 provides an opportunity to look into recent developments.

Cross-nationally, surveys reporting coverage are the most frequently used method in the study of employee benefits. Nevertheless, detailed data on the actual employer cost of benefits is a necessary next step in order to fully examine employee compensation. The fact that this analysis is confined to coverage sets certain restrictions on the task of understanding how welfare benefits affect total labor costs and the distribution of total wages.

In the remainder of this chapter, Section 8.2 offers an overview of the benefit menu and the incidence of single benefit schemes in the public and private sectors. In Section 8.3, both individual- and company-level data are used to indicate the

importance and range of union and collective bargaining involvement in benefit decisions. In the following section, Section 8.4, I assess the nature of benefit provision through an analysis of the systematic grouping of benefits. Finally, Section 8.5 draws on evidence from the different data sources to indicate trends in recent developments of benefit coverage.

8.2 The welfare menu

From other countries, we know that benefits typically identified with «fringes», such as company cars, free telephones, free newspapers at home and so forth are not the major part of indirect remuneration. Rather, benefits that supplement or substitute for the public social policy system are the core of the employee benefit system. Typically, pensions, life insurance, health insurance, and family benefits take up most of the costs and show the broadest coverage among American workers (EBRI 1991). To most observers, this would naturally be linked to the lack of national health insurance in the US, to the very limited family leave and to the limited public child care supply. In other words, according to a theory of negative interplay one should expect that non-statutory indirect remuneration would not only be smaller in a country with a generous welfare policy, but also that employee benefit remuneration would take the form of typical fringes like free car, free newspapers or telephone, leisure activities, summer houses or other forms of symbolic elements in a mutual company culture. Hence, growing public welfare efforts would not only reduce the size of the private welfare market, but moreover contribute to a shift in which benefits are offered in the market place.

However, in Norway, employers do use social policy related benefits as the core area of indirect remuneration. Table 8.1 presents a ranking of the different benefits based on the incidence among public and private sector employees reported in the 1992 NSD survey. The results from the 1992 survey are compared to available figures in the 1993 ABU survey. Together these surveys depict the wide range of benefits offered and the important differences in the incidence of various benefits.

As in many other countries, occupational old age pensions are to be found on the top of the benefit list. The 1992 NSD survey gives the most accurate picture of pension coverage. According to this survey, 63 per cent of all respondents are covered by occupational pension plans. These results correspond closely with registration of active membership in collective pension arrangements (see Chapter 5 for membership data). The opportunity to compare coverage estimates as we can

Table 8.1 Employee benefit incidence. Percentage of wage earners with selected benefits. 1992 and 1993. Total, private and public sector. 1992 NSD survey and 1993 ABU survey.

	1992			1993		
	Tot	Priv	Pub	Tot	Priv	Pub
Pension Schemes*	63	47	87	37	44	25
Company health services*	60	59	61	66	63	70
Formal education via work place	56	52	63			
Free coffee and tea	42	62	11			
Subsidized company sport activities	36	39	32			
Full pay during sickness	32	29	37			
(Full sick pay for employees with 200000+)	70	62	82			
Favorable loans**	34	28	47	22	22	23
Free life/accident insurance	29	37	13	43	55	34
Special rebates on products and services	25	41	4	37	55	9
More than 4 weeks vacation	25	26	22			
Company summer houses etc.	24	27	19			
Free or subsidized cafeteria	22	24	19			
Free telephone or subsidized telephone	19	20	16	22	25	17
Early retirement before 65 years	19	18	21			
Extra family leave	16	12	21			
Free newspaper/journals	13	16	7			
Child care via work place ***	13	8	22	7	5	11
Use of recreational facilities	6	8	3			
Subsidized car expenditures	5	6	3	9	11	5
Company car for private use	3	5	1	4	6	0
Free or subsidized housing	2	2	2	2	2	1

If figures are not reported, the question were not included in the 1993 ABU survey.

* The question was phrased differently and had different localization in the two surveys.

** The 1992 survey asked if respondents could take a loan «directly or via the company pension scheme». In 1993, the respondents were asked if they had «the opportunity to have a loan of 200,000 or more

*** Questions were different questions in 1992 and 1993. In 1992, respondents were asked if they had «a possibility to have child care via your work place». In 1993, it was asked if the respondents had «any of the following benefits at your work ... child care», which can imply that only those actually taking advantage of the offer responded yes

do in the case of pensions indicates a relatively high quality of the NSD survey for measuring benefit incidence.

Total pension coverage differs between the two surveys because a large majority of public employees report not being covered by an employer-sponsored pension scheme in the 1993 ABU survey¹. This reluctance among public employees to view their occupational pension arrangements as fully comparable to private sector pensions can probably be explained by the two per cent pension contribution paid by public employee opposed to most private employees. Even though misleading, many public employees regard their pension as a benefit paid by themselves rather than primarily by the state as employer. In the 1992 survey an introductory explanation of the pension question was offered to the respondents. This contributed to a more realistic estimate of pension coverage in the public sector, i.e., 87 per cent².

Government tax regulations require that occupational pensions in Norway must be organized as defined benefit schemes. This means that the pension schemes aim at securing a certain percentage of salary upon retirement, in most cases 66 or 60 per cent.

Also, other welfare benefits have relatively high coverage rates among Norwegian wage earners. More than half of all employees are offered company health services³ and free formal education. In addition, full pay during sickness, favorable loans (mostly related to pension schemes), free life and accident insurance and more than four weeks vacation are all benefits with a relatively high incidence in the Norwegian labor market (25 per cent or more).

In the case of sickness benefits, coverage rises to 70 per cent if we look only at those in income brackets over the income ceiling in the public sickness benefit system. Again coverage is highest among public employees. The (Conservative) government that reduced the income ceiling in 1983 (8 times the base amount) and again in 1985 (6 times the base amount) did not achieve a strong redistributive

¹The reluctance among public employees to look upon their occupational pension arrangement as fully comparable to private sector pensions schemes has also been found in the level-of-living surveys.

²As a rule of thumb, the number of public employees working fewer than 15 hours a week is approximately 10 per cent in the public sector. In addition, some public employees have temporary contracts and are therefore not included in the various state and local pensions schemes. See Moland (1994) for an estimate of part-time and temporary work in the public sector.

³Company health services are in some industries mandated if the working environment could be especially threatening to the health of the workers. Regardless of company health services being offered voluntarily or not, the important 'fringe' aspects of these services include the opportunity for employees to use them for regular individual consultation. Company data show that in most cases general personal consultation is available.

effect. Rather, the lowering of the ceiling was rapidly compensated for in both the public and private sector. In other words, the state as regulator reduced sickness benefits for high income earners, while the state as employer compensated them for the loss.

Early retirement is an other welfare benefit provided by many employers. Approximately 20 per cent of employees report having access to a special early retirement scheme. One should, however, take into consideration the centralized contractual early retirement scheme (AFP) that came into effect in 1989. The AFP scheme offers early retirement to all public employees and to approximately 45 per cent of private sector employees. The company-based schemes are therefore found primarily in companies not covered by the contractual AFP arrangement.

Another social policy aspect of these result is interesting. New welfare benefits seem to be emerging in response to changing demographic and social patterns. The rise in two-worker and single-parent families has focussed interest on various kinds of child care, parental and other family leave options. Of course, the measured incidence of these benefits is so far relatively low. However, if we compare with US figures on employer-provided or subsidized child care, Norway actually has a higher coverage rates, especially among public sector employees. US figures for child care as an employee benefit for full-time employees, in 1985, were one per cent in the private sector and two per cent in the public sector (Norwood 1988, Wiatrowski 1988). A study based on 1989 figures reported 5 per cent for all full-time employees in the US (Hyland 1990). In Norway, coverage varies from 5 to 8 per cent in the private sector and from 11 to 22 in the public sector, according to the 1992-1993 survey.

Some employee benefits traditionally not related to public social policy arrangements are found to be relatively high on the benefit ranking. Not surprisingly, free coffee and tea and special rebates on products and services are the most frequently found benefits outside the welfare category. Nearly half of all Norwegian employees report that they have access to free coffee and tea. Moreover, as many as half of private sector employees have access to special rebates on products and services. Also subsidized sports activities via the work place are frequently found (36 per cent).

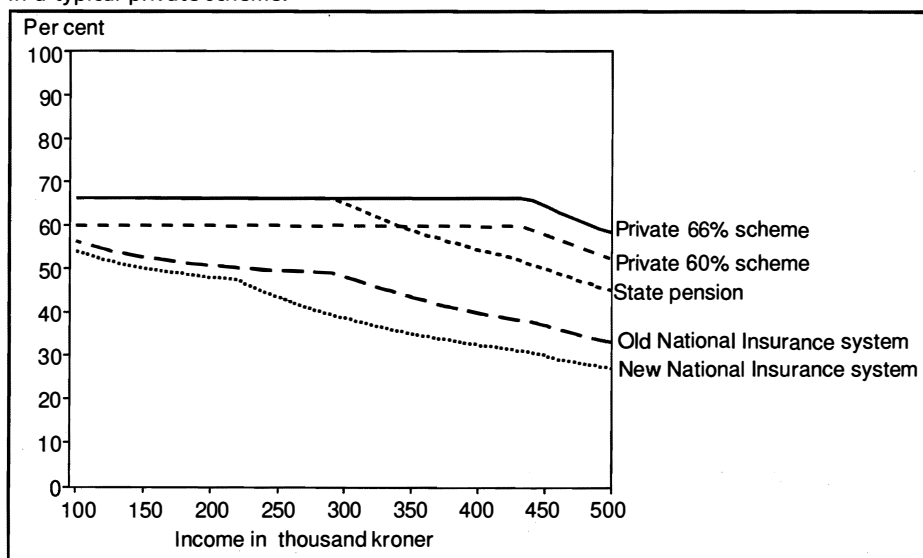
The typical fringes, such as a company car, free telephone, and free newspapers are to be found relatively low on the list. It is free telephone that has reached the broadest coverage, with one fifth of Norwegian employees covered for free or subsidized telephone. Subsidized telephone can be provided as a employee benefit without the individual worker paying income tax on this benefit, up to a certain limit. Company car or some form of subsidized car expenditures are benefits provided to very few, primarily private sector, employees.

Public vs Private Sector

As noted, the incidence of benefit programs varies considerably between the public and private sectors. While most public employees are covered by occupational pensions, only 47 per cent of private sector employees report to be in the same position. All permanently employed in public sector with more than 14 hours of work per week are entitled to pensions as well as to accident and life insurance. In other words, basic welfare benefits such as pensions, accident and life insurance, and occupational health services have a higher incidence in the public sector than in the private sector. Also full pay for employees with incomes over the ceiling is provided in public sector.

Of course, one should take into consideration that there are differences in quality between both public and private occupational pension schemes and between private sector schemes. Public schemes have a somewhat lower income ceiling than private schemes and some of the private sector pension schemes have a income replacement level of 60 per cent or less (Hippe and Pedersen 1992). Figure 8.1 compares the income replacement level in public and private occupational pension schemes with the replacement level in the National Insurance system (Folketrygden). This clearly illustrates the importance that occupational pension accrual has for middle and high income earners, and the difference between public and private schemes.

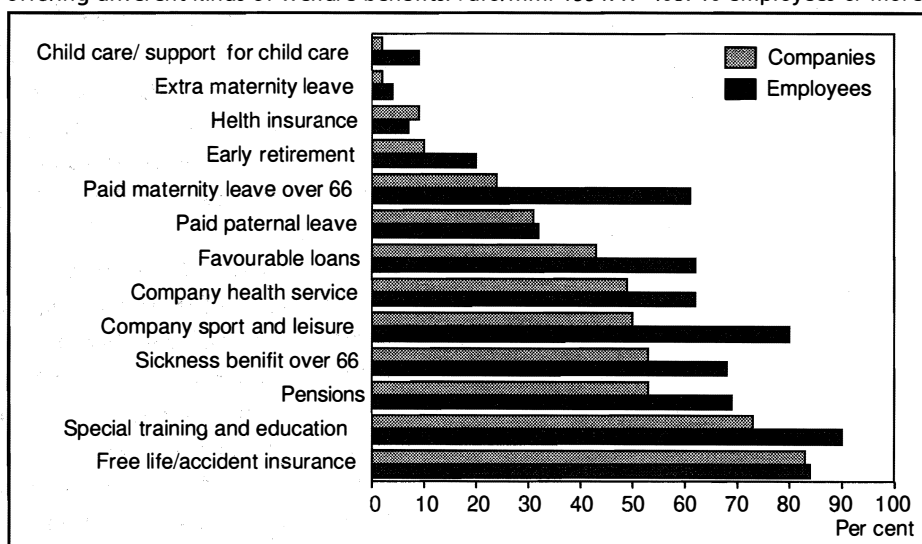
Figure 8.1 Income replacement levels in National Insurance, public occupational schemes and in a typical private scheme.



Also welfare benefits that are not contractually offered to all public sector employees have higher coverage rates in the public sector than in the private sector. It is especially interesting to see that child care is more frequently offered to public than to private employees. This could be explained by the need to attract female labor for local government health and social services. Paradoxically, child care is used as an instrument to attract preschool teachers to employment in child care services. The high coverage rates reported by public sector employees show that the cross-nationally important historical tradition of providing welfare benefits, first to higher ranking civil servants and later to broader groups of public employees, is also a crucial part of the Norwegian story. Moreover, in recent years, strong union involvement, especially in pension issues, has taken place in the public sector. In other words, the paternalistic tradition of the state as employer has survived the expansion of public employment and of statutory social security, and has been developed into a broad contractual occupational welfare system that provides benefits from child care to old age pensions to state and local government employees.

When comparing employee benefit coverage in the public and private sector, the possibility of underreporting also among private sector employees should be taken into consideration. By using the estimates of coverage provided by private sector firms, we can contrast the reported benefit coverage of private sector employees. Figure 8.2 shows the percentage of companies with 10 employees or more that offer different types of welfare benefits. In addition the table shows the per-

Figure 8.2 Percentage of companies and percentage of employees working in companies offering different kinds of welfare benefits. Fafo/MMI 1991. N=403. 10 employees or more.



centage of employees working in companies providing each of the listed benefits, i.e. the relative number of wage earners covered by these benefits.

These data support the main conclusions derived from individual employee surveys in the private sector. The major discrepancy is with free life and accident insurance. More than 80 per cent of the companies report that they provide voluntary accident and life insurance. In other words, there is reason to believe that a relatively large number of private sector employees do not know that they are actually covered by life and accident insurance. This lack of information could be explained by the fact that most people, fortunately, do not receive payments from these arrangements. The information gap could, of course, lead to an overly high demand for individual life insurance. Nevertheless, public and private employees seem to have in common high coverage for life and accident insurance and the fact that they do not know that this is the case.

The great majority of companies do offer special training and educational programs as well as support for sports and recreational activities. This corresponds with the results from the individual surveys. Moreover, more than half of the companies, employing over 70 per cent of the employees in this sample, have a separate pension scheme. In other words, large companies offer pensions more frequently than do small ones. Another benefit with widespread prevalence is the right to full pay in periods of sickness for private sector employees with an income above the income ceiling in the statutory national scheme.

Early retirement pensions as well as a range of family and health-related benefits are by far less widespread. Ten per cent of the companies, employing 20 per cent of the employees, offer early retirement pensions permanently or as an ad hoc offer. This is relatively close to the estimate based on individual wage earners' responses. The individual and company data also produce the same coverage estimates for family-related benefits. Only approximately 10 per cent of the employees are offered child care facilities and unpaid leave to take care of children. Most of these employees are to be found in larger companies.

Taken together, it seems that by comparing the three data sets it is possible to provide a relatively precise estimate of the prevalence of a large number of voluntary and contractual employee benefits in Norway. Free life and accident insurance are probably the most widespread benefits when both the public and private sectors are taken into consideration. Pensions and sickness benefits follow. Thus, in general, benefits that complement public social policy also constitute the core of voluntary and contractual employee remuneration in Norway.

No doubt, public employees have access to more welfare benefits than do private sector employees, while traditional fringe benefits are more frequently found in the private sector.

Without going in to a full-scale comparative analysis, it should be noted that the individual benefit incidence seems high compared to other countries. The relatively high incidence of child care is already noted. A study of «fringe benefit distribution in Britain» (Green, Hadjimatheou, Smail 1985) shows that 47 per cent received pensions and 67 per cent received sick pay in the seventies. Pension coverage has however been reduced significantly since then and is by the end of the 1980's down to 29 per cent (Hannah 1992:27). In Denmark, without a statutory supplementary pensions system, pension coverage has traditionally been less than in Norway. It is only in recent years, due to a collective pensions agreement that coverage has moved to a level close to the one found in Norway. 69 per cent of Danish workers are reported to be covered by an occupational pension scheme (See chapter 5). In the US 42 per cent of civilian wage and salary workers participated in an employer- or union-provided pension plan (EBRI 1992:40). The comparison with US workers is directly relevant because the statutory social security system provides similar pension benefits to wage earners, compared with those found in the Norwegian statutory pension system. Taken together, there is reason to believe that Norwegian employees are covered by welfare benefits to a larger extent than are employees in most other OECD countries. An OECD comparison of private pension coverage points in the same direction (Pestieau 1992)⁴. It is primarily in Sweden, where many occupational welfare benefits are based on centralized contractual agreements, that coverage is at much higher levels (Wadensjø 1993).

From individuals to households.

So far we have looked at the incidence of various employee benefits among individual wage earners. Traditionally the issue of fringe benefit distribution is approached as a question of distribution across individual wage earners. I will, however, show that the conclusion drawn on the bases of individual data in a Norwegian context is even more striking also if one take into account the situation of a possible spouse or cohabitant. Therefor, before concluding this section, I will

Table 8.2 Percentage of individual employees with no coverage, direct or indirect coverage or «double» coverage. Pensions, child care, free or subsidized car, free or subsidized telephone. NSD 1992. N= 1505.

	Pension	Child care	Car	Telephone
No benefit	29.0	83.9	87.7	78.1
Direct or indirect access	71.0	16.1	12.3	21.9
Self or partner	42.9	13.6	11.4	21.2
Both self/partner	28.1	2.5	1.0	0.7

⁴Figures from this analysis is not presented because they are highly uncertain, and in some cases I expect them to be wrong.

briefly look at the impact of marriage and cohabitation, on access to benefits. No doubt, many have access to different benefits as part of a partnership and hence a household. If the spouse or cohabitant has free telephone, newspapers, or even a free car, this also increases the economic well being of the partner. The same goes for welfare benefits such as child care or pensions.

The NSD survey provides an opportunity to look into the coverage of the spouse/cohabitant related to four benefits – namely pensions, child care, free or subsidized car, and telephone. By introducing the fact that a person can have indirect access to these benefits, we arrive at a somewhat different picture of coverage. In Table 8.2, individual employees are divided into three categories: those who have no access to benefits by themselves or through their spouse; those who are either covered by a benefit scheme themselves or are living with a spouse or cohabitant who is covered; and, last, those who have access to these benefits themselves and also have a partner who is covered for the same benefit, i.e., they have double coverage.

In the case of pensions, only 29 per cent of individual employees have no direct or indirect accrual of supplementary pension rights. And, perhaps more importantly, as many as 28 per cent of all employees report that they live in a situation where both they and their partner are covered by an occupational pension. This could be result from the typical Scandinavian pattern where the husband is working in a private firm and the wife in public sector. In other words, a large number of households will in the near future receive a relatively large amount of their income in old age from several occupational arrangements. A new expression – «DIPP» – has appeared in both the UK and in the US, updating the popular «DINC» expression. That means double-income-plural-pension rights; the growth of DIPP's indicates that a strong new consumer group will appear in the future. The relevance is obvious also in the Norwegian setting.

Child care, which seemed to be of marginal prevalence based on direct individual coverage (13 per cent), increases to 16 per cent when also indirect coverage is taken into account. In the case of free or subsidized telephone coverage is also increased somewhat; 22 per cent report having direct or indirect access to free or subsidized telephone (compared to 19 per cent directly). And, around 12 per cent of all wage earners have either directly or via partners work access to free car or subsidized car (compared to 8 directly).

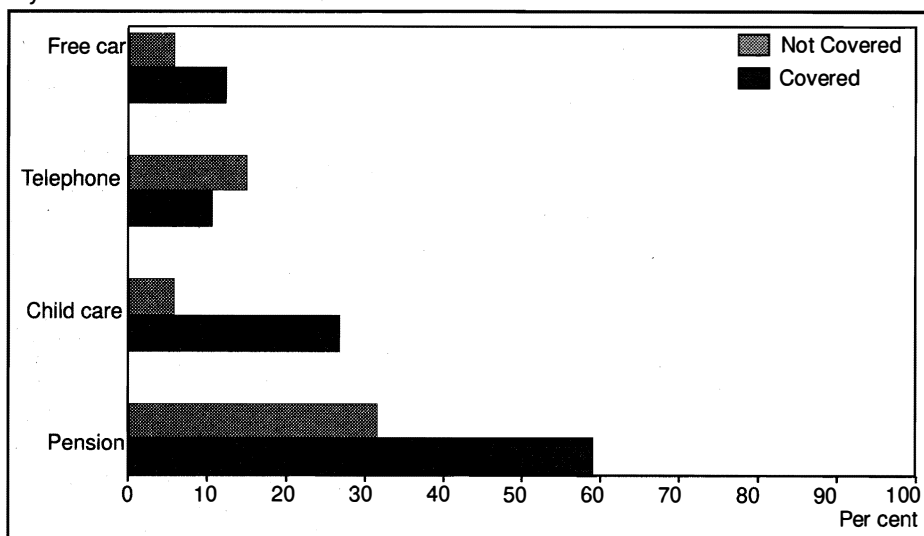
A relevant question is, of course, if there is a systematic relationship between a person's likelihood of being covered at work and the chance that this also is the case for his or her partner. To get an impression of how «the choice of partner» affects benefit access, individual coverage is cross-tabulated with partner coverage among those who are married or living in a permanent partnership. This analysis shows that the likelihood that one's partner is covered by a corresponding benefit

scheme is, in three out of four benefit categories, associated with whether the respondent is covered him or herself. The underlying causal relationship behind this finding can be the fact that «likes marry likes» – i.e., professionals marry professionals, etc.?

Only the likelihood that the partner is covered for a free or subsidized telephone is found to actually decrease somewhat when the respondent has access to the same benefit. To some extent, this seems a plausible result, since it would be preferable for one of the partners in a household to trade the free telephone for increased cash wages or for another benefit if, as a couple, they have access to two free telephones.

In the other three cases, partners' coverage increases strongly when the respondent has access to the same benefit. Of those who themselves are active members in a pension scheme, as many as 59 per cent report having a partner who is also covered, while only 31 per cent of those without pensions schemes have a spouse or cohabitant who is member of a pension scheme. In other words, there is a strong cumulative effect of pension coverage at the household level. This is also the case with child care and free car.

Figure 8.3 Percentage of partners with benefit coverage by own benefit coverage. NSD survey 1992. N= 1189



8.3 Recent developments

As noted in Chapter 5, occupational pensions have shown rapid growth the last two decades. We do not know, however, if occupational welfare benefits in general are on the rise. According to a macro oriented «negative interplay» approach a growth in occupational welfare can not be expected. Norwegian public welfare programs have to a large extent not been under political attack. Rather benefits are growing as the social security systems matures. The exception from this rule is the reduction in future pension rights with effect from 1992. It should also be taken into consideration that tax deductions has been reduced through several tax reforms since 1988. Among others are employer contributions now to be paid also on pensions premiums.

On the other hand, a micro oriented perspective can point towards a different conclusion. Real wage levels are increasing. This could lead to an increased demand for indirect remuneration. Moreover, employees and trade unions are showing growing interests for questions related to employee benefits, especially early retirement and old age pensions. And last, structural changes in the labor market, such as a higher educational level, a changing industrial structure, stronger profession trade unions and so forth, could trigger off pressure to increase indirect remuneration.

No regular statistics are collected to map the development of fringe benefits in the Norwegian labor market. To get an impression of change over time, the company survey included a question on the development of welfare expenditures over the last five years. The growing importance of company-based welfare arrangements is indicated by the fact that as many as 36 per cent of the companies report that their expenditures on welfare benefits have increased during the last five years. Only half report stable expenditures. (See table 8.3)

Another indication of growth can be found when individual employees are asked «were any of the following benefits introduced or expanded during the last two years?». The respondents were also asked if any benefits had been removed. The answer to these question points clearly in the direction of continued growth. Table 8.4 reveals that 20 per cent of employees report that benefits have been introduced or expanded during the last two years. In the great majority of cases, one benefit has been introduced. Only 10 per cent report that benefits were reduced or removed.

If we look more closely at the specific answers to the expansion/reduction questions, some interesting differences appear, across benefit categories. Welfare benefits are among those benefits most frequently reported as being recently introduced. At the same time, very few answer that welfare benefits have been removed or reduced. Except for child care, the differences between the introduced and removed frequency are significant.

When it comes to fringe benefits such as free cars, telephones, and newspapers, the percentage reporting these benefits as having been removed recently are actually greater than those reporting them as recently introduced. And, of course, there are no significant differences between the introduced and removed category. Outside

Table 8.3 Private sector companies. Development of welfare expenditures during the last five years. Fafo /MMI survey 1991

	Percent of companies
Increasing, strong	8
Increasing, weak	31
Stable	50
Reduced, weak	7
Reduced, strong	2
Do not know	3
Total	101
N	403

Table 8.4. Private sector employees. Introduction or removal of benefits. Percentage of employees. NSD survey. 1992. N=891

No benefits introduced	79.6	No benefits removed	90.1
1 benefit introduced	13.6	1 benefit removed	5.9
2 benefits introduced	4.0	2 benefits removed	2.4
3 or more introduced	2.8	3 or more removed	1.5

Table 8.5 Percentage of private sector employees reporting that benefits were introduced/expanded or removed/reduced during the last two years. Private sector. NSD survey 1992. N=891

	Introduced	Removed
Free car/car support	0.3	0.4
Free telephone*	1.1	2.4
Free recreational facilities	1.1	1.2
Subsidized cafeteria	4.8	4.2
Rebated products or services*	6.6	1.8
Free life/accident insurance*	5.7	0.7
Free newspaper	2.1	2.6
Occupational pension*	2.4	0.1
Early retirement*	3.4	0.3
Child care	1.6	0.3

* Significant difference between columns at 95 per cent.

the welfare benefit category, it is only «rebated products and services» which show a significantly larger response indicating recent introduction.

Even though none of these indicators provide an exact picture of recent developments, they do point toward a pattern of growing coverage of employee benefits. And, the evidence suggests that it is the welfare-related employee benefits, specifically, that are growing.

A third indicator of recent development is found in the ABU survey, which provides an opportunity to compare the incidence of benefits in 1989 and in 1993. Ideally, a longer time span would have been preferable. Nevertheless, these data provide an opportunity for investigating recent changes.

The 1993 survey questions exactly replicate the 1989 questions. The 1993 sample is a combination of a panel sample and a supplementary sample drawn from companies represented in the 1989 sample.

As argued in Chapter 5, the incidence of occupational pensions is rising. These figures for the private sector correspond closely to this fact. Coverage of 44 per cent in 1993 is comparable to coverage estimates based on actual membership data. This indicates the robustness of these data related to pensions in the private sector. As already noted, the reported numbers for public sector pension coverage are not correct. Actual coverage is between 80 and 90 per cent .

Even though it includes a very short time span, these data reveal an interesting pattern. Benefits that are supplementing public welfare schemes, such as pensions, life and accident insurance, child care, health services, and so forth show continued growth in the early 1990's. On the other hand, some of the traditional fringe benefits, such as free telephones and cars, show reduced availability. Of course,

Table 8.6 Percentage of employees eligible for selected benefit plans 1989 and 1993. All employees, private sector and public sector.

	Private sector		Public sector		Total	
	1989	1993	1989	1993	1989	1993
N	2214	2769	1479	1689	4450	3685
Health service	60	63	71	70	64	66
Rebated products	56	55	7	9	39	37
Pension scheme	40	44	18	25	33	37
Life/accident insurance	49	55	12	24	36	43
Free telephone /finn.support	23	25	17	17	21	22
Favorable loan	21	22	16	23	19	22
Finan. car support	12	11	6	5	10	9
Free car	7	6	0	0	5	4
Child care	2	5	8	11	4	7
Free housing or finnan. support	2	2	2	1	2	2

we need more evidence if we wish to draw more definitive conclusions. Even so, these data point to an interesting possibility, namely that employee benefits are not only on the rise, but that the relative importance of welfare benefits are growing.

Moreover, the most noteworthy recent development in employee compensation practices has been the growth of employer-sponsored child care. In only four years the incidence has increased from 4 to 7 per cent. With a shortage of public child care, employer assisted child care can provide a powerful incentive for job seekers to choose one firm or job over another. The growth in child care is interesting, because it can also involve administrative duties and legal liabilities, in contrast to the traditional use of employee benefits that are of a strictly financial nature, such as pensions, insurance or free telephone.

The various indicators included all suggest a pattern of growth and, perhaps more interesting, a shift towards welfare-related benefits. In addition to the measures of the introduction or removal of benefits, note that many companies, including the state as employer, have seen increased expenditures on benefits. A majority of firms that offer pension arrangements have, for example, chosen to compensate their employees for the reduction in the national pensions scheme, as of 1992⁵. Hence, we would expect that expenditure data would show even more pronounced growth than we see in incidence data.

8.4 Voluntary or contractual schemes?

In the private sector, employee benefits are traditionally viewed as being in the employer's domain. This is partly explained by the historical tradition of welfare benefits being a white collar phenomenon where unionization was virtually unknown. With the gradual evolution of pensions and other benefits from a gratuity to a formal right, linked to the labor contract, it seems logical that this evolution should have been accompanied by the inclusion of employee benefit issues on the negotiating agenda. If it is proper to bargain over pay, it hardly matters whether it is indirect or direct, current or deferred.

As found in other countries (see Schuller 1986), pensions and other benefits are being integrated into collective bargaining in Norway. There are, however, uncertainties concerning the extent of this process and the nature of and form of negotiations. First, employers might see disadvantages in including benefit issues in negotiations, such as having reduced control, facing the possibility of «unrealistic claims», and so forth. But employers could also argue that to include benefits

⁵St.melding nr.35 1994/95 Velfredsmeldingen

gives greater visibility to their costs and allows them to be traded off against improvements in other areas. Second, even though unions seek increased control over all aspects of the labor contract, unions are far from having resolved the ambiguities of their approach. They remain, to some extent, committed to state provision on a universal basis. Some unions see their responsibility as securing the most advantageous deal for their members irrespective of the broader implications for the relative quality of public and private provision. In practice, however, there are few objections to be heard to the principles of occupational pensions and other benefits among union members in Norway.

In the mid-1980's, demands by the unions to provide legal enactment to secure employees as the formal counterpart in pension arrangements did not succeed (Hippe and Pedersen 1988). Therefore, pensions and other forms of insurance are formally based on a contract between the employer and the insurance company or a separate pension fund. Hence, it is the employer who has the formal right to, for example, close the scheme. Even so, there are indications that benefit issues are being introduced at the bargaining table. Several professional unions report that they have succeeded in including benefit arrangements, primarily pensions, into contractual agreements. The extent to which this has taken place in the private sector we do not know, and no previous analyses are available. Both the NSD survey and the company survey provide, however, an opportunity to get an impression of the extent to which employee benefits are included into collective bargaining.

When private sector employees are asked directly if the local union is concerned with ensuring that employees receive occupational benefits, only a small group answers positively (see table 8.7). In fact, as many as 44 per cent of private sector employees answer negatively. This is also the case when we look exclusively at those who have their wages decided by collective agreements and who work in companies where more than half of the work force is unionized. Perhaps more surprising is the fact that 60 per cent of public employees respond that unions are not concerned. This must be a challenge to public sector union leaders.

When employees are asked directly who decides, we see similar results. Only 17 per cent of private sector employees and 20 per cent of public sector employees answer that decisions are taken by employers and unions together. If we look at private sector employees where wage determination is conducted collectively, union involvement increases to 25 per cent.

When management is asked similar questions, the results shift in favor of higher union involvement⁶. Twenty-three per cent of the companies report that they have been met with direct demands from employees to introduce or to improve welfare arrangements at the company level. Employee demand is most frequently found in relation to pensions, and life and accident insurance.

⁶Source: Fafo /MMI company survey.

Maybe more surprising is the fact that as many as 48 per cent of the companies report that one or more of the welfare benefits are included in the collective agreement, i.e. that they are made contractual. Again, it is pensions and life/accident insurance that are most frequently included in collective agreements.

Furthermore, the company data indicate that direct employee demand can be effective. Among companies reporting direct employee demand, 60 per cent have included occupational welfare arrangements in their collective agreements. In companies where no demands have been made, 45 per cent report that welfare arrangements are made contractual. (Hippe and Pedersen 1992)

Thus, the issue of employee benefits is being integrated into collective bargaining, not only in the public sector, but in the private sector as well. Even so, in the private sector, a majority of the firms and of the different schemes are formally under employer control. The extent to which this implies that companies use welfare as an instrument of control – as did Bismarck on behalf of the state – is more uncertain. Richard Titmuss (1976) referred to the social policy of the firm as the «undivided loyalty tranquillizer of the corporation». No doubt, historical shifts, in Norway and elsewhere, have pushed benefits, over time, from the employers' domain into the arena of industrial relations. This is true in both the private and public sectors.

Table 8.7 Who decides which employee benefits are provided at your work? Percentage of wage earners. NSD survey 1992.

	Private sector		Public sector
	All	Collective Wage determ	
Individual employee and management	13.7	8.3	3.1
Union and management	17.5	25.3	19.8
Management alone	47.8	42.7	20.2
Others	1.6	1.4	15.2
Do not know	19.4	22.3	41.8
N	803	494	481

8.5 Identifying dimensions of employee benefits

Simply by looking at the list of benefits, the heterogeneity of the menu is a striking feature, ranging from free coffee to old age pensions. Obviously, a number of benefits are related to social policy issues. Other benefit programs cover areas such as sport and leisure activities, free car, free telephone, subsidized products and services and so forth. At a theoretical level it is safe to assume that employee benefits do not constitute a one dimensional phenomenon. As discussed in detail in the previous chapter, employer and employee motives differs significantly across benefit groups. As a management tool free car for certain selected individuals is very different from life insurance or pensions covering the whole work force. Moreover, employee demand for benefit is not constant across benefit categories and the degree of union involvement varies dependent on the financial, social and symbolic importance of the benefits in question. And, not at least, government regulations are often targeted towards welfare benefits such as old age pensions because these are also social policy instruments.

Because of these, and other arguments, it is reason to believe that employee benefits can be clustered into a set of underlying dimensions. Several employee benefits are directly linked to public social policy arrangements, first of all as supplements. These benefits have a strong symbolic dimensions linked to welfare ambitions from the employer. A tempting hypothesis is therefore that occupational welfare benefits as directly observable variables represent a mutual dimension which could be labeled the social policy of the firm. On the other hand typical individually oriented benefits such as free car, phone and newspapers could represent a very different remuneration phenomenon. A study by Knudsen (1991) on level of living data indicates that there are two underlying dimensions in fringe benefit remuneration in Norway, what Knudsen labels collective and individual goods. The collective benefits are mainly welfare benefits, while the individual benefits typically are free car, telephone, and so forth. Knudsen's main point is that the distributional process is different when benefits are provided inclusively, i.e., to all employees in the company, compared with when they are distributed individually, within the firm. To a large extent these dimensions corresponds to what I have called welfare benefits and traditional individual fringe benefits. With a somewhat longer lists of employee benefits, as found in this analysis, it is reason to ask if a third dimension could also be identified related to benefits with a marginal financial importance, often collective in their nature, and with a intention of creating a mutual company identification attached to them. A typical example is rebated services and products, leisure activities, free coffee and so forth.

Taken together, an important theoretical question, then, is whether employee benefits as a complex phenomena (more than 20 benefits are listed in this analysis)

can be seen as variables measuring a set of underlying dimensions or factors? The question is important because, with few exceptions, employee benefits or fringe benefits is traditionally analyzed as a one dimensional phenomenon.

In order to see if it is possible to identify a relatively small number of dimensions that can be used to represent relationships among a set of many interrelated variables, factor analysis is the statistical technique traditionally used. Factor analysis identifies the underlying pattern in a set of observed variables from the examination of the resulting covariance structure. Observed correlation between variables result from their sharing of these factors. The factor model assumes that all the variables included in the analysis are exogenous – i.e., the variables should not be caused by each other. Through a three-step procedure the factor analysis identifies linear combination of factors. Or in other words, the goal of the factor analysis is to identify the not-directly observable factors based on a set of observable variables. Of course, a factor solution identifying a small number of dimensions does not give a direct solution to the nature of this dimensions. The factor must be interpreted based on theoretical arguments as representing certain phenomenon.

In this section factor analysis will be conducted for both the ABU and NSD survey in order to strengthen the final conclusions.

The goals of factor analysis include specifying the number of common factors; analyzing the nature of the relationships among factors; and assessing the magnitude of the factor loadings for each variable. Here, the goal is simply to test the hypothesis that welfare benefits constitute a separate factor in employee benefits remuneration among Norwegian employees.

Generally, one cannot include dichotomous variables within the factor analytic model (Kim and Mueller 1978:74). Even so, it has been noted that there are circumstances where factor analysis, using dichotomous data, can be appropriate. Kim, Nie and Verba (1977) conclude that «if the researcher's goal is to search for clustering patterns, the use of factor analysis may be justified⁷.» In this case, all variables are dichotomous and all variables are on the same causal level. Basically what this grouping of variable values does, is to weaken the correlation without affecting the structure of clustering in the data. If we had access to data measuring

⁷This is because: «Even in dichotomies, the use of phi's can be justified if factor analysis is used as a means of finding general clustering variables, and if the underlying correlations among variables are believed to be moderate (less than .6 or .7)» (Kim and Mueller 1978:75). In this analysis the included variables are within these limits. In more detail Kim and Mueller argues in favor of including dichotomies because: «The reason is that dichotomization of continuous variables attenuates the correlation and the attenuation is also affected by the cutting points. However, when the underlying correlations are not very high, the effect on varying cutting points are negligible. Therefore, the grouping attenuates correlation in general but does not affect the structure of clustering in the data – this is because factor analysis is dependent on the relative magnitude of correlation».

the financial value of each benefit (i.e. continuous variables) stronger correlations would be obtained and hence, a better fit of the factor model could be obtained. As noted, the goal here is only to test for the possibility of clustering of employee benefits, and we should be able to get a «minimum» estimate of possible underlying dimensions. A corresponding analysis, also on dichotomous data, has been undertaken by Knud Knudsen (1991) based on level-of-living data from 1987.

Tables 8.8 and 8.9 present the results of factor analyses for the two data sets. For each data set, welfare benefits are identified as a separate factor and the single most important factor. Factors with an Eigenvalue of less than 1.25 are not reported. An Eigenvalue of one means simply that the factor is no better than a single variable (since each variable here has a variance of 1). In Tables 8.4 and 8.5, the final statistics from the principal components analysis and the factor loadings from the rotated factor matrix (orthogonal rotation) are shown. Only factor loadings higher than .50 are included in the discussion⁸.

In the analysis of 11 employee benefits, based on the ABU survey, two factors are identified. The first factor consists of four benefits – pensions, favorable loans, free life and accident insurance, and company health services – with a reported score ranging from .63 to .74. This factor explains 22 per cent of the total varia-

Table 8.8 Factor analysis. ABU-survey 1993. Principal-Components Analysis Final Statistics and Rotated Factor Matrix

Principal Factor	Component Analysis Eigenvalue	Final Statistics:	
		Pct of Variation	Cum Pct
1	2.396	21.8	21.8
2	1.346	12.2	34.0
Rotated Factor Matrix.		Factor Loadings	
		Factor1	Factor2
Free housing/support		.002	.131
Free car		-.016	.674
Financial car support		.188	.565
Free telephone/support		.267	.753
Favorable loan 200 000+		.635	.071
Rebates products service		.122	-.244
Life/accident insurance		.655	.103
Occupational pensions		.726	.144
Child care		.393	-.189
Company health care		.654	-.111
Sponsored education		.368	.161

⁸This is according to the traditional Kaiser rule of thumb index where all measures below 50 are seen as unacceptable.

tion (Eigenvalue of 2.4). The second factor consists of three variables with a score from .56 to .75: free car, financial support for a car, and free telephone. This factor, however, explains only 12 per cent of the variation.

Table 8.9 Factor analysis. NSD-survey 1992. Principal-Components Analysis Final Statistics and Rotated Factor Matrix.

Principal Factor	Component Analysis		Final Statistics:	
	Eigenvalue		Pct of variation	Cum Pct
1	4.062		17.7	17.7
2	1.727		7.5	25.2
3	1.315		5.7	30.9
4	1.277		5.6	36.5
Benefits:	Factor 1:	Factor 2:	Factor 3:	Factor 4:
Free housing or support	-.006	.268	.030	.362
Free car	.245	.314	-.182	-.499
Car support	-.002	.614	.152	.284
Free telephone or support	.292	.682	-.065	-.055
Free commute	.037	.119	.197	-.430
Free use of summer house	.180	.107	.653	.098
Free coffee/tea	.036	.230	.426	-.084
Free or subsidized cafeteria	.318	.146	.468	.154
Rebated products or services	-.155	-.090	.506	-.093
Free travel with family	.017	.089	.056	.283
Free life/accident insurance	.501	.205	.115	-.222
Free papers	.093	.658	.132	-.107
Sponsored education	.415	.202	-.031	.042
Company health services	.666	-.075	.202	-.018
Family leave	.233	.107	.083	.515
Sickness benefits	.520	.362	-.045	-.045
Occ. pension	.654	.225	-.066	.136
Early retirement	.456	-.175	.030	.206
Favorable loan	.626	.138	.041	.126
Child care	.263	.020	-.011	.409
Extra holiday	.007	.325	.025	.096
Support for sports act.	.670	-.091	.318	.025
Recreational facilities	.480	-.066	.559	.127

The NSD survey allows for the inclusion of a greater number of employee benefits in the analysis. A total of 20 benefits are entered into the factor model. This analysis extracts four variables with a cumulative per cent of variation explained of 36. Again, it is typically welfare benefits which constitute the most important factor (18 per cent of total variation), including the following benefits:

- pensions,
- life and accident insurance,
- company health service,
- full pay during sickness,
- favorable (pension) loans and
- company support for sport activities.

The second factor has three benefits with a score of .50 or more. These are:

- free car or financial support for a car,
- free telephone or financial support for telephone and
- free newspapers and journals at home.

In other words, the second factor indicates that typical traditional individual fringe benefits represents a common dimension in the provision of employee benefits.

The third factor consists of three benefits with a score ranging from .61 to .68. These benefits are fringe benefits typically distributed to a wider range of employees, where the costs involved are smaller. This factor can be interpreted as a underlying dimension that can be labeled «symbolic company benefits».

These are:

- free use of company summer house,
- free use of other recreational facilities and
- the option to buy products or services at a reduced price.

And, finally, a fourth factor is identified. However, only extra family leave shows a value higher than .50 in this factor.

Collective or individual?

A related question is whether these factors are to be seen as collective or individual benefits; some companies offer benefits, and some do not. For the individual employee, the important choice is that of employer. A dual system of exclusion is at play; across companies and among individuals in each company.

There is reason to believe that welfare benefits mostly are inclusive, in the sense that they cover the whole work force at the company level. Importantly, tax regulation demands that pensions are provided to all permanent employees working more than 15 hours a week. To depict the extent to which internal exclusion takes place, questions concerning coverage at the company level were included in the company survey. Management's responses to these questions support the idea that occupational welfare arrangements are basically collective. They cover, in principle, the entire work force in the company. Pensions, accident and life insurance, extra maternity and paternity leave, and paid family leave, are in the great majority of companies provided to all members of the staff, or when it is relevant, to all men or women. It should be stressed that the fact that welfare benefits are generally provided on a collective basis does not indicate that they have the same financial importance to all employees. Several benefits are relevant primarily for employees in higher income brackets.

In the case of other employee benefits, the conclusion is somewhat more uncertain. Knudsen's (1991) previous analysis indicates two factors (what he calls a collective and a individual). The NSD survey, however, does point in the direction of a typical group of individual fringe benefits and a separate group of what can be called symbolic company benefits. The latter group of benefits is probably basically inclusive in its nature and to a large extent, is intended to symbolize a company culture characterized by collectivity and mutuality.

The analysis indicates that welfare benefits can be identified as a separate and important underlying dimension in voluntary and contractual indirect remuneration in the Norwegian labor market. Welfare benefits are benefits that can be identified with traditional social policy and are basically collective at company level.

Table 8.10 Internal coverage of selected welfare benefits. Private sector companies. 1991. N = 403

	Pensions	Accident/life insurance	Maternity leave
Whole work force	84.9	95.0	73.4
Around 2/3	4.8	1.8	7.6
Around Half	4.9	0.5	12.6
Around 1/3 or less	3.0	2.5	6.8
Only management	2.1	0.2	0
Do not know	0.3	0	0

In other words, there is a distinct social component within private sector remuneration. The results found in both factor analyses seems to support each other. Moreover, by entering a larger number of benefits into the analysis the number of underlying dimensions increases. This result fits with the theoretical based anticipation that employee benefits in the Norwegian labor market represents very different remuneration strategies, managements instruments and enters into the industrial relations system in different manners. As a consequence employee benefits should be approached as a multidimensional phenomenon both theoretically and in empirical investigations. Even so, both the academic discussion as well as empirical work tend to study fringe benefits as such.

8.6 Conclusion

Summing up, five findings are especially important: First, a large number of employee benefits are offered to Norwegian wage earners as a part of their work contracts. Welfare benefits, from old age pensions to child care, constitute an important part of the employee benefit menu. Compared to benefit coverage in other countries, there is reason to believe that, despite generous public social policy, the incidence of several important welfare benefits is relatively high in Norway.

Second, there are large differences in benefit coverage between public and private employees. Traditional fringe benefits such as free cars, telephones, and newspapers, are more frequently found among private sector employees. Due to a long tradition of active use of welfare benefit arrangements in the public sector, basic welfare benefits, such as pensions, accident and life insurance, child care, and occupational health services, have a higher incidence in the public than in the private sector. For all employees, coverage patterns look systematically different when we take partners' benefits into consideration. In the case of pensions, only 29 per cent of individual employees have no direct or indirect accrual of pension rights. As many as 28 per cent of all wage earners have «double» pensions overage.

Third, recent developments in employee benefit remuneration suggest that the coverage of welfare benefits is growing, while other benefit categories are becoming less likely to be included in the benefit package. Coverage for old age pensions, life and accident insurance, and child care have increased between 1989 to 1993. In other words, along with growth in the incidence of benefits, the face of voluntary indirect remuneration is also changing in Norway.

Fourth, as found in other countries, pensions and other benefits are being integrated into collective bargaining in Norway. Somewhat surprisingly, as many as 48 per cent of private sector companies with 10 employees or more report that

one or more of the welfare benefits are included in contractual arrangements. There are, however, uncertainties as to the extent of this process and also concerning the nature, and form of, negotiations. Clearly, in most cases, employers have formal control over benefit arrangements. On the other hand, the historical tradition of welfare benefits as a white collar phenomenon where unionization was virtually unknown is giving way to the development of formal rights which are linked to the labor contract. It seems logical that this evolution is accompanied by the inclusion on the negotiation agenda of employee benefit issues.

Fifth, in the private sector, three different underlying dimensions of employee benefit remuneration in the Norwegian labor market can be identified: welfare benefits supplementing or complementing public social policy; traditional fringe benefits (such as free cars, free telephones and newspapers); and «symbolic company benefits» (such as free coffee and tea, and rebated products or services). Welfare benefits constitute a separate and important dimension of employee benefits, representing a distinct social component of private sector remuneration.

Undoubtedly, voluntary and contractual employee benefits constitute an important and growing part of the remuneration system in Norway. It is, however, more to employee benefits than one traditionally should think when approaching this phenomenon as only a matter of fringe benefits offered by the employer to the chosen few in the company. Benefit provision is a multifaceted phenomenon serving different purposes for employers and for employees. The motives behind benefit provision as an remuneration instrument probably extend beyond purely economic considerations. The nature of these motives is the subject of the analysis in the next chapter.

Chapter 9 The social policy of the Norwegian firm – explaining the variation in benefit provision

9.1 Introduction

In his article «The Social Policy of the Firm», Martin Rein pointed to the need to understand the nature of social policy decisions carried out by private companies (Rein 1983:5). The concept of the «social policy of the firm» has become widely used. Even so, few empirical studies have been conducted and there is relatively little knowledge on the actual effects of company characteristics on employee benefit provision in private firms. This is especially true in the Norwegian setting, despite the fact that occupational welfare arrangements are gaining increased importance in the Norwegian labor market.

Okun (1981:89) has argued that the employment relation is guided by an invisible handshake rather than by the invisible hand. In this chapter, indicators of the invisible handshake will be explored in some more detail related to their impact on employee benefit provision. Why do companies offer their employees welfare benefits when economic theory predicts that wage earners prefer direct remuneration before indirect and that the logic of individual remuneration is linked to a person's marginal productivity? Of course, a multivariate statistical analysis cannot show the underlying nature of the social policy of the firm, meaning employer and employee motives and the relationship between motives and actual behavior. What it can do is to describe how certain characteristics of companies can explain an observable pattern. Interpreting these results as the effect of motives and behavior by the actors can only be done «guided by theory, experienced judgment and inspired guesswork» (Achen 1982:79). At the theoretical level this chapter is based on the discussion of the invisible handshake, conducted in chapter 7. Hence, it is the concluding model of variation in company provision of employee benefits in chapter 7 that will be made subject of empirical testing.

In this analysis, both company- and individually-based data will be used in order to analyze variation in the observed provision of occupational benefits in private sector companies. The analysis will focus on occupational welfare benefit provision, in other words, benefits that complement public social policy programs.

Other benefit types will be analyzed in order to function as a point of reference for the study of welfare benefits. The goals of the analysis are:

- First, to examine how benefit categories are distributed across groups of employees. The hypothesis is that welfare benefits are more equally distributed than other benefits offered by employers. Theoretically, the goal is to test if the organization of occupational welfare provision in Norway has significantly altered the distributional result, relative to other benefit categories.
- Second, to empirically investigate the nature of occupational welfare provision in private sector companies. The hypothesis is that institutional characteristics of the company, i.e., the system of collective bargaining, trade unionism, the organization of personnel management and the structure of the labor force, have significant impact on both the number and types of benefits offered. If so, it is possible to identify how the system of labor relations and other factors internal to the firm constitute a filter for the interplay between public social policy programs and labor market based welfare decisions.
- Third, to analyze if the provision of employee benefits in private sector companies varies systematically between benefit types. Based on theoretical assumptions and the result of the previous factor analysis, the hypothesis is that the provision of employee benefits should not be seen as one homogeneous mechanism of remuneration. Rather, welfare benefits are governed by a different mechanism than what is the case for traditional fringe benefits and symbolic company goods. There is reason to believe that unionization and the bargaining system have an impact on welfare benefit decisions, while this is not the case for other benefit types.

As a point of departure, section 9.3 will briefly look into the distributional effects of benefit provision among private sector wage earners. Before turning to this analysis, the methodological approach needs some elaboration.

9.2 A methodological note

In an ideal situation, one would have access to data that measure not only the number of benefits, but also the costs involved, quite simply because that allows for more information than a «have/have not» measure. Moreover, one should have

data allowing us to link the individual- and the company-level in order to explore the process of dual exclusion.

Data on the costs of benefit are not available and attempts to persuade the Employers Association (NHO) to contribute to the collection of such data have not been successful. Therefore, at this stage, we must rely on information on the number of benefits offered by each company. The data limitation is interesting in itself. It does, however, limit the possibility of identifying each relationship in the analysis and, in addition, of testing the specific impact of benefit provision on wage distribution.

The problem of dual exclusion arises because variation among individuals can be subscribed to two different principal processes of exclusion. First, some companies offer benefits; others do not. Therefore the corresponding difference between employees is caused by their «choice» of employers. In other words, their individual characteristics have no causal impact on the possibility of being covered by a scheme. The relevant variation is among companies as analytical cases. Second, there can be an exclusion of individual wage earners from benefits at each company due to some characteristics of the individual. For example, benefits could be provided to men more often than to women, to high income earners more than to low income earners, to white-collar workers more than to blue-collar workers in each company and so forth. In this latter case, individual characteristics do matter, in a causal sense, for the possibility of being covered by a occupational welfare scheme. Hence we are left with a system of external and internal exclusion.

Even so, the variation among wage earners is traditionally explained by using individual survey data where personal characteristics, as well as some company-related variables based on individual responses, are entered into a multivariate model. In other words, all higher order variables are disaggregated into the individual level. The use of individual data in this type of analyses has, however, been criticized. Baron and Bielby (1980) argues against the use of individual data because it does not allow us to capture what is going on at the company level (Baron and Bielby 1980:745). Certainly, variables that measure important aspects of company characteristics, such as economic results, management institutions and so forth cannot be measured adequately at an individual level.

Another aspect of this traditional approach in labor market research on variation in earnings and income has been criticized (Sørensen 1983, 1986). Sørensen argues against the additive formulation because structural variables cannot be additive; rather, they mediate the effect of the individual data. In other words, even though structural variables can explain a certain amount of variation in earnings they do not give direct theoretical guidance to the underlying process of the attainment process. Ideally, one could use a method called, among many names,

Hierarchical Linear Models to test effects occurring at each level and across levels (Bryk and Raudenbush 1992:3). These models provides a technique for nesting models across different levels. However, this requires that the data available have certain qualities, specifically, one must be able to link individuals to the higher level cases, i.e., to the companies.

The analysis in this chapter will be based on both individual and company based data. First, individual data will be used to map the distribution of benefits available to different groups of wage earners. This creates few methodological problems, and more important, it provides an opportunity to compare the distributions of a wide range of benefits. The data set used is the 1992 NSD survey of employee benefits among wage earners.

Using individual data is, as noted, unsatisfactory if the goal is to analyze the causal factors explaining why an individual with specific characteristics will be covered by a benefit, rather than simply predicting the probability that he or she is covered. Therefore, a company-based survey will be used in order to explain the variation in welfare benefit provision across companies. It offers an opportunity to directly measure variables relevant for understanding the decisions made at the company level. It allows for the inclusion of variables that hardly can be measured adequately in individual surveys, such as economic performance of the company, problems recruiting employees, features of the industrial relations systems, unionization and contractual agreements and so forth.

Unfortunately, no available data set both allows individual-company links to be made and contains good measures of the dependent variables¹. Hence, within-company variation cannot be included in the same analysis. As long as the subject of the analysis is the provision of welfare benefits this problem is, however, relatively limited because welfare benefits to a large extent are provided to all employees at companies offering such benefits, i.e., they are collective benefits. In the case of old-age and disability pensions, the collective nature is due to public regulation to allow for tax deductions. Other benefits are provided voluntarily to all employees by the employer. From a methodological perspective, the collective nature of occupational benefits is an important fact. It indicates that analyses that use the company as the unit of analysis can provide a relatively correct picture of what is actually taking place in Norway. In other words, variation in the social policies of Norwegian firms can be approached, largely, as a question of between-company variation.

Last, individual-level data will be used as disaggregated measures of company variables only to indicate if the nature of benefit provision varies significantly across groups of benefits. This part of the analysis cannot give a precise picture of

¹The 1989 ABU survey does provide an opportunity to link the individual and company level. However, this survey only contains information on pensions and life/accident insurance as a measure of the dependent variable (welfare benefits).

what goes on at the company level. Rather, it must be seen as a indication of the extent to which different forces are at play in each benefit category.

9.3 The distributional pattern

As a point of departure this section shows some indicators of the distributional pattern of employee benefits in the private sector labor market.

Previous studies (Knudsen 1991, see also chapter 8) have concluded that employee benefits can be divided into different benefit dimensions. Hence, welfare benefits, traditional fringe benefits and symbolic company benefits will be seen as separate groups of benefits. In other words, there are three dependent variables in the forthcoming analysis. As already note, the main focus is on occupational welfare benefits.

Table 9.1 shows the grouping of the benefits into welfare, traditional fringe and symbolic company benefits. The assignment of benefits to groups is based on the conclusions drawn from the factor analysis of the twenty employee benefits registered in the 1992 NSD survey (see chapter 8). For each of these categories, an index – counting the number of reported benefits – is calculated. In the construction of this index, some benefits have been given a higher value in order to correspond more closely to the anticipated actual or potential monetary value of the benefits: pensions are coded 3; free car, life and accident insurance, early retirement pensions, child care, sickness benefits, favorable loans and housing are coded 2; and the remaining benefits have been given the value 1. This is, of course, a very rough weighting procedure and is far from measuring the exact monetary value. Nevertheless, it solves the problem of treating pensions as having the same value as free coffee and tea. The actual factor loadings from the analysis are not used in the construction of the index. This is due to the uncertainties connected to factor analyses based on dichotomous data (Kim and Mueller 1978).

An obvious hypothesis is that the traditional fringe benefits, relative to the other two benefit groups, are more frequently found among high income, more highly educated, white-collar employees. This will probably also imply a distinct difference between men and women in the bivariate case. Knudsen (1991) has, however, shown that the «discrimination effect» related to individual fringe benefits disappears when controlling for a set of socio-economic variables, i.e., it is the systematic association between background variables and sex that creates the bivariate difference between men and women.

Table 9.1 Three groups of employee benefits. Private sector.

Welfare benefits:

* Old age pensions	(3)
* Early retirement pensions	(2)
* Company health services	(1)
* Sickness benefits	(2)
* Life and accident insurance	(2)
* Favorable (pension) loan	(2)
* Child Care	(2)
* Extra family leave	(1)
* Education	(1)
* Housing	(2)
* Company sports activities	(1)

Maximum value on index = 19

Average index score = 5,3

Traditional fringe benefits

*Free car/car support	(2)
*Free phone/support	(1)
*Free newspapers/journals at home	(1)
*Extended holiday	(1)

Maximum value on index = 5

Average index score = 0.8

Symbolic company benefits:

*Free coffee and tea	(1)
*Rebated products and services	(1)
*Free/subs cafeteria	(1)
*Company summer house	(1)
*Free use of recreational facilities	(1)

Maximum value on index = 5

Average index score = 1.6

On the other hand, the benefits that are more related to symbolic company culture, such as free coffee or tea and mutual recreational facilities, must be expected to show less variation across employees.

In the case of welfare benefits, the shape of the distributional pattern is more uncertain. Tax regulation, company culture and trade union involvement could point in the direction of a more equal distribution across social groups and between men and women.

Table 9.2 provides some indicators of the (univariate) distributional pattern for each index. It shows that traditional fringe benefits have a distinct distribution, relative to both welfare benefits and symbolic company benefits. Traditional fringe benefits have a skewness more than three times that of welfare benefits and symbolic company benefits. This is also clearly shown when comparing the standard deviation of the distributions relative to their mean: 1,45 for traditional fringe benefits versus .80 and .67 for the two other benefit groups.

Table 9.2. Selected measures of univariate distribution. Three employee benefit indexes. Private sector employees N=1019. 1992 NSD survey.

	Welfare benefits	Traditional fringe benefits	Symbolic company benefits
Minimum	0,0	0,0	0,0
Maximum	17,0	5,0	5,0
Mean	5,3	0,8	1,6
Std. deviation	4,2	1,2	1,2
Skewness	0,52	1,71	0,60
Std/mean	0,80	1,45	0,76

Employee benefit level across employee groups

International research on employee benefits has focused on how differences in incidence can be explained by individual-level factors. Human capital variables in particular, such as education and tenure, have been used to explain benefit distributions among different kind of workers. During the last years, growing attention has been given to the importance of employee benefits for the earnings gap between men and women (Perman and Stevens 1989).

Table 9.3 gives the average index score broken out by a set of variables that capture individual characteristics such as sex, age, education, occupational status, work time and wage. The average total benefit score for private sector employees is 7.7. If only full-time workers are taken into consideration the score increases to 8,5. The maximum total score is 29 (i.e., the three indexes summed). In other words,

the average worker has access to only 27 per cent of the maximum possible benefit package.

As shown in table 9.3, the sex differential varies across the benefit groups. In the case of symbolic company benefits, there is hardly any difference between men and women. In contrast, with respect to traditional fringe benefits, men's scores are twice that of women's. Also for welfare benefits a difference between men

Table 9.3 Private sector employees. NSD employee benefit survey 1992. Average index score for welfare benefit index, other benefits index and total benefits index by individual variables. Index values for full-time employees in the private sector are shown in brackets.

Variable:	Welfare benefits index	Trad fringe benefits index	Symb.comp. benefits index	Total benefits index	N
Total wage earners	5,3 (5,9)	0,8 (1,0)	1,6 (1,6)	7,7 (8,5)	1019 (780)
Sex:					
Men	5,8 (6,1)	1,0 (1,1)	1,5 (1,6)	8,4 (8,8)	606 (563)
Women	4,4 (5,5)	0,5 (0,7)	1,7 (1,8)	6,6 (8,0)	413 (217)
Age:					
16-29	3,4 (4,4)	0,5 (0,6)	1,5 (1,6)	5,5 (6,6)	287 (198)
30-39	5,6 (5,9)	0,9 (1,0)	1,7 (1,7)	8,3 (8,7)	302 (252)
40-49	6,4 (6,9)	1,1 (1,2)	1,6 (1,6)	9,0 (9,7)	238 (190)
50-59	6,4 (7,2)	0,9 (1,1)	1,5 (1,5)	8,8 (9,8)	139 (108)
60+	5,1 (6,2)	0,7 (0,8)	1,4 (1,5)	7,1 (8,5)	53 (32)
Occupational status:					
Blue-collar worker	4,3 (4,6)	0,5 (0,5)	1,3 (1,4)	6,2 (6,5)	391 (332)
Lower white-collar	4,3 (5,6)	0,6 (0,7)	1,7 (1,9)	6,6 (8,2)	293 (171)
Higher white-collar	7,7 (8,0)	1,6 (1,8)	1,8 (1,9)	11,1 (11,6)	275 (242)
Wage level:					
< 100 000	1,9 (2,3)	0,4 (0,5)	1,4 (1,5)	3,7 (4,3)	177 (46)
100 - 199 000	4,4 (4,3)	0,5 (0,5)	1,5 (1,5)	6,4 (6,2)	400 (325)
200 - 299 000	7,4 (7,4)	1,1 (1,1)	1,7 (1,7)	10,2 (10,2)	272 (266)
300 000 +	7,5 (8,2)	1,6 (1,8)	1,8 (1,9)	10,9 (12,0)	170 (143)
Work time:					
Part-time	3,0	0,4	1,5	4,9	227
Full-time	5,9	1,0	1,6	8,5	780
Education:					
Basic edu + 1 year add. edu.	4,5 (5,0)	0,5 (0,6)	1,4 (1,4)	6,4 (7,0)	382 (269)
2-3 year add. edu.	4,7 (5,3)	0,7 (0,8)	1,6 (1,6)	7,0 (7,7)	367 (274)
University level 1 (1-2 year)	6,6 (7,3)	1,4 (1,5)	1,9 (2,0)	9,9 (10,8)	120 (105)
University level 2 (3 year +)	7,7 (8,4)	1,7 (1,8)	2,0 (2,1)	11,4 (12,3)	139 (122)

and women in benefit incidence can be found. Men have a 32 per cent higher index score than women (5,8 vs 4,4). This difference is reduced, but not eliminated, when only full-time workers are taken into account.

The variation by age is relatively limited, across all benefit categories. Respondents between 30 and 60 years of age have a relatively similar benefit level.

Variation across socio-economic variables is much more marked. Higher white-collar employees have a welfare benefit level 1,8 times as high as lower white-collar and blue-collar employees. For traditional fringe benefits, white-collar employees have a benefit score 2.7 times that of lower white-collar workers.

The same pattern is found by education and wage level: fringe benefits are most unequally distributed, while there are only small differences in benefit scores in the case of symbolic company benefits. Variation in welfare benefits falls in between these two extremes.

9.4 Explaining company welfare benefit provision in private companies

The proceeding analysis in this section will be based on the 1991 MMI company survey covering 400 randomly selected companies with 10 employees or more.

In order to conduct an analysis of company variations in welfare benefit provision, an index is constructed by simply counting the (weighted) number of benefits (again, the dependent variable). The following benefits have been included in the index:

Table 9.4 Welfare benefit index construction. Private sector companies

*Old age pensions	(less than 61%=2,61-65%=4,65%+=6)
*Early retirement pension	(permanent=3,ad hoc=1)
*Accident/life insurance	(3)
*Full pay during periods of sickness	(whole period=4,14 days=2)
*Full pay during family leave	(4)
*Extended family leave	(3)
*Full pay during 14 days of paternity leave	(1)
*Welfare leave without pay	(1)
*Individual health consultations	(3)
*Health insurance	(4)
*Child care	(2)

Compared to the welfare index based on individual employee responses, company data offers the opportunity to map a broader range of benefits and to gain more detailed information on each benefit. Each benefit has been given a value corresponding to its relative financial importance for the recipient. This means that offering a top private sector pension scheme with a income replacement level of 66 per cent is seen as the most important single benefit in the index. No doubt, offering a pensions scheme is of far greater importance than, for example, guaranteeing employees full pay during the first two weeks of sickness absence. If a company offers all the benefits as well as the best quality in each category a total of 34 points will be assigned. The index is constructed to show the proportion of the maximum welfare possible package that could be offered by the company. An index value of 40 implies that the company offers 40 per cent of the potentially full welfare package.

The company survey data show that companies vary widely in their «social policy». The large variation in benefit provision is illustrated by the following: With an observed maximum of 88 per cent – using the index described above – the mean is 32 per cent, with a standard deviation of 18².

From a theoretical perspective, it is interesting to assess if and how industrial relations variables affect the provision of welfare benefits in the setting of a comprehensive welfare state with relatively centralized labor relations, as found in Norway.

An indication of the impact of labor relations variables on welfare decisions can be given by looking at the average score on the welfare index in different sub groups. The concept of labor relations is discussed in more detail in chapter 3. Here it should be noted that it is becoming increasingly more common to use the concept labor relations to mean studies of collective bargaining, unionism and other aspects of the formalized interplay between employers and employees (Kaufmann 1993). Theoretically, it is precisely the impact of unionization and of collective bargaining that is at the heart of this discussion of occupational welfare.

Table 9.5 shows, first, that welfare benefit provision is highest in strongly unionized companies. The traditional difference only between unionized and non-unionized companies, found in U.S. studies, for example, cannot be seen (Freeman 1984,1992).

Second, companies that conduct collective wage bargaining do not have a higher level of welfare provision. Rather, it is companies that conduct local negotiations or have individual wage determination that are somewhat more generous than those taking part in centralized wage determination, where welfare benefits typically are excluded.

² Private company welfare benefit provision. Percent of total welfare package provided by the company. Mean=32 Std.dev=17,6 Min=0.0 Max=87,5

Third, companies with an LO–union agreement report the same welfare level as companies without a collective bargaining mechanism. Companies with YS/AF unions as their counterpart report, on the other hand, a somewhat higher welfare level. This could, of course, be due to the fact that LO systematically organizes employees in traditionally low wage industries. The effect could therefore disappear when controlling for sector, size and wage level in a multivariate analysis. Moreover, the welfare level is higher in companies with a collective agreements with both an LO–union and one or more competing unions.

The central goal of this analysis is to see if, and how, the social policy of the firm can be significantly influenced by factors other than those emphasized in standard price theory – in other words, by factors internal to the firm. A conceptual model of differences in company provision of employee benefits concluded the discussion in chapter 7.

The model contained five sets of variables, namely:

1. Union strength and type
2. System of collective bargaining
3. Employee structure
4. Company characteristics; personnel policies and structural variables
5. Direct wage level

A multivariate model provides an interesting opportunity to estimate the controlled impact of each of these variables, with each measuring a different aspect of the labor relations system; i.e., it is only the direct effects that will be made subject of test.

In this analysis, **unionization** will be quantified by the following variables: The first is the percentage of the company workforce that is unionized (Union: 0–100). The second captures the characteristics of the union counterpart: no union counterpart, an LO union as the only counterpart, a union outside the LO family, or negotiation conducted with two or more unions from different federations when deciding compensation strategies (i.e., 3 dummy variables: LO, Ouni, Ucom; with no union =0.)

System of collective bargaining is measured by two dummy variables. Together they measure if wage determination is conducted individually, collectively at the local level or collectively at central level (i.e., 2 dummy variables: Centwage and Locwage; with individual bargaining=0).

Theoretically, these variables test the impact of institutional variables on remuneration policies. Moreover, the analysis attempts to go a step further than traditional analyses of the union effect (comparing unionized/nonunionized firms or sector of the economy) by including more detailed measures of the nature of unions and of the bargaining system.

The importance of labor relations in Norwegian private sector companies (more than 10 employees) can be shown by the following figures from the 1991 MMI survey: 63 per cent of the companies are members of an employers association, either NHO (43 per cent) or an independent association (20 per cent). Moreover, 61 per cent of the companies report that their employees are member of a union. In as much as 38 per cent of all companies, more than 75 per cent of the staff is organized. The nonunionized companies are mainly small and are primarily found in retail and services.

The high level of collective wage determination is clearly illustrated by the fact that 73 per cent of the companies determine wages through a system of collective bargaining. Compared with a presence of unions in only 61 per cent of the companies we can conclude that a number of companies pay wages according to contractual agreements without conducting direct negotiations. These are primarily

Table 9.5. The structure of labor relations. Welfare index score. MMI-company survey. 1991

	Index score	N (Weighted N)
Union density		
0	31	103 (154)
1-75%	29	138 (133)
75+	40	152 (107)
Employer organization		
NHO	32	205 (174)
Other org.	33	81 (81)
Non	32	111 (145)
Wage determination		
Individual	34	83 (112)
Local, collective	35	245 (201)
Central, collective	26	68 (83)
Union counterpart		
None	31	133 (185)
Only LO-union	29	148 (124)
Only other union	38	71 (68)
Union competition (LO+)	43	51 (25)

smaller firms, most often found in hotel and restaurants, retail and other services. It is interesting that among firms using collective wage determination, 71 per cent conclude collective agreements on the local level.

LO unions are most frequently found as the formal counterpart in collective bargaining. Among firms reporting to have a collective wage agreement around 60 per cent of these have LO-unions as their counterpart. It is, however, only 31 per cent of the companies that have an LO union as the only counterpart.

The **employee structure or the internal labor force structure** is measured as: the percentage of employees with higher education (Edu) and the percentage of trained workers (Twor). These two variables measure in different ways the company's employment of workers who are hard to replace because of education or experience and competence. Hence, employers would want to use benefits to retain these workers. And, more highly educated workers might demand employee benefits more strongly than do others. A measure of recruitment problems is also included to see if welfare benefits are used directly, as often anticipated, to attract employees to the company (rec: 0–1). This variable is coded 1 when management reports that the company has had significant problems recruiting qualified labor. From the human capital perspective, employee benefits would typically serve as a tool for recruiting and retaining certain groups of employees.

Moreover, the percentage of women in the workforce (Wom) is included to capture the impact of female dominance in the work place. In addition, an interaction term is constructed to measure the impact of both having a high level of female employees and a high rate of part-time workers. The variable is created by multiplying the percentage of women in the workforce by a dummy variable that indicates a relatively high level of part-time work (30 per cent+=1) in the company (WonIn). This variable has a high score when a large proportion of the workers are women and a large share of them work part-time, i.e., only a large number of full-time female employees is given the value 0. The basic assumption is that it is the combination of part-time work and female dominance that reduces the labor force pressure for increased welfare efforts rather than the existence of a high proportion of female employees *per se*.

Theoretically, a relationship between level of education and training, as well as gender structure, can indicate that welfare arrangements are used systematically to retain and attract certain groups of employees. Moreover, it points to the importance of employee demand for increased welfare efforts.

Company characteristics is a category that contains company personnel policies, structural factors and market conditions. Company personnel policies are measured by including two indicators of formalized personnel management: first, the existence of a personnel department (Pdep: 0–1) and, second, the existence of

a personnel handbook in the company (Phand: 0–1). These are, of course, only rough measures of personnel management. Even so, including these variables offers an indication of whether or not formalized personnel management, typical for internal labor markets, contributes to an explanation of welfare policies at the company level. According to the discussion in chapter 7, a possible hypothesis is that institutionalization of personnel management as such can contribute to increased welfare efforts by the company. The goal of human resource managers to create positive employment relations could increase their interest in benefits that have strong symbolic importance, typically welfare benefits. Moreover, professional human resource managers are more likely to be educated in areas connected to insurance and welfare benefits. Of course, the institutionalization of personnel management is correlated with the size of the company. An interesting possibility for a multivariate test, therefore, is to see if personnel departments have a significant impact on benefit level after controlling for company size. On the other hand, increasing welfare efforts by a company could give as a result a need to institutionalize personnel management, hence the causal nature of the relationship is somewhat uncertain.

Foreign ownership is also included to see if having a different management culture has an impact on welfare decisions. It is indicated by companies' answering that they have a foreign mother company owning more than 50 per cent of the firm (owner:0–1). Ownership has been found to have an effect on direct and indirect remuneration. In the Norwegian setting, it could be that foreign companies import remuneration policies developed under different economic and political settings.

Structural factors are specified through a set of variables: industry is divided into other private services (0); manufacturing and mining (man); retail, hotel and restaurants (ret); and banking, insurance and finance industries (finan). Company size is measured as the number of employees, logged (size). The number of employees is often shown to have a strong impact on remuneration and other company policies (Brown, Hamilto, Medoff 1990, Evans and Leighon 1989). There is, however, reason to believe that the size effect will disappear when controlling for the system of labor relations and personnel policies. In other words, it is not the size itself that has an impact, it is the nature of labor relations in these large firms that matters.

As a measure of external economic conditions that the company is facing, two variables are included in the analysis: management's self-reported view on whether the company is faced with strong market competition or not (Mcom:0–1) and whether the economic conditions during the last five years are better than average in that industry (Econ:0–1).

According to traditional economic theory, structural variables would explain remuneration policies rather than the institutional characteristics of a company.

Finally, the **average wage level** (wage) is included in the analysis to provide a control for the impact of wage level on welfare provision. According to economic theory, compensation will tend to equal the marginal productivity of each worker. The form that the wage comes in – i.e., direct or indirect – is, in this respect, of no importance. The basic point is that a worker will always finance welfare benefits through a reduced direct wage. This implies that a positive association between the direct wage level and the benefit level cannot be interpreted as if the tradeoff does not exist at the individual level. From a policy perspective, a positive correlation between direct wages and welfare benefits provides us, nevertheless, with knowledge about the final distributional result of the remuneration process.

The model of a company's welfare level can be specified the following way:

$$Y = a + b1Wage + b2Man + b3Rec + b4Mcom + b5Ucom + b6Econ + b7Twor + b8Ouni + b9Own + b10Pdep + b11Cent + b12WomIn + b13Phand + b14Edu + b15Finan + b16Uni + b17Ret + b18Size + b19Wom + b20Loc + b21LO + e$$

Where:

Y = welfare benefit index (0–100)

Wage = Average wage level (categorical)

Man = Manufacturing, mining industries (1–0)

Rec = Recruitment problems (1–0)

Mcom = Strong market competition (1–0)

Ucom = Several unions as contractual counterparts (1–0)

Econ = Economic conditions last five years over average in industry (1–0)

Twor = Per cent trained workers

Ouni = Other union federation as only counterpart (1–0)

Owner = foreign ownership (1–0)

Pdep = Personnel department (1–0)

Centwage = central wage determination (1–0)

WomIn = Per cent women*1 if women part-time 30 per cent+ (0–100)

Phand = Personnel handbook (1–0)

Edu = Per cent employees with higher education (0–100)

Finan = Banking, insurance and financial industries (1–0)

Union = Per cent union members (0–100)

Ret = Retail, hotel and restaurant industries (1–0)

Size = number of employees (ln size)

Wom = Per cent women in workforce

Locwage = local wage determination (1–0)

LO = LO–union as only counterpart (1–0)

The analysis is conducted through a multivariate OLS regression model. As noted, the dependent variable is the score on the welfare index; it ranges from 0 (if no benefits are offered) to 100 (if all possible benefits are offered), i.e., it measures the percentage of the maximum benefit package offered by each company.

Despite the relatively broad measures, the model explains as much as 45 per cent of the variation in the welfare index. On the other hand, because this is a company-level analysis of typical collective welfare benefits, a relatively high R squared would be expected.

First, **unionization** – the percentage of the workforce that is unionized – shows a positive and significant impact on welfare benefits, after controlling for other

Table 9.6. OLS regression model. Dependent: index of the provision of welfare benefits. Unstandardized coefficients (B) and standardized coefficients (BETA)

	B	Beta	Sig T
Per cent Unionized (Union)	.12	.28	.00
Local Wage Barg. (Locwage)	-7.30	-.20	.01
Central Wage Barg. (Centwage)	-9.73	-.20	.00
LO-union counterpart (LO)	-5.80	-.16	.04
Other Union counterpart (Ouni)	.32	.01	.92
Competing unions (Ucom)	-4.13	-.08	.26
% women in workforce (Wom)	.10	.15	.02
% women*high part-time (Womln)	20.25	-.27	.00
% high education (Edu)	.06	.06	.26
% trained workers (Twor)	.05	.09	.06
Recruitment problems ((Rec)	-3.44	-.07	.13
Personnel Department (Pdep)	3.62	.10	.08
Personnel handbook (Phand)	3.92	.11	.04
Foreign ownership (Owner)	2.71	.05	.31
Manufacturing (Man)	-1.42	-.04	.50
Retail, hotel etc. (Ret)	-2.89	-.07	.23
Finance, Bank, etc (Finan)	12.15	.16	.00
Number of employees (Size)	1.40	.11	.10
Economic cond. + average (Econ)	88	.02	.60
Strong Market Competition(Mcom)	76	.02	.66
Average wage level (wage)	2.63	.17	.00
Constant	16.41		.00
R Squared adjusted .45			
N = 400			

variables. The level of unionization produces the strongest effect in the model. As unionization increases, welfare benefit levels increase, all else constant. In other words, the unionization effect found in U.S. research can also be found in this Scandinavian welfare state setting.

Second, **the system of collective bargaining** also influence the level of welfare benefits found in private sector companies. Both central and local wage determination have significant independent negative effects on welfare provision. For companies with central wage determination, the welfare benefit package is ten per cent lower, all else constant. In other words, with unionization held constant, companies with individual wage bargaining have a higher level of benefits. (When unionization is excluded from the analysis, the effect of local wage bargaining becomes positive, while centralized bargaining's is still negative.)

Somewhat more surprising is the fact that having LO as a contractual counterpart shows a significant negative effect, all else equal. In other words, LO unions are less active or less successful in gaining occupational welfare benefits. This result may indicate that welfare strategies vary across unions depending on their identification with traditional social democratic values. A possible explanation is that independent unions and unions in other confederations traditionally put less weight on broad societal considerations and that they have a more relaxed view on differences in remuneration than to LO unions.

Third, it also turns out that certain aspects of **the employee structure**, or workforce structure, have an effect on welfare decisions. The second strongest independent effect is found when companies have both a high proportion of women in the workforce *and* a large number of them are working part-time. In other words, there is a strong negative effect of female part-time work on welfare benefit level. Interestingly, the proportion of women in the workforce has a positive effect on benefit levels when the interaction variable is included in the model³. If the interaction variable is removed from the model, explained, variation is reduced to 40 per cent and the significant positive effect of the percentage of women in the workforce disappears. The other effects in the model are unchanged.

One should also note that there is no effect of higher education, in this model. A step-wise procedure shows that the effect of education disappears, when controlling for the wage level. Neither is there a significant effect of trained workers in this model. Moreover, we do not find an effect of having had recruitment problems. This could be because pensions and other welfare benefits are not used as a response to short-term variation in recruitment problems.

Fourth, some **company characteristics** appear to influence welfare benefit decisions at the company level. Both indicators of a formalized personnel

³There is no multicollinearity between these two variables. Pearson's r is .63.

management have a positive effect on welfare benefit provision. Only one of these, however, shows a significant effect after control for other variables. In a model that also includes size of the company, this can indicate that the institutionalization of companies in itself creates a basis for a higher welfare effort at company level. In other words, companies do not just respond to union pressure and employee demand. A driving force can be found among professional human resource managers also in a societal setting of generous public welfare benefits. The analysis does not, however, confirm the hypothesis that foreign-owned companies have a different benefit policy because of the import of management cultures and policies.

In addition, the analysis shows that external market variables and structural conditions exert only small effects on the welfare level. No significant differences can be found between benefits in industries such as manufacturing and mining, nor in retail, hotel and restaurant services, when compared with those in «other private services». In contrast, the banking, insurance and finance industries show significantly higher welfare levels, all else constant. In this industry, the welfare package is 12 per cent higher, all else equal. This result points to the existence of a separate culture or tradition in finance industries of using welfare benefits as an important remuneration strategy. As reported in chapter 4, banking was a pioneer in offering occupational pensions in the late 19th century.

Company size has been put forward as a variable of significant importance for the functioning of companies (Brown, Hamilton and Medoff 1984, Evans and Leighon 1989). As in other countries, larger companies in Norway provide more benefits to their employees than do smaller ones. It is interesting to see that this analysis shows that company size has no significant independent effect on welfare levels when controlled for the impact of other variables. This provides support to the theory that it is not the size as such, but other aspects of companies that explain why large firms develop different systems of remuneration and rewards than do small companies.

Neither level of market competition, nor economic conditions show a direct significant effect on the number of welfare benefits provided. This could, of course, be explained by the fact that these variables only provide approximate measures of market conditions. Or, that Sørensen (1993) is right when arguing that firms are not fully structured by external market forces. And, of course, the lack of direct effects of economic conditions and market competition can also be explained by the fact that welfare benefits are hard to change once introduced. To some extent, they are the result of a longer historical development and can only partially be expected to respond to short-term fluctuations. Welfare benefits are probably a more inflexible element than direct wage in the total remuneration package.

Furthermore, there is reason to believe that the effects of internal variables, such as unionization, are mediated through external market conditions. It is, however, hard to find evidence of interactions whereby economic conditions or the level of market competition significantly change the impact of labor relations on welfare benefit level. Companies with an economic above-average situation in the industry tend to have somewhat higher welfare levels. Even so, there is no support for the hypothesis that the effect of unionization or personnel departments is stronger in companies with a favorable economic situation than in other companies. This result can be explained by the quality of the data, and should therefore be made subject for further inquiry. (The regression models used to test for interactions, in a separate analysis that included multiplicative terms, are not presented since they did not show any different results).

Finally, **average wage level** has a strong significant (positive) effect on the welfare level. That clearly illustrates that high wages and high levels of welfare benefits go together. This effect should, however, not be seen as a proof that welfare benefits are not paid by reduced direct wages. Even so, from a policy perspective, it is important to clarify the relationship between direct and indirect wages.

Taken together, this analysis indicates that factors internal to the firm exert significant effects on the range of benefits provided at the company level⁴. This is interesting in itself. According to traditional economic theory, remuneration decisions would be explained by characteristics of the workforce (education, skill and so forth) and the economic conditions of the firm. Instead, this analysis points to the importance of institutional factors, such as unionization, type of union counterpart, the extent of female part-time work, the institutionalization of personnel management along with average wage level in explaining variation in welfare benefit levels found in private sector companies in Norway.

9.5 A mutual underlying logic in benefit provision?

This section addresses the question of how the process of benefit provision varies across groups of benefits. Based on both the theoretical discussion and on the fac-

⁴ It should be recognized that employee welfare benefits consist of a number of varied benefit types, from pensions to day care. Thus, it is interesting to see that when logistic regression is used to analyze if companies provide pensions and family related benefits – measured as two dichotomous dependent variables – the key findings lend support to the main conclusions drawn from the analysis of the whole range of welfare benefits. In the case of family-related benefits, recruitment problems also have a significant effect on the probability that these benefits are offered.

tor analysis in chapter 8, it is reasonable to expect significant differences in benefit provision across benefit groups. The pattern of these relationships is, however, more uncertain. There is reason to believe that factor related to unionization and bargaining systems do not have a strong impact on benefit types other than welfare benefits. Moreover, the effect of variables such as wage and education are probably very different when we compare individual fringe benefits and symbolic company benefits.

The individual-level dataset offers the opportunity for conducting multivariate analyses on different groups of benefits. The problem is, as discussed in section 9.2, that diasaggregating all variables to the level of the individual does not provide insights into the actual process at the company level. Furthermore, when it comes to benefit groups other than welfare benefits, internal exclusion must be expected to be important. As a consequence, a multivariate analysis should be interpreted with caution. The results cannot be seen as providing a causal explanation of why some employees have more benefits than others.

Even so, this analysis provides an opportunity to assess if there are systematically different distributional processes across benefit groups. A multivariate analysis on individual-level data shows, at least, the predicted effect of both individual and company variables on benefit levels, rather than offering a complete analysis as to how individual- and company-based decisions interact to determine the distributional outcome.

Compared to previous research, the importance of this analysis is the comparison across the three groups of employee benefits: welfare benefits, traditional fringe benefits and symbolic company benefits. Moreover, a larger number of benefits are included among the dependent variables. And last, the model introduces institutional variables that capture both personnel management and industrial relations systems to a larger extent than traditionally found in these types of analysis.

The dependent variables used are the indexes that indicate the (weighted) number of benefits in each category: welfare benefits, traditional fringe benefits and symbolic company benefits (see table 9.1).

The first group of independent variables includes measures of individual characteristics of wage earners: sex, age, education, work time and occupational status. Education is divided into 4 categories⁵. Work time differs between full-time (35 hours or more) and part-time (part-time is coded as 1). Occupational status is divided into three categories: blue-collar workers, lower white-collar and higher white-collar and is included as two dummy variables (lower and higher white-collar). In addition to these variables, hourly wage is included in the model. This variable is constructed on the basis of self-reported yearly pay and number of

⁵ 1) Basic year of schooling+ 1 year. 2) 2-3 years of supplementary education. 3) University level I (1-2 years). 4) University level II+ (3 years or more)

hours worked per week. (Average index scores by these variables are shown in table 9.3).

The industrial relations variables are: membership in a trade union, the system of wage determination and the use of local wage bargaining. Trade union membership is indicated as: being unorganized; being a member of a union affiliated with the LO federation; or being a member of an independent union or a union affiliated with other national federations (YS/AF). The union variable is entered into the model as two dummy variables (unorganized=0). The wage system variable captures whether or not the company conducts collective wage bargaining (collective wage bargaining=1), while a final variable measures if wage negotiations are conducted locally rather than centrally (locally=1). In addition, variables indicating organized personnel management⁶ and being part of a larger corporation is included. The average index score across industrial relations and structural variables is shown in table 9.8 at the end of this chapter. The bivariate results show that union members have more welfare benefits than nonunion members. Members of YS/AF and independent unions have, however, a relatively higher benefit level than do LO union members. In the case of traditional fringe benefits, it is LO union members who have the smallest number of benefits; this is also the case for symbolic company benefits. When wage determination is conducted only individually, the level of traditional fringe benefits is higher than when conducted collectively. For welfare benefits the most important difference is found when wage bargaining takes place locally rather than centrally.

Last, a set of structural variables are included in the model: the number of employees at the respondents' workplace, and industry. The number of employees is the natural log of employees. Industry is divided into four categories, included as three dummy variables: «manufacturing and mining», «retail, hotel and restaurant», «banking, insurance and other financial services» and last «other services» (Other services is coded 0). The bivariate figures show (table 9.8) that both welfare benefits and traditional fringe benefits increase with company size. For all three benefit categories, benefit levels are highest in banking, insurance and other financial services.

Table 9.7 shows the regression coefficients (B) and the standardized coefficients (BETA) when all the independent variables are regressed for the three benefit groups.

The first question to be asked is whether this model of welfare benefits produces results that are consistent with the conclusions drawn from the company-level analysis. Thus, the analysis here focusses on differences across the three models. Results show that in the case of welfare benefits, the model provides a relatively

⁶This variable equals 1 if the company has a separate personnel department and has distributed a personnel handbook.

good fit to the data; explained variation is as high as 51 per cent. For the two models that compare benefit groups the model fits the data somewhat less: 33 and 22 per cent.

Table 9.7. OLS—regression. Welfare benefits, traditional fringe benefits and symbolic company benefits. Unstandardized coefficients (B) and standardized coefficients (BETA).

	Traditional fringe benefits		Symbolic company benefits		Welfare benefits	
Independent variables:	b	BETA	b	BETA	b	BETA
Education	.18	.06	.07	.08*	.07	.08*
Sex	-.20	-.02	.29	.11**	-.27	-.10**
Age	.04	.11**	.01	.06	.00	.05
Wage	.01	.21**	.01	.20**	.01	.09**
Lower w.collar	.99	.11**	.19	.07	.13	.05
High. w.collar	1.40	.15**	.73	.27**	-.08	-.03
Part-time	-1.3	-.12**	-.19	-.06	-.13	-.04
LO-union	.02	.00	-.12	-.04	-.08	-.03
Other union affili	.97	.09**	-.14	.04	-.04	-.01
Bargaining level	.77	.09**	.02	.01	.21	.09**
Wage determ. system	.16	.02	-.40	-.20**	-.21	-.08*
Part of corporation	.60	.07**	.19	.08**	.47	.19**
Company size	.43	.15**	-.07	-.11**	.10	.15**
Personnel managem.	1.85	.20**	.11	.04	.40	.15**
Retail	-1.0	-.09**	.04	.01	.19	.06
Manufacturing	-.33	-.04	.02	.01	-.25	-.11**
Finance	1.06	.05*	-.03	-.01	.39	.08*
Constant	-1.96		-0.10		.97**	
R Squared	.51		.33		.22	
N	847		847		847	

*Coefficient is significant at the 5 per cent confidence level

**Coefficient is significant at the 1 per cent confidence level

Welfare benefits

The results on welfare benefits support the main conclusions drawn from the previous analysis, based on company-level data:

First, the analysis indicates that the provision of occupational welfare is affected by trade unions and by collective bargaining. When the union variable is divided into nonorganized, LO union, and member of other union federation, it is members of either independent union or the YS/AF federation that have a significantly higher benefit scores. This is surprising, since it seems that the somewhat lower welfare benefits level among LO-members could be explained by the strong LO hold on low wage workers in manufacturing, rather than by a different social policy than that found in other unions. However, this result lends support to the conclusion that welfare strategies vary across unions depending on their identification with traditional social democratic values.

Second, local wage bargaining rather than centralized bargaining has a positive effect on the number of welfare benefits offered to employees, lending further support to the results found when analyzing company-level data. In both models, centralization of wage bargaining has a negative effect on the benefit level. On the question of individual wage bargaining, the results differ. In the company analysis, a positive effect was found from individual wage determination. This is not the case based on individual-level data. This divergence can hardly be explained by substantial arguments. It is, however, reason to believe that company data measure these issues more accurate than individual level data.

Third, characteristics of employees have a significant impact on welfare benefit remuneration. The observed (bivariate) difference between men and women in benefit incidence disappears after control for work time, wage level and so forth. As in the company study, it is part-time work that contributes to a reduction in the benefit level. Moreover, higher occupational status correlates with a higher welfare levels, all else equal.

Fourth, characteristics of the company where the individual wage earner is employed have an impact on the welfare benefit level. As found in the company data, the existence of formalized personnel management has an independent positive effect on the social policy of the firm. If a company has formalized personnel management, the welfare benefit score increases by nearly two points.

In addition, company size and being part of a larger corporation both have positive independent effects on the provision of welfare benefits. This is not the case when conducting multivariate analysis of company data. Hence, there can be some uncertainties about the magnitude of a separate size effect on welfare benefits. It does, however, seems reasonable to put more weight on the company data in which other institutional aspects of the company can be more precisely measured.

Furthermore, it is important to note that remuneration traditions differ across industrial sectors. Respondents employed in banks, insurance companies and other financial services have higher welfare benefit levels than do other employees, all else constant. On the other hand, employees in retail, hotel and restaurants are offered relatively fewer benefits – a result also found in the analysis based on company data.

Finally, a higher wage level is independently associated with a higher welfare benefit level. The fact that employee welfare benefits and high wages are positively related does not necessarily imply a positive causal relationship. Economic theory predicts that «that workers pay for their fringe benefits through lower wages than they would otherwise receive» (Flanagan et. al. 1989:246). American studies indicate that there is a tradeoff between wages and pensions. To what extent this tradeoff exists in a Norwegian setting is uncertain. The very low knowledge that exists and the lack of reliable data could point in the direction of a relatively weak – but important nonetheless – tradeoff in the Norwegian labor market.

In conclusion, the findings on welfare benefits that are based on the individual-level data are basically consistent with those from the company-level analysis. Institutional arrangements, such as collective wage bargaining, union involvement and formalized personnel management have succeeded in altering the face of the labor market based welfare arena in Norway. Even so, welfare benefits are still provided more often to white-collar, high wage employees.

Comparing the three models

When we compare the three models, this analysis suggests (not surprisingly) that the underlying distributional process is very different across these benefit groups. An important conclusion is, therefore, that employee benefits – or fringe benefits as they are frequently called – should not be regarded as a single mechanism of remuneration. Rather, employers have a number of very different indirect remuneration strategies that they can apply to reach their policy goals. Of course, the next question to be asked is: how do the effects of the different groups of independent variables vary across the benefit groups?

The most important differences

In sharp contrast to welfare benefits, traditional fringe benefits (such as free car, phone and newspapers) are more strongly affected by individual characteristics. While gender has no impact on welfare benefits, a positive effect on traditional fringe benefits is found after control for other variables; i.e., men get more fringe benefits than do women, with other variables held constant. In the case of symbolic company benefits, the effect of gender is negative – a somewhat surprising result since

one might expect that there would be no independent effect of sex. This result indicates, nevertheless, that symbolic employee benefits such as rebated products and services, free coffee and tea are systematically used as a remuneration strategy for women.

Moreover, occupational status has a positive effect on welfare benefits, and an even stronger positive effect on traditional fringe benefits. Especially higher white-collar employees have a significantly greater number of traditional fringe benefits. As expected, there are no differences in symbolic company benefits due to occupational status.

Age, on the other hand, has no effect on traditional fringe benefits and symbolic company benefits, while there is a positive effect on welfare benefits.

Wage level has a positive effect in all benefits groups. The effect is, as expected, clearly smallest in the case of symbolic company benefits. As a part of the remuneration system, all employee benefits contribute to a widening of wage differences compared to a comparison of direct wages. One should take into consideration that the dependent variable does not measure the actual costs of each benefit. To the extent that wage earners in higher income brackets receive benefits with a higher value (for example, in the case of pensions) the effect of the direct wage is underestimated in this analysis.

Also as expected, union membership has no effect on the level of traditional fringes or on symbolic company benefits. However, the level of traditional fringe benefits is significantly higher when wage determination is done individually.

It is also interesting that company size actually has a negative effect on the level of traditional fringe benefits, while being part of a larger corporation has a positive effect. This indicates that individual remuneration through the use of fringe benefits is a management instrument used independent of company size.

As could be expected, formalized personnel management also has an important positive effect on symbolic company benefit provision, while there is no effect on traditional fringe benefits. Moreover, company size also contributes to a positive shift in symbolic benefit level.

Taken together, the analysis of symbolic company benefits and traditional fringe benefits shows that the underlying process is very different. Benefits such as company summer house, rebated products and services, free or subsidized cafeteria, are more frequently offered to employees working in large companies that are part of bigger corporations with formalized personnel management. Traditional fringe benefits, on the other hand, are positively associated with individual wage determination, occupational status, wage level, sex and education.

Compared to welfare benefits, the differences are striking. Both traditional fringe benefits and symbolic company benefits are governed by distinct underlying logics, compared with welfare benefits. This is partly because they serve different

purposes as management tools, and partly because employee demand and union involvement differ significantly.

9.5 Conclusion – the social policy of the Norwegian firm

There are large differences across companies in their social policy, resulting in significant differences in benefit levels across employee groups.

The analyses of both company- and individual- level data lend support to the conclusion also found in a growing number of international studies that conclude that the firm matters in remuneration decisions. According to this analysis, the contents of the invisible handshake between employers and employees over welfare benefits in Norwegian companies can be divided into different elements:

First, the establishment of formalized personnel structures increases the probability that companies will provide a broader range of welfare benefits to their employees. Professional human resource managers can use welfare benefits to gain results mainly from improved employee moral and productivity and favorable images in the community. Of special importance is the possible symbolic function attached to occupational welfare as a form of remuneration. Precisely because welfare benefits supplement the public system, they can profit from the norms of security and justice attached to the public schemes. These findings stress the possible independent role played by the values of top managers and resulting organizational cultures. Whatever argument is used, it is clear that the provision of welfare benefits in an internal market setting cannot be fully explained by economic variables, but must be supplemented by sociological and psychological considerations.

Second, offering welfare benefits could allow the firm to attract and retain certain kinds of employees. This human capital perspective finds some support in the analysis through a significant effect of labor force structure on welfare level. Everything else constant, pensions are more frequently offered in companies with a highly educated workforce and a higher wage level. From this perspective, it is especially interesting to see that a high level of female employees have a positive effect on welfare provision. In addition, female employment in combination with part-time work have a strong negative impact on the social policy of the firm, all else constant. This indicates that employee demand can be important as a pressure for the introduction of welfare benefits. Highly educated full-time employed workers can put stronger pressure on employers to increase their welfare efforts. Of course,

one cannot conclude that these relationships indicate either employee demand or employer-motivated human capital efforts.

Third, it is uncertain to what extent company size has a significant independent effect on welfare levels. Large companies tend more than others to contain elements such as unions, formalized personnel structures and so forth. When controlling for such factors, the effect of size disappears in the company study. In other words, size has an impact on remuneration results primarily through other mechanisms.

Fourth, this analysis indicates that the social policy of the firm can only be understood as the combination of employer HRM strategies with union pressure and collective bargaining. Employers adjust their welfare strategies when unions enter the picture, which result in different welfare levels and measures than would be the case in the absence of unions. This study supports conclusion drawn by, among others, Freeman (1992) based on U.S. data. In other words, social partnership unions and business unionism reveal common behavior at the local level. Business unions are traditionally seen to choose occupational welfare arrangements as their preferred strategy for welfare improvement. In the Norwegian labor market, unions have also involved themselves actively to increase the welfare efforts on the company level, despite a very different public welfare state system surrounding the private sector companies. One could ask if company-based occupational welfare benefits function as a valve for union local activity in a highly centralized collective bargaining system. On the other hand, the fact that professional unions have engaged themselves more actively in occupational welfare issues than have LO-unions indicates that political loyalty actually does play a role when deciding upon union action at the local level.

Fifth, the system of wage determination is of importance for the social policy of the firm. The difference is not, as traditionally argued, between collective and individual wage determination. Rather, it seems that companies with centralized wage determination offer less than others. In other words, decentralization of wage determination, including elements of individual wage bargaining, seems to trigger a greater emphasis on company-based welfare arrangements as a remuneration mechanism.

Sixth, firms that have a high average wage level offer, all else constant, a broader range of welfare benefits to their employees. The combination of high wages and generous welfare policies is a characteristic of internal labor market in large-scale, more profitable firms. It indicates that the answer to Freeman's (1992) question – do different personnel practices tend to work as a package? – is yes. Positive labor relations involves both high wages and good benefits.

Finally, a comparison of the three benefit groups indicates that the distributional logic is distinctive in each benefit category. In other words, employee be-

nefits should not be seen as constituting a single phenomenon governed by a common decision-making process. The effects of both individual characteristics and institutional variables vary across benefit groups. While there is no effect of sex on the provision of welfare benefits, a discrimination effect is found for traditional fringe benefits. In the case of symbolic company benefits sex has a negative impact, i.e., women are more frequently offered rebated products and services, free coffee and tea.

Moreover, industrial relations variables have very different impacts by benefits group. Unionization has a positive effect on welfare benefit provision and no effect on either traditional fringe benefits or symbolic company benefits. In addition, formalized personnel management increases the possibility that welfare benefits and symbolic benefits are provided, while there is no effect on traditional fringe benefits.

Taken together, company welfare policies can be significantly influenced by factors other than those emphasized in traditional theories of wage determination. This analysis reinforces an institutionalist view – one that understands that elements of the employment relations system are important in explaining the social policy of the firm. More than being pure HRM strategies by the employer, company policies are the result of the interplay between employee demand, union action, collective bargaining systems, and the formalization of personnel policies. This indicates that the system of labor relations constitutes an important filter for the relationship between state and market in social policy.

Table 9.8 Private sector employees. NSD employee benefit survey 1992. Average index score for welfare benefit index, other benefits index and total benefits index by industrial relations variables and structural variables. Index values for full-time employees in private sector are shown in brackets.

Variables:	Welfare benefits index	Trad. fringe bene- fits index	Symbolic company benefits index	Total benefits index	N
Total wage earners	5,3 (5,9)	0,8(1,0)	1,6 (1,6)	7,7 (8,5)	1019 (780)
Sector:					
Production of goods	5,6 (6,0)	0,8(0,8)	1,5 (1,5)	7,9 (8,4)	454 (387)
Prod. of services	5,0 (5,9)	0,9(1,1)	1,7 (1,7)	7,5 (8,7)	565 (393)
Industry:					
Manufacturing/oil	6,2 (6,7)	0,8(0,9)	1,6 (1,7)	8,6 (9,2)	336 (284)
Construction	4,0 (4,1)	0,8(0,8)	1,1 (1,1)	5,9 (6,1)	113 (99)
Retail	3,7 (4,9)	0,9(1,3)	1,8 (1,9)	6,4 (8,0)	276 (169)
Transport	5,6 (5,9)	0,7(0,8)	1,6 (1,6)	7,9 (8,3)	63 (47)
Bank/finance/insur	7,6 (8,0)	1,1(1,2)	2,0 (2,0)	10,6 (11,2)	120 (100)
Other services	4,8 (5,3)	0,6(0,7)	1,1 (1,2)	6,5 (7,2)	106 (77)
Company size:					
1-9	3,2 (3,8)	0,8(1,0)	1,3 (1,3)	5,3 (6,1)	243 (165)
10-49	4,7 (5,4)	0,8(1,0)	1,4 (1,4)	6,9 (7,8)	287 (219)
50-199	6,0 (6,3)	0,7(0,7)	1,9 (1,9)	8,6 (9,0)	195 (158)
200 +	8,5 (8,8)	1,0(1,0)	2,0 (2,1)	11,5 (11,9)	171 (151)
Wage determination:					
Collective	5,4 (6,2)	0,5(0,5)	1,5 (1,6)	7,4 (7,5)	354 (254)
Coll.+ind. suppl.	6,2 (6,6)	0,7(0,8)	1,7 (1,7)	8,7 (12,2)	261 (221)
Only individual	5,0 (5,7)	1,4(1,6)	1,7 (1,7)	8,1 (12,2)	321 (259)
Local wage bargaining:					
Yes	6,5 (6,7)	0,9(1,0)	1,7 (1,7)	9,2 (9,5)	483 (426)
No	4,5 (5,4)	0,8(1,0)	1,5 (1,5)	6,8 (7,9)	403 (282)
Union membership:					
LO	5,2 (5,5)	0,5(0,5)	1,5 (1,5)	7,1 (7,5)	320 (264)
YS	8,9 (9,1)	0,7(0,8)	2,3 (2,3)	11,9 (12,2)	74 (59)
AF	8,6 (8,7)	1,7(1,8)	1,7 (1,7)	12,0 (12,2)	54 (51)
Independent unions	8,3 (8,7)	1,1(1,1)	1,9 (1,9)	11,3 (11,7)	63 (55)
Non member	4,0 (4,8)	1,0(1,2)		6,5 (7,6)	480 (332)

Chapter 10 Attitudes on occupational welfare arrangements and union strategies

10.1 Introduction

Few studies, especially in the Norwegian context, have focused on employees' knowledge about their occupational welfare rights and their opinions on the role of occupational arrangements in labor relations and in the welfare state. What we do know from both international and Norwegian research into political attitudes is that respondents recoil from proposals that would fundamentally reform public programs¹. What we know very little about is how employees estimate the value of their benefits and how they think occupational arrangements should be controlled and governed. Research using American data has shown that both workers and employers have significant problems estimating the actual value of their pension rights and that workers tend to overestimate the value of the pension promise (Mitchell 1987, Gilarducci 1990). The aim of this chapter is to contribute to the scarce information on opinions among Norwegian wage earners about occupational welfare provision; their value, governance and interplay with public programs. By doing this, a final component is added to the broad picture of occupational welfare laid out in this work².

One should recognize that important limitations exist on this kind of analysis. Knowledge and public awareness are such that it is hard to poll attitudes in any

¹ Bogen og Langeland 1989, Fløtten 1991, Hassenfeldt and Rafferty 1989, Heijden 1995, Hippe and Pedersen 1988, Martinussen 1988, Todal Jenssen and Martinussen 1994, Øverbye and Hatland 1988.

² Old age pensions are chosen as a test case for the more general question of knowledge and attitudes towards occupational welfare and the public-private interplay. Pensions are, no doubt, the single benefit among public and private welfare arrangements that have received the most attention. And, more than 60 per cent of Norwegian wage earners are covered by an occupational pension plan.

detailed way. Nevertheless, since so little is known of the public's opinion concerning the nature and role of occupational welfare, providing only a first broad picture is interesting. Social policy issues have reemerged as a core subject of labor relations in Norway. At the same time, the postwar period of welfare state expansion has come to an end, clearly illustrated by the 1992 cutbacks in National Insurance (*Folketrygden*). No doubt, trade union leaders see possible positive impacts on unionization if the bargaining system again will be a main avenue for increasing welfare for trade union members. One reason is the increasing evidence that the Ghent system of union controlled unemployment insurance can explain large differences in unionization across countries (Western 1993).

Theoretically, this discussion sheds light on two very different research traditions. First, in the industrial relations and labor economics literatures occupational pensions are seen as personnel devices that attract and motivate workers (Lazear 1983) and that help unions protect their members and survive as institutions (Freeman 1981, 1984). Both in theories of personnel management and of the union-voice model, employees' information and knowledge, and hence their ability to voice their true preferences, are crucial³. Furthermore, significant gaps in workers' information and knowledge of benefit rights, and their quality and value, would cast doubt on the role of company-sponsored programs as a management instrument used to spur productivity and to attach employees to the firm, as well as a flexible tool for union representatives for form stable relationships with their members. Due to the limited focus that has been on occupational arrangements in Norway, there is reason to believe that wage earners tend to under-appreciate the value of their pension rights and that both public and private employees feel, to a large extent, uninformed about vital aspects of their remuneration from work. This hypothesis is opposed to the situation found, among others, in the US (Gilarducci 1990) and it may have significant consequences for personnel policies, labor costs, and labor relations in Norway.

Second, a large body of international research has shown strong and consistent support for the basic policy principles of the welfare state. No doubt, these public opinions serve as constraints on policy-makers in shaping the future, even though public opinion can be subjected to considerable manipulation by political elites (Ginsburg 1986). How these attitudes towards public policy have been shaped remains, however, an area of dispute. Broadly speaking, there is a conflict between the idea that self interest shapes political attitudes and the idea that attitudes are shaped by altruism and social enlightenment (Hassenfeldt and Rafferty 1990). A popular version of the self-interest perspective is the so-called «middle class inclusion» hypothesis. In welfare state research, the universal character of the Scandinavian welfare state is seen to produce middle class loyalties as well as working class support

³ See chapter 7 for a discussion of these theories.

(Esping-Andersen 1992, Mishra 1990, Korpi 1983). This inclusion of the middle class contributes to re-enforced support for public welfare programs. According to this thesis, social insurance that provide benefits for the middle and higher income brackets creates necessary support for the overall system, as well as the basic benefits provided to all members of society⁴.

Even not spelled out, there is a close link between the middle class inclusion thesis and the notion of substitution between public and private pensions. In both theses it seems to be an implicit idea of a fixed demand for pensions, i.e. occupational pensions are seen only to fulfill a demand for retirement provision that is not satisfied by the public system (and cannot be met by individual arrangements). Moreover, unions' interest to register and voice the demand for old-age pensions is guided only by social policy motives rather than organizational or industrial relations motives. In this rather simplified model, attitudes towards occupational welfare are shaped by the quality of public pensions, and attitudes towards public pensions are shaped by private pension rights.

A tempting alternative hypothesis is that wage earners are not fully driven by self interest in their choice of pension policies. The support for National Insurance is probably not weaker among those who are covered by occupational arrangements than among those who must rely only on National Insurance, as one should expect if political support is guided only by narrow self interest. This is partly due to the hypothesis that employees know very little about their private pension rights, and partly that several studies have concluded that attitudes among Norwegian voters to a large extent are driven by ideological or altruist motives (Martinussen 1988, Øverbye and Hatland 1988, Todal Jenssen and Martinussen 1994). Moreover, there is reason to believe that Norwegian wage earners do not see public schemes, on the one hand, and contractual occupational schemes, on the other, as distinct alternatives. Rather, the important divide is probably between individually-based arrangements and more collectively-based programs.

The analysis in this chapter is based on a survey on occupational pensions in the public and private sectors, conducted in 1995. A representative sample of 1 205 employees were questioned on their opinions on the value of occupational pensions, their level of information, their beliefs about how occupational pension schemes should be controlled, and the extent to which they think that unions and governments should contribute to an expansion in occupational programs. In addition to

⁴ Einar Øverbye (1995) undertakes a comparison between Denmark and Norway regarding the flat-rate basic pension benefits in order to test this aspect of the middle class inclusion thesis. He concludes that Denmark has the highest benefit level and, at the same time, the least comprehensive supplementary pension system. Hence, he finds that the support for transfers to the «poor» retirees is independent of the institutional design of statutory national insurance system.

the 1995 OPINION-survey, the 1992 NSD-survey on fringe benefits and the 1993 MMI-survey on union strategies contained some questions regarding attitudes. In both surveys the sample consists of employees only. (The questions related to occupational welfare in these surveys have so far not been analyzed. see Appendix 1).

This chapter discusses the results of these surveys in order to provide an empirical investigation into the following four questions:

- How able are Norwegian wage earners to estimate the value of their pension benefits (section 10.2)?
- What is the level of information and missing information across groups of employees (section 10.3)?
- To what extent do different groups of employees favor a reformed system of control and governance over existing occupational pension plans (Section 10.3)?
- And last, what are the differences in employee attitudes towards a policy shift changing the balance between individual savings, employer controlled occupational schemes, contractual pension schemes, and National Insurance (Section 10.4)?

Of course, these data cannot offer a full-scale test of either the middle class inclusion thesis or the role of information and preferences in the use of pensions as personnel strategies and union voice. The main goal of the analysis is to map the current situation in the Norwegian labor market. It is interesting in itself to know the extent of misinformation and lack of knowledge in a core area of the Norwegian welfare state. The chapter concludes with section 10.5, which sums up the theoretical and policy implications of these findings.

10.2 The value and quality of pension rights

Employees' ability to voice their preferences directly or through union representatives determines the extent to which pension provision can be a flexible mechanism for firms to lower costs and adjust to market change, as well as how unions can utilize pensions to protect their members and strengthen their organizations. If employee estimation of pensions differs from the employer estimation, a situation of asymmetric information occurs. When workers over-evaluate their plans, it provides an opportunity for labor costs below the level that would prevail if there were no pension promise. Moreover, pensions would more efficiently serve as tools to attract

stable workers as well as to improve the possibility of firms finding a compromise with unions. The tendency to overestimate the value of the pension promise creates a «fudge factor» because the ambiguity surrounding the pension estimation has advantages for both employers and unions and makes the contract look more lucrative than it is. If this is so, firms can use pension plans to lower labor costs and unions can welcome pensions as a source of bargaining flexibility because the value of the pension promise is vague.

Theoretically, significant gaps in workers' information and knowledge about benefit rights raise doubts about the role of company-sponsored programs as a management instrument. Moreover, according to the middle class inclusion thesis, one must anticipate that people to a large extent know the nature of their social rights in order to make individually-based rational choices. If individual employees cannot in any adequate manner estimate the importance of occupational pension rights, how can a «private pension right» shape political attitudes towards public welfare policies?

A likely hypothesis regarding the situation in Norway would be that employees have very limited information about the nature and value of their occupational pension rights and that they tend to underestimate the value of their pension benefits. This could be expected to be found both among public and private employees. This possibility of a «reverse fudge factor» can indicate that collective contracts look less lucrative than they are in Norway, especially for public employees. If so, this is a challenge both to union representatives and to employers.

Several factors tend to work in the same direction in the Norwegian labor market. There has been a general focus on National Insurance rather than on the occupational schemes. Private sector company-based pension plans have not been a core aspect of remuneration or management policies. In the late eighties, there has been a negative focus on the quality of the survival pension benefit in the public sector pension plans, leaving a very negative general impression of the pension plans covering state and local employees. And last, pension rules are complicated because government regulations, among other things, require pension plans to be defined benefit schemes in order to allow for tax deductions. Even though there has been a growing interest in occupational pensions, there is reason to believe that there is still a significant lack of information and misinformation among wage earners in general. To the extent that this missing information results in a tendency to underestimate the value of pension plans, it can only be understood as a result of a three decade long focus on building up supplementary pensions in the National Insurance system.

In Norway, a standard defined benefit scheme, providing 66 per cent of final wage after 30 years of contributions, will broadly speaking represent more than 10 per cent of direct wage as a yearly premium for a 40 year-old worker. Because of the

reduced income replacement levels in the national insurance scheme, high-income earners have a higher yearly cost than do low income earners. In a fully funded scheme, a 40 year-old employee has a premium of around 50 000 Nkr if he or she has an income of 400 000; 25 000 Nkr if the income is 250 000; and 12 000 Nkr if the income is 175 000 kr. These figures are meant only as an illustration or a point of reference for the actual cash value of a pension right⁵. It should be taken into consideration that, among other things, some private plans have income replacement levels both at 70 and 60 per cent.

Based on the 1992 NSD-survey and the 1995 OPINION-survey it is possible to get an impression of how employees actually estimate the value of their pension promise. The 1992 NSD survey contains a question of the yearly wage value of all the occupational benefits that the employees receive. The respondent was asked the following question:

«If you could have replaced the benefits that you receive at your work place with cash wage, how much more wage per year would you have needed?»

Only 25 per cent of the respondents were able to come up with an estimate of the cash value. Moreover, among these 25 per cent, there was a tendency to give a very

Table 10.1 Self-reported estimates of the yearly cash value of all employee benefits in kroner and estimated value in per cent of direct wage. 1992 NSD survey. All employees, public and private employees who were able to provide an estimate.

	All employees	Private sector	Public sector
Estimated yearly costs	12 528	14 223	7 371
Per cent of direct wage	6	6	3
Covered by occ. pensions:	13 252	16 893	6 240
Men	14 449	18 245	6 061
Women	10 118	12 687	6 587
LO-unions	6 207	7 727	4 952
YS-unions	10 966	12 482	8 312
AF-unions	12 892	21 945	5 515
Independent	15 667	16 983	–
Non-union members	15 650	21 229	–
N, all employees	419	316	103

(- few cases)

⁵ These figures are simply the yearly premium paid by Fafo to a private sector insurance company for a fully funded 66 per cent plan including old age benefits, disability, and survival pensions, at selected income levels for persons at 40 years of age.

low estimate of what the direct wage would have been in order to compensate for the employee benefits that they receive.

Table 10.1 shows the average cash value estimated by different groups of employees. Looking only at those who are covered by a pension arrangement, the average estimate for all employee benefits, including pensions, was 17 000 kr in the private sector. Among public employees, the corresponding estimate was only 6 000 kr. Despite what should be expected, pension coverage has nearly no impact on the average estimate. In other words, many of those who answer venture some wild guesses in response to the question.

When comparing the estimates of those who are covered by an occupational pension plan, the difference between the public and private sectors is striking. On average, private employees estimate the value of their pensions and other benefits to be 2.7 times as high on a yearly basis as do public employees.

Moreover, men provide a higher estimate than women. And, LO-members have a much lower estimate than do other union members and non-union members. Even though these differences cannot be seen as a measure of actual differences in indirect remuneration, they provide insight into the appreciation of the occupational welfare system in different groups.

In order to conduct a more precise test of how employees estimate the value of their benefits, a survey was conducted in 1995 focusing only on pensions. Limiting the questions to pensions, as well as offering a more precise introduction to the question, should make it easier for the respondent to provide an estimate. To those who are covered by an occupational pensions, the following question was asked:

«Occupational pensions are financed by contributions from the employer and/or employee. If you as an alternative to being a member of your occupational pension arrangement could receive the value of your pension as a cash wage, how much more do you think you would receive? Estimate about how much you would receive each year before tax.»

The results indicate that 54 per cent of employees who are covered (self-reported) by an occupational pension scheme were unable to present an estimate. In other words, every second member of an occupational pension arrangement cannot provide an estimate of the value of his or her plan. As shown in table 10.2 (next page), a slightly higher proportion of private sector employees can give an estimate than found among state and local government employees⁶.

In the proceeding analysis, only those who have been able to estimate the cash value of their pension rights are included. In order to remove the influence of difference in work time, only full-time employees are included. Based on the wages of

⁶ Teachers (pedagogisk personell) are grouped as state employees because they are member of the SPK-scheme.

those who provided estimates, one should expect a yearly pension value, on average, of more than 30 000 for private sector employees and around 25 000 for public sector employees⁷. This would be the necessary insurance premium in a fully funded pension scheme offering old-age pensions (66%), disability, and survivors benefits. There is reason to believe that members of a pension plan know that a standard collective pension arrangement contains old-age as well as disability and survivors benefits.

Among full-time employees covered by a pension arrangement, the average estimate of yearly cash value is only 13 800 kr. Even though some private sector employees are covered by a 60 per cent scheme, one can conclude that the estimates are far less than the actual value of their pension rights.

As expected there is a large difference between private and public employees. Perhaps most surprising, however, is the very small estimate that employees in local government service provide (only full-time employees with an average yearly income of 235 000 are included).

Table 10.2 Per cent of wage earners who are covered by an occupational pension arrangement. Estimate of yearly cash value, by sector of employment. OPINION 1995

Estimate	Private	State	Local
Yes	58	53	51
No	42	47	49
N	281	239	178

Table 10.3 Estimate of yearly cash value before tax of membership in a occupational pension scheme, by sector of employment. Full-time employees. OPINION 1995.

	All	Private	Local	State
Estimate Nkr.	13 800	18 400	8 800	12 500
% direct wage	5.3	6.1	3.7	5.3
N	271	109	80	82

⁷ Among full-time employees in the sample, the average income is 240 000 kr. Private employees earn 267 000; local employees, 206 000; and state employees, 229 000. If we look at those full-time engaged who are covered by a pension arrangement, the yearly direct income increases to 301 000 for private employees, 235 000 for local government employees, and 238 000 for state employees.

The nature of pension estimates

The costs of defined benefit plans can vary with salary, years of service of the group, fund performance and other contingencies that determine pension costs such as mortality and morbidity. This means that unlike other aspects of employee compensation, the cost of the pension promise can vary, while the value of the promise to the worker remains stable. In Norway, one would find relatively small differences in return on pension capital due to strict regulations of investment policies. The two most important determinants for pensions costs, given a certain benefit level, are the income and age of the members. This allows a test of the adequacy of the pension estimate provided in the survey. The 1995 data offer an opportunity to test how employee estimates are related to income and age in the sample. With a reasonably good fit for the model, one could compare the difference between actual costs and estimated costs for different groups. This is done by constructing a linear regression model where the estimated pension cost is seen as a function of income and age ($P\text{-value} = a + b_1\text{Income} + b_2\text{Age} + e$).

The regression analysis confirms the conclusion that employees cannot estimate the actual value of their pension. First of all, the explanatory power of the models are very small. There is, however, a somewhat better fit (20%) among private employees than among public employees, but still far from what one could expect from a model including the two most important variables determining the values of the dependent variable. Second, there is no effect of income, as one would have expected, in the three models. In other words, the pension estimates that are provided by full-time employees covered by an occupational pension arrangement are not systematically related to the two most important variables affecting the cost of their pensions, namely income and age — as one would have expected. It is safe to conclude that members of collective pension arrangements are uninformed as to how the costs of their pensions rights are connected to their wage levels.

Table 10.4 OLS regression model. Dependent variable: Estimated pension value. b-coefficient and R2. OPINION 1995.

	All	Private	State	Local
	b	b	b	b
Income	.04**	.02	.03	.01
Age	.21**	.63**	.28	-.12
R2	.09	.20	.07	.01
N	268	107	81	84

** significant at 5%

Comparing public and private sector pension plans

The tendency among public employees to under-estimate the value of their pension rights is clearly confirmed when allowing the respondents to answer a general question about the quality of public sector occupational pensions. A survey conducted in 1987 (Hippe and Pedersen 1988) showed that only 14 per cent of public sector employees agreed with a statement saying that public schemes are of better quality than private sector plans. Furthermore, 28 per cent of public employees found the quality of their own pension plan to be equal to private sector schemes. Among private sector employees, on the other hand, 59 per cent responded that private plans were of equal or higher quality than public sector pensions. This gave an interesting insight into a very negative set of attitudes towards public sector occupational pension plans. Clearly, public pension plans have some advantages seen from an employee perspective. The reason is that public sector schemes offer a 66 per cent replacement level, guarantee pension levels independent of National Insurance (gross pension promise), guarantee full indexation of pension payments and include an especially favorable early retirement benefit for large groups of public employees (Fløtten et al 1996). In the private sector, many plans operate replacement levels less than 66%, there is no guarantee for gross replacement level, no early retirement benefits, and no standard indexation.

As found in 1987, public sector employees tend to be less positive about their pension plans, compared with private sector employees today. An interesting change can, however, be seen when the 1987 question is repeated. In 1995, a much higher proportion answers «do not know». This indicates that the conflict over survivors pensions in the SPK-scheme created negative sentiment in the late eighties. As this now draws less attention, attitudes are improved somewhat. Even so, the ignorance of the quality of public occupational pensions must be a challenge to public sector employers and unions who have increasingly engaged themselves in pensions issues.

Table 10.5 Comparing the quality of public and private sector occupational pension arrangements, among employees covered by occupational pensions arrangements. Per cent. MMI-1987 and OPINION 1995.

	Public employees		Private employees	
	1987	1995	1987	1995
Own scheme is:				
Better	14	13	36	18
Equal	28	19	23	23
Worse	35	12	12	13
Do not know	23	57	29	46
N	364	417	276	281

Taken together, these results show a reverse «fudge factor» in collective bargaining in Norway. There is a general tendency among wage earners to underestimate actual costs and public sector employees are especially uninformed about the potential value of their occupational social rights. These data sets do not confirm that women tend to underestimate the value of their pension benefits more than men.

Moreover, these findings indicate a possible employer advantage if employee benefits are more actively integrated into (direct) wage bargaining in Norway. In other words, the traditional reluctance among Norwegian employers to see the issue of employee benefits as a part of collective wage bargaining might be counterproductive to their goal of cost control. In the US, dramatically rising health costs for employers, have triggered action to restrain costs. The introduction of so-called cafeteria plans has been one way of achieving this. In the case of cafeteria plans, the employee is offered a fixed amount that can be used freely to design his or her own welfare package according to individual needs. The employer is thus offered improved cost control and the employee more individual choice (Meisenheimer II and Wiatrowski 1989).

The fact that workers are ignorant of many aspects of their benefit package is also a situation that unions can take more advantage of. Unions can build a strategy around their role as an agent for the «median» worker, improving access to information about benefit plans, increasing motivation to use available information, and strengthening the ability to calculate benefit values. On the other hand, benefits can be an efficient way of «hiding wage differences» in a society that places much weight on an equal wage distribution (Høgsnes 1994). Wages are easy to observe and measure, while many benefits are hard to observe and quantify and can thus be used to increase compensation without violating solidaristic wage policies.

10.3 Information and control

Occupational welfare arrangements are traditionally viewed as a tool for employers for maintaining good labor relations, for promoting company loyalty, or at least for reducing staff turnover and resisting trade unions. Hence, welfare provision is guided by employer paternalism and control that historically has challenged union goals to control wage determination. On the other hand, union-related theoretical models view pensions as the product of unions' catering to a median voter or exerting monopoly power (Freeman 1981, Ippolito 1985). In both traditions, the issue of information and control over pension arrangements is crucial. Even so, based on analyses of US data Mitchell (1987) suggests that both misinformation and missing

information are quite widespread among employees and that high-educated, high-income, employees are best informed and show the strongest support for employer-sponsored schemes.

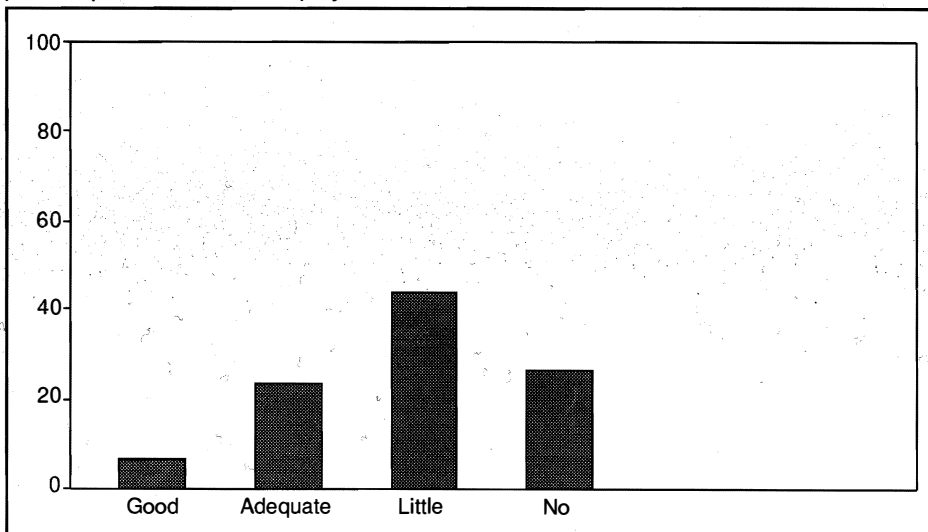
In the Norwegian context, general growth in the number of employees covered by an occupational pension plan makes the question of information and attitudes towards control especially important. To what extent do employees feel that they have adequate information concerning the nature of their pension plans? How do employees view the current control over benefit decisions? How would employees prefer employer and employee control to be organized and what would be the role of unions and collective bargaining in this preferred model of governance?

Misinformation or missing information?

The fact that employees cannot estimate the actual value of their pension promise does not necessarily imply a general tendency to find information related to pension issues inadequate. Large groups of employees may well feel that they are taken care of through National Insurance and are in little need of detailed insight into occupational arrangements. On the other hand, economic security and especially planning for retirement have proven to be issues that traditionally arouse interest among wage-earners and trade union members (Fløtten 1991).

In the 1995-survey the respondents are asked about their degree of knowledge of pension benefits and the rights of members in occupational pensions plans.

Figure 10.1 The level of knowledge related to benefits and member rights in occupational pension plans. Percent of employees. OPINION 1995, N=1205.



As many as 71 per cent of all wage earners responded that they have little or no knowledge of benefits and membership rights. Only six per cent believe that they have relatively good knowledge.

The very high level of uninformed employees in this respect can, of course, be explained by the fact that these figures contain also private sector employees who are not covered by an occupational pension plan, and hence have less access to information. However, as many as 60 per cent of those who are members of pension plans answer that they have little or no knowledge. Table 10.6 shows the per centage

Table 10.6 Per cent of employees having little or no knowledge of benefits and rights in their occupational pension plans, by sex, educational level, income, age and union membership. OPINION 1995.

Private	State	Local	All
	60	58	75
Men	59	46	62
Women	63	68	82
Education			
Basic	68	45	94
10 - 12 years	69	64	75
University 1-3	47	46	75
University 3 +	51	66	60
Income in thousands:			
- 99	85	100*	87
100 - 149	6	100*	88
150 - 199	8	71	78
200 - 249	5	63	67
250 - 299		39	63
300 +		33	46*
Age:			
- 30	75	91	87
31 - 40	57	68	72
41 - 50	53	58	71
51 +	59	30	75
LO-member	67	58	74
Other union	44	54	69
Not organized	67	78	88
N	281	213	319

of employees reporting little or no knowledge of their benefits and member rights in a pension plan, across different subgroups in the private, state, and local sectors. It is primarily among local government employees that the level of knowledge and information is weak. As many as three quarters of all local employees report that they have little or no information. There is no significant difference between the state and private sectors.

The level of information and knowledge tends to be improved as education, income, and age increase. And, women, especially in public employment, are less knowledgeable than are men. This is probably the reason that members of unions outside the LO-confederation are better informed as they, to a large extent, belong to professional unions with more highly educated members than traditionally found in LO-unions. To a large extent, these figures lend support to the conclusion by Mitchell (1987) that the level of information is determined by education, age, and sex. However, the most striking conclusion is nonetheless that the mismatch between members' information on benefit rights and their actual rights in pension plans is very large in the Norwegian labor market.

The governance and control of occupational pensions

Conflicts over control of occupational pension plans relate to issues such as the opening or closing of a scheme, decisions over benefit levels and pension rights, as well as control over investments. In Norway, the trade union movement has to a very limited degree tried to gain control over investments, as has been the case in Denmark. The main union strategy has been to secure employees, as a third part in the pension contract, direct legal entitlement to their pensions. Private sector occupational pensions are still, however, under formal control by the employer. Employees are beneficiaries in an agreement between an insurance company or pension fund and the employer. If pension rights are included in the wage agreement, however, unions have a tool to demand negotiations before changes are made in the plan.

In the public sector, the situation is very different. Public sector occupational pension plans are based on both collective agreement and, for state employees, a separate pension law. The use of a separate law dates back to a time when there was no division between the role of the state as regulator and as employer. Moreover, at that time, there was no system of collective agreements for state employees and hence pension rights could only be secured by law (Øverbye 1990). Today, pension rights in the public sector are seen as a part of the employment conditions and are integrated into collective wage agreements both in the state and local sectors.

When looking at the current practice for deciding which benefits employees are offered, it is striking to see that as many as 30 per cent of private sector employees

and 40 per cent of public sector employees do not know how decisions are made. In the public sector, as many as 13 per cent report that decisions are taken by the employer alone and only 23 per cent introduce unions into the picture. Again, public employees are, to a large extent, misinformed about the governance of their pension plans. For public sector unions, which have involved themselves in bargaining over occupational welfare issues, this must be a disturbing signal.

Private sector employees have a somewhat more correct understanding of the current system of decision-making. Here, 30 per cent have the impression that occupational pensions are in the employer's domain and that decisions are made unilaterally by the employer. Only 17 per cent point to trade unions and employers or management in collaboration and 21 per cent to the individual employee and management in cooperation.

Table 10.7 Who is deciding on issues related to occupational pensions? Employees in the private and public sector. Per cent. OPINION 1995.

	Private	Public
Employer alone	30.0	13.2
Employee and employer	21.4	3.9
Union and employer	16.8	23.3
Parliament*	—	18.3
Others	2.8	1.7
Do not know	29.7	39.7
Total	99.9	100.1
N	673	532

* Only answered by public employees

Table 10.8 Who should decide on issues related to occupational pensions? Per cent. Employees in the private and public sector. Per cent. OPINION 1995.

	Private	Public
Parliament	8.9	8.3
Employee and employer	44.0	27.5
Union and employer	16.9	33.8
Employer alone	7.6	3.7
Others	5.2	4.3
Do not know	17.5	22.3
Total	100	100
N	673	532

Turning to how employees would prefer the governance over occupational plans to be organized, a striking difference appears. The results indicate that private sector employees prefer more involvement of the individual employee as well as a higher union presence. Public employees tend to put more weight on union involvement than do private sector employees. This could be due to a higher degree of unionization and a longer tradition of union involvement in these issues. Nevertheless, there is a definite mismatch between the way that occupational pension plans are governed and the way that private sector employees, in particular, would like them to be controlled.

A relatively similar question was included in the 1993 MMI survey of trade union strategies. In this survey the respondents were asked: «In your opinion who is best suited to decide which occupational benefits should be provided?». Regarding union and employer control the respondents could choose between union and employer control at the company level and T the national level. The 1993 survey also shows strong support for increased union involvement in the governance of current pension plans. Here, 61 per cent of all private sector employees advocate local or national union involvement. Of these, 32 per cent advocate local bargaining, while 29 per cent prefers union involvement at the national level. Among public sector employees the support for union involvement is also very high, 68 per cent – of which, 41 per cent favor national solutions between employer and employee organizations.

More detailed analysis of this data set shows, not surprisingly, that there is stronger support for union involvement among trade union members than among the non-unionized parts of the work force. Among trade union members in the private sector, 73 per cent favor direct union involvement. Moreover, the support for union involvement is somewhat higher among LO members (81%) than among members of other unions (67%). One could expect LO members to be more in favor of centralized national solutions. This is, however, not the case (MMI 1993).

Table 10.9. Preferred control over occupational welfare decisions. Employees in private and public sector. Per cent. MMI 1993.

	Private	Public
Employee/management	22.4	15.9
Local union/management	31.9	27.4
Company management	10.1	6.4
Organizations, national level	29.1	41.0
Others	1.0	1.8
Do not know	5.2	7.1
N	309	249

There is relatively strong support among Norwegian wage earners for increased formal control over occupational pensions, including union involvement. Moreover, there is significant support for the establishment of national collective agreements as found in the AFP-scheme for early retirement. There tends to be a significant mismatch between employee opinions and the actual situation, and hence unions' ability to gain control over occupational pension rights.

10.4 Policy strategies

Even though there is a strong support for more institutional control over occupational welfare issues and hence a more active union involvement in occupational pension plans, this should not be interpreted as support for a more fundamental shift in social policy strategies. It does not imply that occupational pensions should be expanded by a sacrifice of the National Insurance scheme. Therefore, in order to see if there exists broader popular support in favor of a policy shift, this section offers an analysis of employees' attitudes towards union and government choice between statutory, contractual and individual pension solutions. The analysis provides the opportunity to see if differences in opinions can be linked to individual pension coverage and/or to broader ideological statements.

Previous studies have shown that a great majority of wage earners favor continued support for National Insurance. The support for National Insurance has been shown to be especially strong among LO-members, indicating that LO members represent the core proponents of social democratic welfare state arrangements (Hippe and Pedersen 1988). Correspondingly, a 1991 survey showed that employees preferred support for National Insurance as the trade union strategy for improving the economic conditions of old-age (Fløtten 1991). These results lend support to the basic hypothesis in welfare state research that the broad solidarity embedded in the public arrangements forges middle class loyalties as well as working class support and hence, one must expect union members to be the core supporters of a traditional statism in social policy. This is so because the establishment of national statutory schemes creates coverage and benefit levels that are either impossible or very hard to establish as labor market based social rights for traditional union members:

«Unless social security could be upgraded, a massive exodus towards private-market schemes would likely ensue, leading to new inequalities. Thus to preserve the solidarity of a universalistic welfare state, the socialists were compelled to align social benefits to middle class standards. The formula was to combine universal entitlement with high earnings-graduated benefits, thus

7

matching welfare state benefits and services to middle class expectations. For the welfare state, the result was the consolidation of a vast popular majority wedded to its defense. Middle class universalism has protected the welfare state against backlash sentiments (Esping-Andersen 1990:69).

An important part of this argument is how the expansion of public pension programs links up with the self-interest of both traditional blue collar workers and employees in higher income brackets. Based on this perspective, one would expect that the support for national statutory programs is especially strong among organized (LO) workers, and furthermore, that those (still) covered by occupational pension rights would show less support for public programs. No doubt, Scandinavian unions are recognized for their long-standing support and involvement in public welfare arrangements, in contrast to, for example, the alleged anti-statism among US union leaders and members.

Regarding the Norwegian labor market, it must be recognized that all unions are not alike. Attitudes could vary between private and public sector union members, between professional union members and non-professional, and so forth. Hence, there are probably greater differences internal to the trade union movement in a Norwegian setting than across the traditional unionized and non-unionized divide.

Moreover, it seems reasonable that a large majority would give their support to the main features of the pension system when introduced. What is more doubtful is the notion of a fixed demand for pensions where occupational pensions fulfill a demand for retirement provision that is not satisfied by the public system. In Norway, previous surveys did actually show that a great majority of the respondents wanted both an improved National Insurance scheme as well as improved occupational benefits (Hippe and Pedersen 1988). In other words, employees tend to reply as Winnie the Pooh did when asked if he wanted milk or honey; «yes, thank you, both».

Union response to reduced National Insurance

In order to construct a situation where the respondent is forced to choose among concrete policy options rather than simply expressing a general view, the 1995-survey contains a question in which the respondent is asked to take a stand on how unions should react to the 1992 reductions in National Insurance:

«The Parliament has decided to reduce the accrual of future supplementary pension rights in National Insurance. This will imply reduced national insurance pensions for many employees. In your opinion, what should trade unions do in this situation?»

The respondents could choose among the following categories when answering the question:

1. Work to improve the National Insurance scheme.
2. Work to improve occupational pension benefits through collective bargaining.
3. Let the employers decide if it is financially possible to introduce or improve collective agreements.
4. Stimulate members to establish individual pension accounts in banks or insurance companies.
5. Other/do not know.

In light of how the question is posed, the fact that 47 per cent want trade unions to favor a restoration shows strong support for National Insurance (see Table 10.10). State employees show the weakest support for a union strategy to restore the pension accrual rules in the National Insurance system. This could indicate that since the SPK-scheme offers a gross pension promise to all state employees it reduces their willingness to support the national scheme. It should be stressed that 21 per cent of all employees support an active bargaining strategy by the unions in order to secure compensation for the reductions in pension accrual through increased occupational pension rights. A more neo-liberalist view, based on increased individual savings or the option of letting individual employers decide whether or not to compensate for pension losses, receives very little support.

A relatively similar question was included in the 1993 MMI survey⁸. That survey gave the respondents an opportunity to choose between local and central/

Table 10.10. Trade union strategies as a response to the reduction in the national insurance scheme (per cent) OPINION 1995

	All	Private	State	Local
Work to improve nat.insurance	47.2	48.3	39.2	50.3
Negotiate occ. pensions	20.9	18.0	28.6	21.9
Employers' choice	3.7	4.3	1.8	3.5
Individual savings	11.3	13.0	10.9	7.8
Other/Do not know	16.9	16.3	19.5	16.5
Total	100	99.9	100	100
N	1205	673	213	319

⁸ Report MMI march 1993.

national bargaining. The 1993 survey showed basically the same result as was found in the 1995 survey. What should be noted is that when there is an opportunity to choose between local and national bargaining over pension issues, there is a strong tendency to choose national solutions.

These results could indicate that the important difference in attitudes is found between the large majority of wage earners supporting a collective strategy and the minority favoring more individualistic solutions.

In order to assess the underlying structure of attitudes on union response to the reduction in National Insurance, the following variables are taken into account through a simple cross-tabulation:

First, according to the middle class inclusion thesis, the support for improvement in National Insurance is strongest among those who are not covered by an occupational pension plan. This argument is of special relevance for public employees who are guaranteed a fixed replacement level, independent of pension rights in National Insurance.

Second, it has been shown that public employees are especially strong supporters of the Scandinavian-styled welfare state (Bratterud 1994). No doubt, the expansion of the welfare state has made women increasingly dependent on the state as public sector workers and as consumers of social services (Sim 1990). Moreover, public employees vote more often do than private sector employees in favor of socialist parties (Valen, Aardal and Vogt 1990). To some extent, this effect works against the effect of a generous state pension promise. Of course, it is very difficult to know if the welfare state support among public employees is a result of self-interest (job security or pensions) or more ideologically-oriented factors.

Third, a mobilization approach to the welfare state implies that organized workers are expected to be among the core supporters of public policy solutions to welfare needs. Unions' interests as part of a larger labor movement to voice the demand for old-age pensions are guided only by social policy motives rather than by organizational motives. If this is the case, one would expect support for political solutions to pension needs to be stronger among union members than among the unorganized segments of the labor force.

Fourth, attitudes on pension policy strategies could be expected to be determined by occupational status. White collar workers are traditionally covered by occupational pensions and they have long traditions of receiving employer-sponsored pensions and of cooperating with management in these issues.

In Figures 10.2 to 10.4, the sample is divided into private sector employees with occupational pensions, private sector employees who are not covered by a pension plan, and public sector employees (who are covered by a pension plan). For each of these categories, the figures show the per centage supporting improved union involvement in restoring the national insurance scheme – by sex, occupational status, and organizational membership.

Women tend to be somewhat more positive, than are men, toward a political strategy chosen by unions, which is in line with results from other studies (Bratterud 1994). Somewhat surprisingly, the strongest support is found among private sector employees covered by a pension plan. Moreover, one would expect that support for a political strategy rather than an attempt to find solutions through collective bargaining would be lowest among white collar workers compared to blue collar workers. This is, however, not confirmed by the data. And, last, there is not a stronger support for a strategy to improve National Insurance among LO-members than among the non-unionized segments of the labor force. What can be seen is that there seems to be a difference between LO-members and members of other union confederations.

By these simple cross-tabulations, it is impossible to find indications that employee attitudes on pensions strategies are shaped by access to private pension rights, or that trade union members and public sector employees are the strongest supporters of a restoration of national insurance.

Figure 10.2 Support for increased union involvement to improve the national insurance scheme, by sex and pension coverage. OPINION 1995

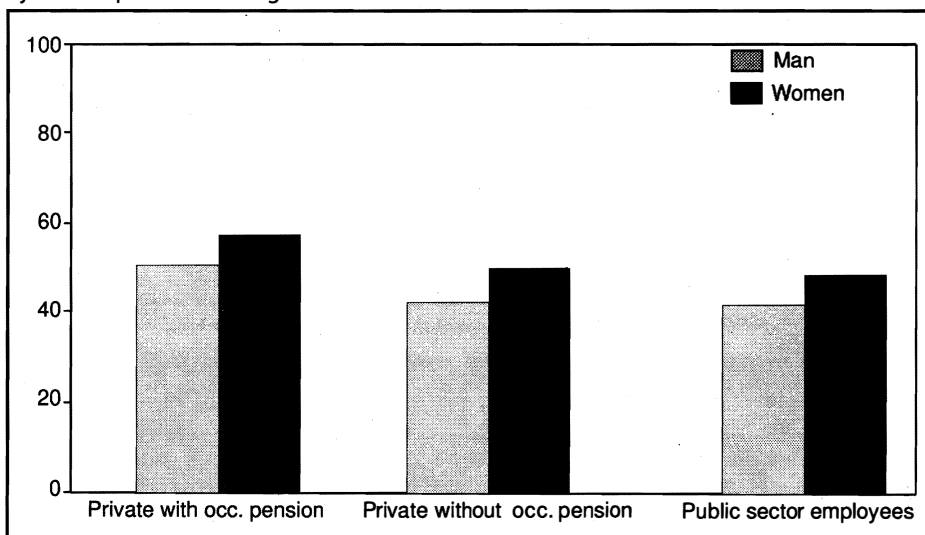


Figure 10.3 Support for increased union involvement to improve the national insurance scheme by pension coverage and occupational status. Workers (W), lower white collar workers (WC1) and higher white collar workers (WC2). OPINION 1995

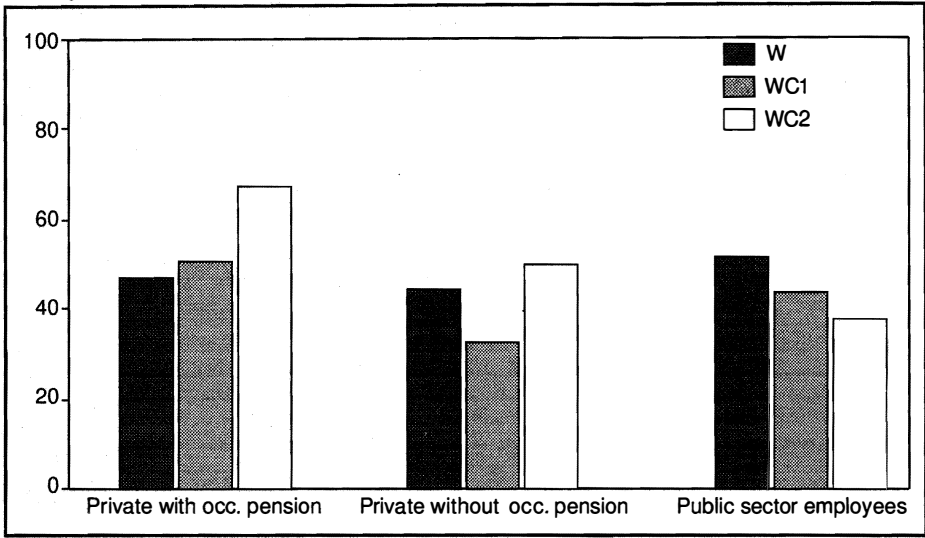
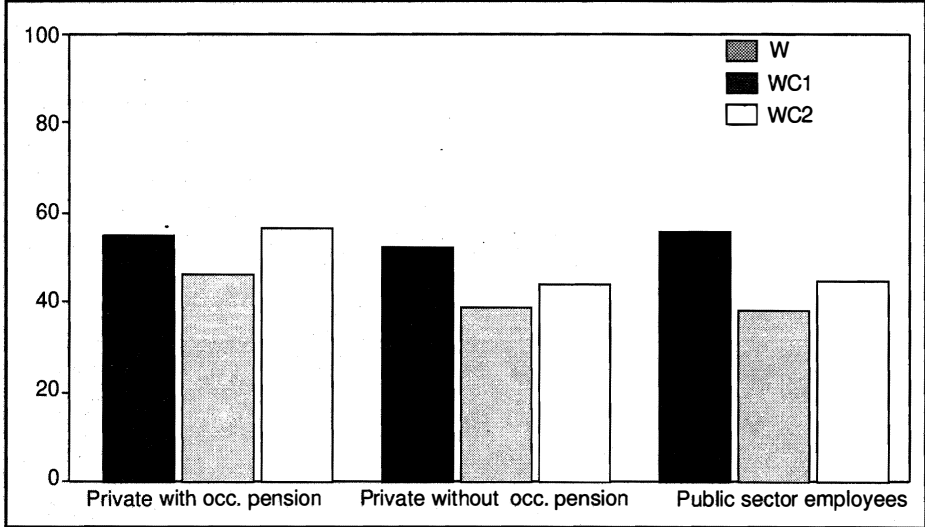


Figure 10.4 Support for increased union involvement to improve the national insurance scheme by pension coverage and union membership. LO-member (LO), other union (oth) and not organized (uno). OPINION 1995



An alternative approach is to see if support for various strategies is linked to ideological considerations among wage earners. In order to identify differences in ideological opinions an index measuring social democratic values is constructed. Respondents were introduced to three statements, each representing what could be seen as a basic social democratic value. These statements cover solidaristic wage policies, the inclusion of explicit national economic goals and income distribution goals in collective bargaining and wage determination, and the need to strengthen trade union confederations into fewer and larger unions:

- Statement 1: High income earners must support low income groups so that they can receive a higher wage increase, relative to themselves, in collective bargaining.
- Statement 2: Wage negotiations should be conducted at the national level in order to achieve national economic ambitions and to prevent large wage differentials.
- Statement 3: In order to reduce work conflict, wage earners should join fewer and larger trade union confederations.

Respondents who do not agree with any of these statements are coded 0; those who agree (fully or partly) with one statement are coded as 1, with two statements as 2, and with all statements as 3.

As shown in table 10.11, there are distinct differences in support for individual strategies as a response to the reductions in National Insurance. The category of «individual strategies» contains support for either «encourage individual saving» or «let individual employers decide whether to compensate the reductions in the national insurance scheme».

Interestingly, the support for a bargaining strategy by trade unions is at its highest among those favoring traditional social democratic values. This would lend support to the conclusion that attitudes towards the role of occupational welfare are to a larger extent determined by ideological factors than by pure self-interest. Moreover, the core supporters of social democratic values favor collective solutions to

Table 10.11. Attitudes toward union strategy in response to reduced pension accrual in the national insurance scheme, by Social Democratic Index. Per cent. MMI 1993.

	Soc.dem 0	Soc.dem1	Soc.dem2	Soc.dem3
Political strategy	40	50	60	51
Bargaining strategy	39	35	33	44
Individual strategies	22	15	8	5
N	81	154	201	116

pension needs - through bargaining or politics - rather than individualistic solutions. Employees tend not to see public and occupational welfare as distinct alternatives, in a Titmuss-oriented fashion, where only public programs represent social welfare and hence redistribution.

Government response to occupational welfare growth

Another measure of popular opinion on occupational welfare and its role in social policy results from asking how governments should respond to the increasing importance of occupational welfare arrangements in the Norwegian labor market. This question was included in the 1993 MMI survey and gave as a result that 25 per cent wanted the government to limit occupational schemes by, for example, reducing or removing tax advantages. However, 23 per cent favored stimulation of occupational welfare and 26 per cent supported a government strategy to encourage the social partners to establish national agreements over occupational welfare. Only five per cent supported further reductions in public programs. In other words, every second employee advocates increased government stimulation of occupational welfare or they want governments to encourage the social partners to involve themselves more actively in occupational programs.

The attitudes toward government strategies show no clear pattern when related to the Social Democratic Index. There is somewhat stronger support for attempts by the government to reduce the importance of occupational welfare among the most social democratic-oriented employees. On the other hand, this group shows also the strongest support for collective bargaining over occupational welfare. Again, this can indicate that there is a division among the core segments of social democratic labor between a political strategy and a bargaining strategy as a means for increasing solidarity in social policy. It seems reasonable to conclude that there is ideologically-based support for choosing politics as a social democratic welfare state

Table 10.12 Attitudes on government strategies towards the growth of occupational welfare arrangements, by Social Democratic Index. Per cent. MMI 1993.

	All	SocDem0	SocDem1	SocDem2	SocDem3
Limit occ. schemes	25	21	17	28	34
Stimulate occ. schemes	23	24	23	24	22
Encourage social partners	26	17	32	26	26
Reduce public programs	6	6	6	4	8
Do not know	20	32	21	17	10
Sum	100	100	99	99	100
N	559	82	158	200	117

strategy. On the other hand, there is strong support among the core segments of organized labor to view collective bargaining as a equally important road for a solidaristic social policy strategy. One should also note that there are fewer who do not take a stand in these issues among those with the strongest social democratic opinions.

One can conclude that these data show that an institutionalist perspective on social policy is dominant among Norwegian wage earners. One could ask if this is due to the fact that Norwegians have confidence in collective solutions to welfare needs. To some extent, the motive for not knowing about pension rights could be that there is less «need» to know. The welfare state gives a signal of security and citizens respond by reducing their individual engagement. If this is so, one would expect that the more unsafe the welfare state is, the more individual knowledge and activity one would expect to find among the citizens.

10.5 Conclusion

In this chapter, four questions were asked about, first, employees' ability to estimate the value of their benefit rights; second, their level of knowledge and information; third, their attitudes toward control and governance of occupational arrangements; and fourth, their attitudes toward a future shift in the public-private mix of pensions. The discussion has suggested that despite the fact that there is very high coverage of occupational pensions in the Norwegian labor market, wage earners have little knowledge of the value, quality, and governance of these pension plans. On the other hand — or perhaps as a result — there is strong support for higher union involvement in occupational welfare issues to increase control and improve employee knowledge.

Related to the first question, one can conclude that there is a very strong tendency to underestimate the actual value of occupational benefits in general and occupational pensions in specific. The tendency to under appreciate the value of pension promises is especially strong among local government employees. These findings are contrary to the findings that occupational pensions are generally strongly overestimated by workers (Gilarducci 1990). In Norway, there seems to be a reversed «fudge factor», making the actual wage contract look less lucrative than it is.

Second, as many as 71 per cent of employees respond that they have little or no information about pension benefits and member rights. The level of information increases somewhat with education, age, and income. This supports Mitchell's (1987) findings that knowledge of pension provision increases as education and income increases, and is higher among men than among women.

Together, these findings cast doubt on both micro-oriented explanations of occupational welfare as a management instrument as well as macro-oriented theories of welfare state support. Both approaches are based on the premise that individuals have knowledge of the nature of their social rights and that, based on this knowledge, they make (rational) choices on their own behalf. For Norwegian unions, this conclusion does not support the view that unions promote pension plans by collecting and disseminating information from employees to employers. As agents, Norwegian unions have not succeeded in their non-wage engagement. Or, since many benefits are hard to observe and quantify, they can thus be used to increase compensation without violating solidaristic wage policies. For employers, these findings indicate possible advantages of integrating pension issues into wage bargaining. A strong tendency to underestimate the value of pensions could contribute to reduced labor costs and improved management strategies when knowledge is improved.

Related to the third question, the analysis shows that there is a large mismatch between how employees find pension plans to actually be controlled and how the majority of wage earners would like to see them governed. Private sector employees prefer more involvement of the individual employee as well as a higher union presence. Public employees tend to put more weight on union participation than do private employees. Not surprisingly, there is stronger support for union involvement among union members than among the non-unionized parts of the workforce. And, one should note the relatively high share of employees who advocate the establishment of national collective agreements as found in the ATP-scheme.

These conclusions support a union voice approach to Norwegian unionism. When occupational welfare is seen as other than a choice between political or contractual solutions, there is support for increased union involvement also at the local level. In other words, Norwegian wage earners see occupational pension rights as part of the labor relations system and, hence, advocate institutional control — rather than seeing pensions as a pure management instrument. This lends support to theories claiming that there is basically a positive attitude towards occupational welfare as a micro-oriented remuneration strategy and towards union involvement in occupational welfare at the company or industry level.

And last, as shown in many studies, there is very strong popular support for National Insurance in Norway. Even when asked how to respond to the 1992 reduction in pension accrual, nearly every second wage earner prefers unions to work for a restoration of the national system rather than pursue other, and historically successful, strategies. This lends support to the conclusion that the broad solidarity embedded in the welfare state programs results in a consolidation of a vast popular majority wedded to its defense.

One should, however, recognize that contractual solutions are seen as a possible path to increased welfare rights also among the core supporters of social dem-

ocratic values. The results lend support to a more pragmatic understanding of social policy strategies among union and non-union workers. In Norway, the main ideological divide seems to be between individual (voluntary) solutions to welfare needs on one side, and contractual and political solutions on the other. Not even the core segments of organized labor view public and occupational welfare as distinct alternatives, in a Titmuss- oriented fashion, where only public programs represent social welfare and hence redistribution and solidarity.

Despite the strong support for public programs, it has not been possible to find support for the hypothesis that those employees already covered by occupational pension arrangements have a significantly different set of attitudes toward national insurance than do those who are not covered. Wage earners do not seem to be fully driven by a pure self-interest. Rather, these relatively limited empirical investigations offer some support to the many studies concluding that ideological variables (party vote and so forth) explain differences in popular attitudes. This should stimulate a new theoretical debate over determinants of welfare state support.

Taken together, these results should encourage employers, union representatives, and governments to reevaluate how occupational programs are regulated by the government, how they are used by employers as a management instrument, and the extent to which increased union involvement can increase member support and improve communication between workers and employers over social policy issues.

PART 4

Conclusion

Chapter 11 Conclusion

11.1 Politics, bargaining and Solidarity

This work has demonstrated the complex nature of occupational welfare as a tool of employee remuneration and welfare provision, as well as the mechanisms of public and private interplay in welfare production. By integrating both social policy and labor market approaches to the question of occupational welfare, the goal has been to offer a more accurate understanding of crucial processes at play in advanced welfare states and their labor markets.

The analysis has focused on the Norwegian experience in order to test theoretical perspectives on social policy and industrial relations. Even though the Norwegian case can be seen to be of marginal importance in a comparative framework, it should be recognized that it offers an interesting opportunity to tell a different story – a story of occupational welfare and its relationship to public programs in a welfare state traditionally seen to provide inclusive and generous public social security programs in a setting of centralized labor relations. This context makes the Norwegian case important to identify how politics, bargaining and the goal of creating solidaristic solutions to welfare needs come together as a function of labor market structure, labor relations, and political conflict.

The goal in this concluding chapter is not to review all of the evidence and conclusions presented earlier. Rather, I will concentrate on the argument that welfare state and industrial relations approaches must be integrated in order to better grasp the nature of occupational welfare. By doing this we can broaden our revised understanding of how the Norwegian welfare state has developed and how occupational welfare decisions are taken at the company level. This again leads to theoretical as well as policy implications. Thus, the remainder of this chapter will, first, concentrate on summarizing the main conclusions of the Norwegian story, based on the six research questions put forward in chapter one; second, discuss the extent to which general conclusions can be proposed; and, third, offer brief comments on the possible relevance for future policy decisions.

It will be clear that the overall argument put forward in this work is not an alternative to prevailing theoretical paradigms of social science, such as the mobilization approach or models of industrial relations. Rather, I argue that revising our understanding of how trade unions behave in social policy, the possible impacts of collective wage bargaining on welfare state development, and the ways in which the relationship between public and private welfare production is filtered through labor market structures and institutions are necessary for the survival of a labor-oriented mobilizations approach to the Scandinavian welfare state. In other words, it is an attempt to adjust theoretical concepts in line with actual developments. By adjusting the map, decisions makers - be they in political parties, employers' organizations, trade unions or companies - might improve their ability to respond to future social policy challenges. It goes without saying that the argument put forward here is directed against theoretical paradigms on welfare state development such as Marxism or the orthodox modernization school, and argues against a variety of theories that conclude that economic forces determine societal change in any preconditioned way.

11.2 The six research questions and the Norwegian story

The six research questions capture important traditional hypotheses on the nature of occupational welfare provision at the macro-level as well as at the company level. Hence, they serve as a guide to the theoretical issues that are the subjects of analysis in this work. By concluding how, and if, each of them fit the Norwegian story, they are treated as elements in an overall argument proposing that occupational welfare is neither a pure labor market phenomenon nor a simple function of public welfare provision. Rather, occupational welfare development in Norway has been governed by an interplay between local and centralized decisions in the labor market, as well as the development of public schemes.

1. Substitution between public and private welfare provision?

The question of substitution has caused significant disagreement in the current academic debate. The capacity to crowd out private welfare arrangements has, no doubt, been regarded as one of the features that typifies the Norwegian welfare state. Even so, the analysis of the Norwegian case and the comparison of Norway and Denmark, clearly point in the direction that the assumption of a negative interplay between

public and private welfare arrangements should be replaced by a more differentiated approach.

An analysis of the post-war experience in Norway shows very different phases in the development of occupational welfare, closely linked together in a dynamic process. First, a growth in company-based and employer-controlled schemes is found in the early post-war period. A shift from these voluntary company-based arrangements to contractual schemes started in the late 1950's due to the high level of integration of social policy in collective bargaining. A third phase can be found in the process of the gradual socialization of the contractual occupational schemes and a general growth in public programs in the 1970's. And, last, new growth in the employer-controlled, company-based welfare arena has taken place in the last fifteen years or so. This Norwegian story points to two conclusions – first, that generous public schemes can be the result of a highly developed private welfare arena (rather than the assumption that a weak private welfare sector opens the way for generous public programs), and second, that in the 1960's and 1970's, expansion of statutory social security tended to crowd out occupational provision. Based on this analysis, no simple answer to the question of substitution in Norway can be given.

This flexible approach to public-private substitution has three main elements in the Norwegian case:

- First, it should be recognized that a positive interplay between public and private schemes does not rule out the possibility of a relative substitution effect, i.e. the growth of private schemes in Norway could have been stronger if it had been fueled by, for example, reduction in public schemes. The comparison of Danish and Norwegian pension development indicates that private pension expansion in Norway has been offset, since 1967, by the expansion of the Folketrygd scheme. In other words, even though public and private pensions in Norway have grown in tandem in absolute terms, an offsetting effect of public pensions expansion is probably also at play.
- Second, it should be recognized that the conclusions drawn on the nature of the public-private interplay rely strongly on how private welfare is measured. For example, private pension coverage shows a very different picture than do premiums and contributions. When public programs expanded in Norway, coverage of private pensions increased more than in Denmark because it became relatively cheaper to offer occupational pensions and because individual expectations may have risen as a result of an increased focus on pension needs. On the other hand, aggregated premiums paid to occupational schemes increased more in Denmark than in Norway.

- And third, the unique shape and strength of the public-private interplay in Norway is dependent on economic, structural and industrial relations variables. Economic affluence, industrial structure, the magnitude of public sector employment, female labor force participation, and the nature of trade unionism and wage bargaining are key factors that influence the nature of public-private interplay. Under certain conditions public expansion of welfare efforts do crowd out private welfare arrangements. In the Norwegian case, these conditions are to be found in the 1960's and 1970's in a combination of economic growth, prior successful establishment of broad contractual welfare schemes and strong political competition to promote welfare state expansion.

One can conclude that the relationship between public and private welfare provision in Norway has been far from mechanical in the way that the thesis of substitution could lead one to think. Even though the Norwegian case conformed with the proposition of substitution over two decades of welfare state expansion, a broader analysis suggests that no general proposition on the interplay should be made based on this very brief period.

2. The underlying logic - political obstruction?

Closely linked to the hypothesis of substitution is the notion of how welfare state expansion (and the crowding out of private welfare) comes about. This perspective, which is often implicit, on the role of trade unions and employers in social policy development, has far reaching consequences for understanding the forces at play: a united and well organized labor force uses political means in order to satisfy its welfare needs. Hence, the key explanatory factor is the strength of the Social Democratic Party, as trade unions primarily mobilized votes for the party. As a result, employers and companies only respond to changes in public programs by rolling back occupational welfare when public schemes are expanded. And, the state as employer receives little attention.

Analysis of the post-war welfare expansion in Norway lends support to a somewhat different understanding of the underlying logic of welfare state expansion than is found in a traditional labor mobilization approach. The political nexus of the public-private mix has not been recognized by unions, union members and employers as comprising distinct categories with fundamentally different effects on economic redistribution and working class solidarity. Alternatively, the division of public and private has been conceptualized as a continuum ranging from individual insurance and company plans over broader contractual agreements to public systems with universal coverage. Norwegian unions have pragmatically seen both politics and

bargaining as means of improving the social standards of their members. Among other things, the Norwegian LO demanded that national contractual pensions and sickness benefit schemes should be made exclusive for trade union members – a position far from the view that Scandinavian-styled unions, opposed to, for example, business unions, seek only solidaristic welfare solutions for all wage earners. At the same time, the Norwegian story clearly shows the importance of both the state as employer and of the centralized organization of private sector employers. The employer side took part in an expansion and centralization of occupational welfare, but strongly opposed attempts to make occupational welfare exclusive for trade union members. This became an important determinant for the Norwegian welfare state development.

To a large extent, it has been Norwegian trade unions' ability to be, in cooperation with the employers, self-reliant – in Baldwin's (1990) terms – that has been an important driving force behind welfare state expansion. Trade unions tried firmly to anchor their social policy interests to labor market arrangements because of possible positive organizational spinoffs. However, this capacity of the working class, and its allies, especially among public employees, to be self-reliant provided important elements in the later non-Socialist support for the socialization of the public schemes. The crux of the matter seems to be that unions were not fully self-reliant. Some groups of union members were still left out of the contractual schemes. Therefore, socialization of contractual schemes meant reduced internal conflict across industries and sectors of the trade union movement. This, in turn, reduced the potential for individual union exit from the national federation and increased the basis for internal union loyalty buildup.

This understanding of welfare state development differs from the heroic Social Democratic version of welfare state development as the result of a grand strategic plan in which a homogeneous labor movement consolidates its political power and quite simply legislates the "new society".

3. Re-distribution - is the provision of occupational welfare class distinct also in Norway?

Both in a macro-oriented welfare state tradition and in micro-oriented perspectives one concludes that occupational benefits of all kinds are traditionally seen as primarily benefitting upper level white-collar employees. Titmuss (1976) concluded a generation ago that occupational welfare is intimately connected to a class-distinct provision of welfare, a conclusion that is still dominant in welfare state research. One should recognize however, that occupational welfare provision of any importance is typically found in societies with a decentralized system of industrial relations, ones

that are fragmented and occupationally segmented, and with so-called residual public welfare policy. Based on this perspective, one should expect that in the Norwegian context occupational benefits of all kinds and occupational welfare benefits specifically show a highly uneven distribution. The fact that these arrangements are expected to be of marginal importance as a remuneration instrument in Norway should only contribute to a even more status-based distribution of employee benefits in the Norwegian labor market.

Of course, a general answer to the question of re-distribution demands a full scale comparative analysis of benefit coverage across countries. Even so, the analysis of Norwegian data provide indications of the prevalence and distribution of occupational benefits with a broader theoretical relevance.

It is definitely more to employee benefit remuneration in Norway than one traditionally should think when approaching this phenomenon as only a matter of fringe benefits offered by the employer to the chosen few in the company. Benefit provision is a multifaced phenomenon serving different purposes for employers and for employees. In the private sector, three different underlying dimensions of employee benefit remuneration in the Norwegian labor market can be identified: welfare benefits supplementing or complementing public social policy; traditional fringe benefits (such as free cars, free telephones and newspapers); and 'symbolic company benefits' (such as free coffee and tea, and rebated products or services). This analysis shows that welfare benefits constitute a separate and important dimension of employee benefit arrangements, representing a distinct social component of private sector remuneration. It is therefore impossible to conclude, as is traditionally done, that there is a general manner in which employee benefits are distributed. Rather, the distributional outcome varies significantly across categories of benefits. This analysis has shown that welfare benefits are significantly more equally distributed than are other benefit categories.

An important aspect of the distributional outcome of occupational welfare benefits in the Norwegian labor market is the long tradition to offer welfare benefit arrangements in the public sector. Today one can find a nearly full coverage of pensions, life and accident insurance and extra sickness benefits in the public sector. With public sector employment at around 35 per cent, and with nearly every second women in public service employment, welfare state employment expansion has contributed to a relatively wide distribution of occupational welfare benefits in the Norwegian labor market.

In the private sector it is true that occupational welfare benefits are more equally distributed than are other benefit categories. Nevertheless, occupational welfare benefits remain a remuneration strategy in the private sector where high income earners, well-educated white-collar workers, and to some extent men receive more

benefits than do others. In other words, perceived as a social policy phenomenon occupational welfare provision in the private sector has a negative distributional impact. White-collar workers receive nearly twice the number of benefits as do blue-collar workers. This is in itself not surprisingly because occupational welfare provision is an integrated part of local company-based remuneration strategies. Only centralized wage and benefit agreements could significantly alter this picture.

One can conclude that a large number of employee benefits are offered to Norwegian wage earners as a part of their work contracts. Opposed to what could be expected, this analysis shows that it is welfare benefits, from old-age pensions to child care, that constitute an important part of the employee benefit menu in Norway. Moreover, compared to benefit coverage in other countries, there is reason to believe that, despite generous public social policy, the incidence of several welfare benefits is relatively high in Norway. Recent developments in employee benefit remuneration suggest that the coverage of welfare benefits is growing, while other benefit (non-welfare) categories are becoming less likely to be included in the benefit package.

4. Is there a union voice effect in Norwegians companies?

Another question within the micro-oriented perspective on occupational welfare is if, and how, trade unions engage themselves in the issue of employee benefit remuneration at the company level. In the Norwegian context, the debate over unions and social policy is focused on processes at the national level (see research question 2). Hence, we have little knowledge of what could be called the union voice effect in Norwegian companies. Typically, work on employee benefits in Norway does not include a possible union effect in the analysis. Theoretically, this implies that involvement in decentralized occupational welfare arrangements is not seen as a trade union task and, as a result, this part of the remuneration strategy of Norwegian employers is perceived as fully controlled by employers. A positive impact of unions on the range of employee benefits and their share of the total wage packet at the company level has been found in decentralized and fragmented systems of labor relations and in a surrounding of less developed public social policy programs than those found in Scandinavia.

However, this analysis does conclude that, as found in other countries, pensions and other benefits are being integrated into collective bargaining in Norwegian companies. Somewhat surprisingly, nearly half of private sector companies with 10 employees or more report that one or more of the welfare benefits are included in contractual arrangements. There are, however, uncertainties as to the extent of this process and also concerning the nature, and form of, negotiations. Clearly, in

most cases, employers have formal control over benefit arrangements. On the other hand, the historical tradition of welfare benefits as a white-collar phenomenon where unionization was virtually unknown is giving way to the development of formal rights which are linked to the labor contract. It seems logical that this evolution is accompanied by the inclusion of employee benefit issues in collective bargaining.

Every fourth company in Norway reports that they have been met with direct demand from employees to introduce or to improve welfare arrangements. Direct employee demand can be effective. Among companies reporting direct employee demand, 60 per cent have included occupational welfare arrangements in their collective agreements. In companies where no demands have been made, 45 per cent report that welfare arrangements are contractual. Moreover, multivariate analysis of private companies' welfare benefit provision shows that unionization has a positive impact on the number of benefits offered, all else constant.

Another aspect of trade union influence on the social policy of the firm should be stressed. The analysis shows that professional unions have engaged themselves more actively in occupational welfare issues than have LO-unions. This can indicate that political loyalty actually does play a role when deciding upon union action also at the local level. It points to the conclusion that Norwegian unionism is far from homogeneous and that a shift towards more professional unionism can change the basis for the present public-private mix in Norway.

Moreover, it should be recognized that the "union voice effect" is found when analyzing occupational welfare benefits. In other words, other employee remuneration forms, such as free cars or newspapers, is not in the same way affected by trade unionism at the company level. In this respect there is a striking difference when comparing welfare benefits to other benefit categories.

One can conclude that analyses of both company- and individual-based data sets show that unions have an impact (*ceteris paribus*) on the social policy of the Norwegian firm, but not on all employee benefit strategies. Norwegian employers tend to adjust their welfare strategies when unions enter the picture, which results in different welfare levels and measures than would be the case in the absence of unions. This is especially true in the case of professional unions. This study supports conclusion drawn by among others Freeman (1992) based on American data. In other words, social partnership unions and business unions have common behavior at the local level. Traditionally, however, business unions, unlike social partnership unions, are seen to choose occupational welfare arrangements as their preferred strategy for welfare improvement. One could ask if company-based occupational welfare benefits function as a valve for union local activity in a highly centralized collective bargaining system.

The extent to which this implies that companies can not use welfare as an instrument of control – as did Bismarck on behalf of the state – is more uncertain.

Richard Titmuss (1976) referred to the social policy of the firm as the 'undivided loyalty tranquillizer of the corporation'. No doubt, historical shifts, in Norway and elsewhere, have pushed benefits, over time, from the employers' domain into the arena of industrial relations. This is true in both the private and public sectors.

5. Is occupational welfare provision determined by factors internal to the firm?

The discussion of a union effect at the company level is closely linked to the broader question of how institutional factors internal to the firm determine remuneration. The analyses of both company- and individual-level data in Norway lend support to the conclusion found in a growing number of international studies that the firm matters in remuneration decisions. According to this analysis, company welfare policies are significantly influenced by factors other than those emphasized in traditional theories of wage determination. These results reinforce an institutionalist view that aspects of the employment relations system are important elements in an explanation of the social policy of Norwegian firms. More than being pure HRM-strategies by the employer, it is the result of an interplay between employee demand, union action, collective bargaining system and the formalization of personnel policies. Moreover, this indicates how the system of labor relations constitutes an important filter for the relationship between state and market in social policy.

The analysis shows that the establishment of formalized personnel structures increases the probability that companies will provide a broader range of welfare benefits to its employees. Professional human resource managers can use welfare benefits to gain results mainly from improved employee morale and productivity, and to create a favorable image in the community. Of special importance is the possible symbolic function attached to occupational welfare as a form of remuneration. Precisely because the welfare benefits supplement the public system, they can profit from the norms of security and justice attached to the public schemes. These findings stress the possible independent role played by the values of top managers and the resulting organizational cultures. Whatever argument is used, it is clear that the provision of welfare benefits in an internal market setting cannot be fully explained by economic variables, but must be supplemented by sociological and psychological considerations.

Offering welfare benefits could allow the firm to attract and retain certain kinds of employees. This human capital perspective finds some support in the analysis through a significant effect of labor force structure on welfare level. All else constant, pensions are more frequently offered in companies with a highly educated work force and a higher wage level. In this perspective it is especially interesting to see that a high level of female employees has a positive effect on welfare provision. It is

female employment in combination with part-time work that causes a strong negative impact on the social policy of the firm, all else constant. These results could indicate that employee demand can be important for the introduction of welfare benefits. Highly educated full-time employed workers can put stronger pressure on employers to increase their welfare efforts. Of course, one cannot conclude if these relationships indicate employee demand or employer-motivated human capital efforts, or both.

The system of wage determination is of importance for the social policy of the Norwegian firm. The difference is not, as traditionally argued, between collective or individual wage determination. Rather, it seems as if it is companies with centralized wage determination that offer less than others. In other words, decentralization of wage determination, including elements of individual wage bargaining, seems to trigger more focus on company-based welfare arrangements as a remuneration mechanism. As already noted, the presence of unions, especially professional unions, can increase the number of welfare benefits offered.

Traditionally, large companies are seen to offer more welfare benefits than do others. This is the case also for Norwegian companies. This size effect can be attributed to several aspects of the firms. When controlling for typical elements of large companies such as unionization, formalized personnel structures and so forth, the analysis shows no separate effect of size. In other words, size is important for remuneration policies because of the correlation between size and certain institutional characteristics of companies.

Not surprisingly, firms that have a high average wage level offer, all else constant, a broader range of welfare benefits to their employees. The combination of high wages and generous welfare policies is a characteristic of the internal labor market in large scale, more profitable firms. It indicates that the answer to Richard Freeman's (1992) question, asking if different personnel practices tend to work as a package, is yes, in Norway. Positive labor relations involves both high wages and good benefits.

Last, it should be recognized that these conclusions are relevant for the provision of welfare benefits in Norwegian firms, rather than for all benefit types. An important aspect of this analysis is the conclusion that the underlying logic is distinctively different across employee benefit categories. In other words, employee benefit remuneration should not be seen, as is traditional, as a single phenomenon governed by a common decision making process. The effects of individual characteristics and institutional variables are different. This is clearly illustrated by the fact that while there is no direct discrimination effect for women in the provision of welfare benefits, there is a strong (*ceteris paribus*) negative effect of being female on the number of traditional fringe benefits offered as a part of the work contract.

6. Reinforcement of political support - attitudes towards occupational welfare and the role of unions in social policy.

A central idea in current welfare state research is that the broad solidarity embedded in the public arrangements forges middle class loyalties as well as working class support. According to Esping-Andersen (1985:245) the establishment of Scandinavian-styled public welfare arrangements manufactures broad class solidarity and social democratic consensus. Closely connected to this approach is the view found in political science and sociology that "social partner unions" regard socialization of welfare policies as an important factor underlying the transformation of the capitalist system of production. Together, these approaches represent a distinct, and popular, understanding of how public welfare policies help to reproduce and re-enforce political support for a combination of universal and generous (income-related) public social policy. This approach has far reaching implications, among others that differences between welfare state models will remain and even grow wider in the future.

Of course, an analysis of only the Norwegian case cannot provide answers to all aspects of this hypothesis. Nevertheless, this analysis has shed light on two elements. First, the nature of political conflict over pension issues in Norway does not conform with the notion of how a traditional class-based political conflict over pensions produced a solidaristic public pension system, again laying down the ground for a broad social democratic consensus in pension policies. Second, analysis of attitudes towards and knowledge of occupational welfare and overall union welfare strategies among Norwegian wage earners does not provide us with a clear cut picture of a highly conscious labor movement actively supporting political solutions before occupational solutions. Again, the results lend support to a more pragmatic understanding of attitudes on public, contractual, and company-based welfare. No doubt, there is strong political support for the Norwegian welfare state. The crux of the matter is that it is hard to find evidence that clarifies whether this support is the result of individual self interest, connected to social rights, and whether it is more firmly anchored among trade union members, as one should expect from a labor mobilization perspective.

First, according to traditional mobilization theory, expansion of public responsibility is the subject of a conflict between left and right wing political parties. The Swedish struggle over ATP in 1959 is used as a typical example of this conflict (Heclo 1974). In the Norwegian case, however, it is the strong political consensus that is most striking. I will argue that the notion of conflict and consensus can be reconciled by looking at pension policy as the result of an interplay between state and market. To a large extent, the conflict unfolds in the labor market between the social partners. It started out at the local level and moved gradually into the centralized bargaining system. One example is the importance of equal treatment of

white- and blue-collar workers that was agreed upon in the bargaining system, after a long period of disagreement. Equal treatment in pension policies was actually first fully introduced by the state as employer in 1962. When partly or fully introduced in the labor market, the basis for political consensus was laid down. In the 1960's, as today, the non-socialist parties could not accept that core groups of their electorate were excluded from important welfare benefits, hence supporting the expansion of public welfare programs.

Does this imply that the Labor Party has not been the driving force in, for example, pension politics. As an *a priori* general rule, the concept of Labor Party dominance is not acceptable. The Norwegian story shows that first, the introduction of universalism in Norway must be viewed as the result of a broader political alliance. Second, expansion of public pension responsibility is more adequately understood as the result of trade union ability to expand occupational arrangements and thereby create a broader political basis behind pension reform. Taken together, there has been a striking political consensus on the expansion of the Norwegian welfare state. This consensus is not solely the result of a victorious Labor Party creating statutory arrangements that also ties the interests of high income earners to the public system.

Second, the study of micro-level data lends support to this somewhat more pragmatic perspective on wage earners' attitudes towards welfare policies and the choice between individual, occupational, and public welfare programs. No doubt, the main conclusion is that there is strong support for public welfare arrangements, such as the Folketrygd scheme. When asked about the trade union position on the 1992 reductions in the old-age pension system (Folketrydgen), close to 50 per cent of Norwegian wage earners expect unions to argue for a reversal of this decision. Around 35 per cent report, however, that they favor the establishment of contractual pension agreements to compensate for the 1992 cutbacks. Only a small minority prefers individually-based solutions to the increased pension need. In other words, there is strong support for the public system. But, contractual agreements are even today regarded as a possible avenue for trade union social policy strategy.

The core of the political support hypotheses is however not the simple fact that, when introduced, statutory schemes have large popular support. One should expect that the core supporters of public solutions are found among organized labor and among those groups traditionally not benefiting from private welfare arrangements. Since public schemes are both generous and universal and occupational arrangements are expected to be of marginal importance, the result is believed to be high popular support for public solutions. It is however, very hard to identify the structure of these underlying mechanisms of political support for public solutions to welfare needs:

- First, there is reason to believe that Norwegian wage earners do not see public schemes and contractual occupational schemes as distinct alternatives. Rather, they seem to want more welfare benefits, be they public or contractual. What could be seen is a tendency to nearly fully disregard individual responsibility as a preferred welfare strategy.
- Second, it is not possible to find stronger support for public schemes among those who are not covered by occupational arrangements. Neither is there any difference between organized and unorganized workers.
- Third, Norwegian wage earners find themselves in a situation where they do not have enough information on the nature and value of their occupational benefits – a situation that the large majority of wage earners would like to see changed. Again, there are only small differences across groups of wage earners; only among the absolutely highest paid do a majority have adequate knowledge of the quality of their occupational welfare benefits.

Therefore, it is not possible to establish a direct link between individual self interest and the choice of political strategy when analyzing individual wage earners' attitudes towards occupational welfare. What one can see is that attitudes towards social policy are, to some extent, guided by overall ideological support. Among public employees with a high proportion of left wing voters, there is a somewhat stronger support for public solutions (even though they are covered by generous occupational schemes). In this respect, this analysis lends support to conclusions drawn by other studies of attitudes towards social policy in Norway, namely that political support is guided by ideological motives more than by self interest (Martinussen 1988, Jenssen and Martinussen 1994).

On the other hand, the fact that wage earners have very little knowledge is a tremendous challenge for trade unions to improve their performance in the eyes of their members. Moreover, employers have the interesting option of better informing their employees on the actual wage value of occupational benefits. If this is done, attitudes on occupational and public welfare solutions could be significantly altered in the future, and may produce larger differences in attitudes between covered and not covered.

Taken together, the concluding discussion of the six research questions do not alter the fact that Norway is a welfare state largely dominated by public welfare schemes and that these schemes have favorable effects on poverty among the elderly, for example, or on income distribution at large. What they do is to adjust what seems to be the dominant academic and political view on how this welfare state came to be and how the arena of private social policy functions in the Norwegian labor market. This again implies a revised understanding of important elements of trade unionism and indirect remuneration in Norway.

11.3 Can general conclusions be drawn?

A discussion of the Norwegian experience alone does not allow for firm conclusions about the general nature of occupational welfare or conclusions on a general relationship between public and private welfare provision. Even so, some propositions clearly should be the subject of further research.

The nature of occupational welfare

Indirect remuneration is becoming increasingly important in modern economies. An improved understanding is important as to why such benefits are offered and their effects on income distribution and the distribution of social rights. Based on the analysis conducted in this work some general proposals are close at hand:

- Employee benefits may perform a variety of functions. Therefore, voluntary and contractual employee benefits do not work as one single phenomenon governed by the same underlying logic. I will suggest that benefits that can be closely linked to social policy arrangements are governed by other factors than are fringe benefit remuneration in general or direct wage remuneration. As a consequence, the payback to the employer from welfare efforts in the form of employee loyalty and increased motivation could be stronger in surroundings where social security is not taken as a given (or close to given). On the other hand, when public welfare is relatively generous the provision of welfare benefits could be less costly for employers and therefore contribute to a high level of coverage. This could imply little difference in coverage (as in the case of occupational pensions in the US and Norway) even though there are large differences in the effect that employers gain from offering benefits. One indication of this is the fact that while American workers tend to over-estimate the value of their pension benefits, Norwegian workers underestimate the value.
- Analysis of Norwegian companies indicates that the provision of occupational welfare benefits is determined by factors internal to the firm, such as personnel policies, company size, the organization of labor relations at the company and the system of wage bargaining. The extent to which economic and market conditions explain variation in benefit provision across companies is uncertain. Benefits are provided on a long-term basis, typically pensions and life and accident insurance. Hence short run fluctuations can more easily be regulated through employment or direct wages. This could mean that structural and institutional factors have a general impact on welfare benefit levels across labor markets. However, one could expect that favorable economic

conditions can lead to interaction effects by, for example, strengthening employee demand for welfare benefits. This general conclusion is close at hand because the findings from Norwegian firms to a large extent conform with conclusions drawn from American research. There is, however, reason to believe that the effect of institutional variables are different across labor markets. A possible hypothesis is that education give a higher benefit payoff in countries where professional unions are stronger and labor relations are more decentralized. And, that mechanism of exclusion from welfare benefits, for example, for women who work part-time are significantly different across countries.

- As a general rule, there is a positive correlation between direct wage levels and the possibility of being covered by occupational welfare arrangements. Even so, there is reason to believe that there is a negative tradeoff between direct wage levels and benefit levels. Theoretically, one would expect that workers pay for their benefits by a proportional reduction in direct pay. This prediction is, however, based on conditions not met in most labor markets. Among other things one should expect a tradeoff to be dependent on information among employers and employees on the actual costs involved. Thus, a tempting hypothesis is that the possible negative tradeoff is dependent on, among other things, knowledge of the actual value of benefits and the integration of these issue into the process of wage determination. Hence, the strength of the tradeoff would vary across industries and companies and over time.
- Even though occupational welfare provision is seen as a synonym for a status-based distribution of social rights, a possible hypothesis is that the distributional effect varies across labor markets depending on the degree of integration into collective bargaining and the conditions set for tax deduction in national legislation. On one end of the scale there are benefits controlled fully by the employer, and on the other end of the scale, we will find benefits based on industry-wide or even centralized agreements. Moreover, one could expect that the tendency to use social policy motivated conditions for tax deductions is positively correlated with factors such as union membership and the centralization of labor relations. If this is the case, distributional outcomes would be far from identical across countries. Rather, one would find that since these factors pull in the same direction, the distributional outcome is found to be most equal in economies with strong public welfare policies and centralized labor relations. In this respect, the social policy "threat" caused by increased occupational welfare provision is largest where it is least needed, and the other way around.

Taken together, one can conclude that there are important aspects of remuneration through occupational welfare benefits that we have very little knowledge of, and, hence, should be made the subject of future research. Methodologically, this makes access to data measuring the actual costs of benefits vital. Moreover, one needs to distinguish voluntary, contractual, and statutory indirect wage costs. If this can be done in a set of countries representing different social policy and labor relations surroundings, a large step can be taken towards empirically testing propositions on the nature of occupational welfare and its distributional effects. In the Norwegian case, this means significantly improving the quality of data on indirect labor costs.

The effect of shifts in public welfare programs

As noted several times in this work, there is a tendency to view public and private solutions to welfare needs as functional equivalents and hence close substitutes in quantitative terms. From a micro-oriented perspective, on the other hand, private welfare production can be seen as largely independent of public schemes. A general tradeoff between public and private solutions does however appear to exist so that expanding (or reducing) the level of public pensions does tend to produce a smaller (larger) scope for private provision than would otherwise be the case.

The important point to be made is that the tendency for a relative substitution is far from invariant because the relationship between public and private provision is not purely mechanic. There is reason to believe that the shape and strength of the relationship is affected by a set of intermediate variables. Moreover, one should expect that this relationship is dependent on whether there is an upward or downward shift in public welfare provision. Hence, some important modification of the general tendency of a relative substitution effect should be suggested:

- The substitution effect is to a large extent dependent on the nature of labor market institutions and industrial structure. It is, however, difficult to make a general prediction as to how this filter affects the tradeoff. Nevertheless, some propositions can be made. There is reason to believe that in the absence of public schemes, occupational programs are more developed in countries with strong peak organization that are able to define and implement a common bargaining platform on behalf of unionized workers, a strong national employers organization and a strong position of the state as employer. Moreover, industrial structure and company size must be expected to play an important role in shaping the tradeoff. This is illustrated by the fact that large companies offer more welfare benefits to their employees than do smaller companies and that industries which require highly skilled and educated workers are more welfare-oriented than others. If this is the case one would

expect that occupational pensions would have been more highly developed in Norway than in Denmark, given the hypothetical situation that no public superannuation scheme had been introduced in Norway. This could also contribute to an explanation of why occupational welfare coverage has been reduced in the US without a corresponding reduction in public schemes by linking this development to reduced unionization, and growth in small firms and low paid jobs.

- The institutional design of the public system must be taken into consideration as a determinant of the nature of the public-private interplay. A typical example is how means testing in public schemes can have the effect of dualizing participation in private schemes and depressing coverage among segments of the labor force. The lifting of means testing is a type of expansionary reform that is likely to boost the participation in private schemes, and thus a special case where the general tradeoff does not apply. And, the other way around, introducing means testing does not necessarily trigger private sector compensation strategies, as is often expected.
- Also the character of the occupational welfare system can be important for the tradeoff. The closer occupational schemes are designed to fit or build on existing public schemes the stronger a possible tradeoff will be. If occupational pension schemes are designed as defined benefit plans it is reasonable to expect that reduction in public schemes triggers demands by employees and their representatives for compensation. Defined contribution plans on the other hand are not designed to link public and private pension accrual and must be expected to have looser ties to shifts in public pension rights.
- It is also reasonable to expect that the expansion of public welfare programs shapes expectations and preferences in a way that the demand for private supplements does not necessarily decrease. However, while there is reason to believe that people have increased their taste for pensions and other welfare benefits as public systems expanded in the post-war period, it does not follow that people will downgrade their expectations in tune with present or future cut backs. As pointed to by Liberson (1986) we cannot assume that all causal relationships work in the same way for upward and downward changes in the treatment variable.

Methodologically, these considerations point toward the need for multivariate statistical analysis in order to recognize how intermediate factors affect the public-private tradeoff. Simple cross-national data do, however, have the problem that there is a restricted number of country cases available for analysis. Time series data could

therefore be a possible avenue of future research if one can solve problems of measurement and comparability.

The determinants of union social policy action

Attempts to understand the development of occupational welfare and its relationship to public programs must establish a theoretical and empirical basis for union action in social policy. One of the major problems with the macro-oriented welfare state and industrial relations perspectives on unions is that the preferences and behavior of organized workers are simply taken as given. Not surprisingly there are striking differences between economic theories and rational choice approach to unions and the implications of the traditional macro-oriented mobilization approach. With a micro-oriented approach, the socialization of welfare arrangements could be seen to negatively influence union strength by removing vital functions from the trade union movement. This theoretical divergence and the conclusions from the Norwegian case should stimulate a renewed debate on the nature of union action.

Again, it is difficult to propose general conclusions about what governs union members and union officials in social policy. We can, however, put forward a conceptual argument on elements that must be taken into consideration in future analyses. In this work, it has been argued that a theoretical approach, with special relevance to a Scandinavian-styled unionism, can be developed from Hirschman's (1970) concept of exit, voice and loyalty to create a micro-oriented basis for union action in social policy. The concept of exit links union action to the need to survive as a membership organization and forming union action by individual motives and behavior. The concept of voice captures the idea that there is a broader individual dimension to unionism. By using voice, members can express their dissatisfaction, unions can communicate with employers, and national confederations can have a dialogue with employers' organizations and governments. Hirschman's (1970) main point is that the choice between exit and voice is determined in a close interplay with loyalty.

If the concept of "exit, voice and loyalty" is combined with the simple fact that these decisions are implemented at different levels of decision making, it becomes possible to more adequately conceptualize how unions act, especially in a Scandinavian welfare state setting. The choice between exit, voice and loyalty is played out between individual union members and the union, between unions and a national confederation of unions and between national confederations and the government which again is often turned into a tri-partite relationship between unions, employers and governments.

By attaching the idea of loyalty to the overall ideas of the union, the notion of self interest becomes muddled. Members and unions are still to be seen as rational at the micro-level, but their exit choices are governed by more than just the union's ability to produce individual goods to utility-maximizing members. An analysis of unions must therefore take into consideration the possibility of interaction effects across levels of decision making. The national welfare solution must deliver beneficial results both on the individual level and at the union level. The extent to which union members, and unions, are loyal supporters of the main features of the existing welfare institutions is a more complicated question than aggregating individual preferences concerning social policy. The individual approach does, however, point to the fact that unions are membership organizations and must put survival on the top of the agenda. Clearly, a strategy that removes vital functions of the union and hence reduces individuals' rationale for joining the union is not viable in the long run. However, with a broader set of individual motives for union membership union leaders must balance purely economic interests with a more ideological approach without losing sight of union survival.

Based on this concept, it is possible to claim that union action in social policy across countries is not distinctly different only because ideological motives differs, but because the institutional structure, the labor relations system and the possibilities of trading (loyalty) with the government varies. Therefore, trade unionism in advanced market economies varies significantly as a result of how certain historical paths have created labor market and social policy institutions. Future analyses of trade union behavior need, therefore, to take into consideration the interplay that is caused by institutions on different levels of decision making. No doubt, the shifts that are taking place in international unionism should trigger comparative-oriented analyses into how exit, voice and loyalty are preconditioned not only by membership attitudes but also by the institutional surroundings of trade unions. A tempting hypothesis for this research is that union strength is determined more by unions' ability to create labor market and social policy institutions that make union membership and action important (as, for example, the Swedish system of unemployment insurance) and the possibility of establishing a national arena for two-part and tri-part dialogue more than ideological elements as such and their ability to simply increase the wage of their members (which is the basic assumption in pure economic theories on trade unions).

11.4 A comment on policy implications

At the end of this work I will briefly comment on two policy implications which are at the heart of the analysis. The first policy question, of course, concerns possible avenues of future developments in the public-private mix in Norway. The second, closely related policy question is the future social policy strategy chosen by the trade unions.

Avenues for private welfare provision

The issue of occupational welfare and other private welfare components is high on the political agenda in many countries. This is so basically for four reasons. First, governments seek alternative ways of securing the welfare of their citizens without increasing pressure on public finances. Second, employers are seeking ways of reducing the cost of production in a climate of stronger global competition over both products and services. Third, the increased focus on private welfare provision triggers a debate of possible increased social inequality and gender differences and activates political counter forces of different kinds. And fourth, a stronger political and academic position of neo-liberalist arguments in favor of “welfare societies” rather than “welfare states” should also be debated. In other words, employers will not necessarily find the possibility of increasing their welfare responsibility attractive compared to a situation where costs are distributed not only among employers, but also among taxpayers in general. And, governments may not be willing to increase their political responsibility for the welfare needs of their citizens.

To a large extent, the issue of future policy options relates to a overall questions. Namely, is there a “third way” for future welfare societies – between a model of primarily public regulation and production of welfare, on one end, and a decentralized market-based system of welfare production involving both company and individual payment, on the other? In other words, does Titmuss’ idea of distinct models of welfare production represent a good description of today’s policy choices?

This study has not shed light on all of the relevant controversies in the debate over private alternatives to public welfare. Hopefully, this work will contribute to the understanding among policy makers that there are several options open to governments, employers, and unions. Of course, not all options are equally satisfying if the goal is to increase both the efficiency and the distributional effectiveness of tomorrow’s welfare state.

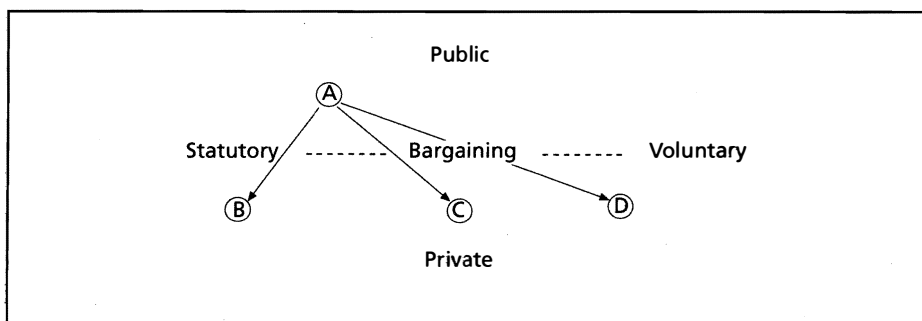
Both the theoretical discussion and the empirical analysis in this work have as their main conclusion that the welfare state should be seen as a regulatory regime with the ability to influence the dimension and shape of public-private interplay in

welfare production. In other words, one must differentiate between the regulatory role of the state and the production role of the state. In the regulatory perspective, two dimensions determine the nature of the public-private mix: (1) if provision or production takes place in the public sector or is done privately (commercial or non-commercial), and (2) if the nature of social rights - their formal and financial bases - is determined by law, by collective agreement, or by employers and individuals. The regulatory role of policy makers consists of their ability to control or change how welfare is provided, according to these two dimensions. This is illustrated in figure 11.1. Position A in the figure marks the dominant position in the current welfare mix in Norway.

Historically, there has been movement from voluntary private schemes, via intermediate solutions where social rights are linked to collective agreements, towards a situation where welfare schemes are not only statutory, but also publicly provided. Of course, one could discuss the actual need to seek alternative solutions to the present social policy regime. This is not the topic here. Rather, the issue is what are the likely policy implications if a role back in public responsibility takes place. Possible future policy roads are basically to move in the direction of the lower part of the figure (marked by position B, C and D). Voluntary supplements to statutory public schemes have been proposed in Norway, among others in the case of old-age pensions. However, it does not seem as a likely policy option to be proposed by either socialist or non-socialist governments in the near future.

In recent years, Norway has seen three different cases of shifting public-private mixes: occupational injury and disease insurance is (still) statutory but financing is done directly by employers and production is done by private insurance companies (position B). Early retirement is based on a system of national contractual rights and provided in close cooperation with the public social security institution (Rikstrydverket) (Position C). In the case of old-age pensions, the reduction in the public system from 1/1-1992 has largely been compensated voluntarily by employers

Figure 11.1 Combining two dimensions: provision of welfare and the scope of welfare rights. Three possible avenues of welfare state development.



or by individuals themselves (Position D). Of course, the distributional effects of these strategies are very different as are the cost effects for employers and employees.

Three important policy implications for a future shift in public responsibility based on the conclusions in this study should be taken into consideration:

1. Renewed focus on the design of public schemes

Politicians should increasingly acknowledge that the design of public welfare reforms shapes the possible roads of private response. A tempting tool for reducing costs in the public sector is the introduction of income testing, often proposed by both left and right wing politicians. Income testing may result in increased administrative expenses, but it is easy to gain popular support for providing for low-income individuals and groups. As noted, this would - as with pensions - significantly reduce the possibility for building broad supplementary occupational pension arrangements on top of a new income tested scheme. In other words, reduction in public pension expenditures would probably produce a reduction in occupational pensions expenditure as well. The result can be a distributional effect, when the whole public-private system is taken into consideration, that is far from the original goal of creating more equality in pension rights.

Another alternative that has seen increased popularity in recent years is to introduce (higher) user payments for public welfare services. This is, in itself, privatization because more of the financing is done privately. However, this development, combined with waiting lists or quality complaints in public services, will stimulate demand for company-based or other forms of private provision. Moreover, one should take into consideration that the demographic changes taking place in most western countries in the next decades will dramatically increase individual savings because an increasingly larger proportion of the population is in their 50's and 60's. In these age groups, rates of income, wealth and savings tend to be the highest. This development will stimulate individuals' ability to cater to themselves through private solutions and will increase their interest in using pensions and life annuities as tools of savings and investment.

No doubt, user payments and income testing will make the borders between public and private provision increasingly blurred. When the general demand for welfare services grows (because of real income growth and demographic changes), the result will likely be an increase in both occupational and individual welfare provision. From a social policy perspective, the important question is how and if governments will engage themselves in regulatory attempts to govern the nature of this private provision and their ability to create new institutions that stimulate solidarity also in non-public welfare provision. In this debate, it must be taken into consideration that increasingly international capital and insurance markets and a possible intro-

duction of a joint European monetary system, will make unique national regulations of private service production and private insurance increasingly more difficult. Insurance risks and welfare services are today increasingly traded in international markets – trades in which Norwegian companies already take part.

To some extent, governments have two important options. The first is to focus only on how to financially and politically secure the public statutory system of basic health and social security. The second is to actively engage themselves in an attempt to design public systems, and to regulate private sector and provide targeted tax incentives in order to secure a private welfare sector that conforms largely with solidaristic social policy standards. An attempt to overlook the challenges in creating a positive public-private interplay can easily lead to a private welfare sector expansion far from the basic values of the social democratic welfare state of today.

2. Labor market policies are also social policies

The future nature of occupational welfare provision, be it health care or old-age pensions, is also determined by factors outside traditional social policy, such as levels of employment, income distribution, industrial structure and the system of labor relations. Paradoxically, one can conclude that the success of tomorrow's welfare policies is determined by the ability to influence or even control the developments of labor markets. A development towards de-unionization, decentralizations of labor relations, increased wage differentials and an increase in what Americans have come to call "bad jobs" would have significant impact on the possible effects of shifts in the public-private division of work. To a large extent, the nature of industrial relations and the nature of new firms will shape the conditions for alternative provisions of welfare. What we have seen in the US and Britain is that labor market developments can explain reduced coverage of, for example, occupational pensions.

Therefore, privatization of welfare responsibility would look very different as part of a general deregulation strategy than in a situation where Scandinavian-styled labor market policies prevail.

3. Social policy can be elements in a reenforcement of labor relations

Then, the next question to be asked is whether the development of social policy can contribute to a full employment labor market with well organized and positive labor relations. Of course, this is a very broad debate where both the effects of increased (or reduced) tax levels and labor costs as well as social policy goals should be taken into consideration. Clearly, no easy way out exists when future welfare policies are to be decided. Even so, the structure of the Norwegian labor market and of

its labor relations make possible arrangements and institutions where both financing and provision of welfare is done in the labor market, linked to collective bargaining and wage determination. The crux of the matter is that if such institutional solutions could stimulate the development of labor relations and at the same time offer efficient provision of welfare, there could be added value to gain for the society in large. On the other hand, privatization linked with a deterioration of labor relations could result in a pure status-based social policy, where women and low-skilled workers would be the losers.

It should be recognized that the issue here is a shift in public and private welfare responsibility, not an argument for a full scale privatization. Obviously, a removal of, for example, flat-rate old-age pensions to all citizens will not be picked up by collective bargaining or by individual companies. The same argument could be made for basic health care for all and so forth. On the other hand, a full scale tax financed universal basic security system, in combination with statutory and/or contractual arrangements as well as individual supplements, could create a three-level welfare state with a broad solidarity embedded. The success of this system is based on the importance premiss that both the quantity and quality of employment can be secured.

To a large extent this is a paradox for the Scandinavian- styled welfare state. Even though this model precisely aims to break the link between social policy and (status-oriented) labor markets, the integration of social policy and labor market developments have grown. The distribution of production (employment), as Gøsta Esping-Andersen (1996) argued, determine distribution in the society. This is typically seen when comparing employment structures in Scandinavia (public sector employment), Germany (early retirement) and the US (bad jobs). Moreover, labor market institutions, be they trade unions or systems of collective bargaining, represent counterforces in a capitalist economy. Lester Thurow's (1996) argues that the future of capitalism calls for the development of forces that can counteract the forces embedded in the logic of free markets. In this respect, social policy aiming at separating labor markets (and hence labor market institutions) and social policy can, in the longer perspective, weaken important counterforces in a capitalist economy.

Future trade union policies

Norwegian trade unions, both LO and the other national confederations, have gradually moved into a position where social policy and full employment policies are governmental responsibilities. Trade unions focus on wage bargaining (and wage control) and on actively using the union voice related to industrial democracy, training, and education. However, trade union officials seem to be increasingly ambivalent

in their attitudes towards this union strategy. There is reason to believe that the years to come will create pressure to shift trade union social policy strategies:

1. Recent political debates over the future of the welfare state have shown that there are very few ambitions to increase public welfare schemes. This will force unions to place more weight on how to meet the demand for welfare services with other than political means. The alternatives to collective bargaining are either locally-based and employer-controlled schemes, or increased individual responsibility. This development will represent a challenge to the trade union movement that cannot be overlooked. The recent debate over early retirement in Norway is one of several examples indicating that the conditions for socialization of welfare need has changed. All the national union confederations in Norway advocate a development of the contractual AFP-scheme as the future policy road.
2. At the same time, Norwegian unions are increasingly competing with each other. Even though the aggregate level of unionization has not been reduced, the LO leadership must take into consideration the growth in competing unions – among others, in professional unions. We do know that professional unions put more weight on occupational welfare as a remuneration strategy and that their support for a traditional solidaristic wage policy is weak. Choosing bargaining, and not politics, as the road towards solidarity must be understood as the result of changing conditions for exit, voice and loyalty in the Norwegian labor market.
3. Unions need alternative tools to recruit members because the room for nominal wage increases has been reduced. The ten- year period from 1986 to 1996 clearly showed the strain on union member support and loyalty stemming from a low nominal wage increase despite the accompanied reduction in prices and in unemployment (and actual real wage success of this policy).
4. Employers argue in favor of decentralization of wage bargaining and of labor relations. The NHO in Norway have argued more strongly in favor of a system of decentralized wage determination. A centralized contractual welfare strategy is therefore more than solidarity; it is a strategy to keep a vital institution in the labor relations system intact as well as a mechanism for strengthening the position of the union movement and, of course, a mechanism for achieving social policy goals.

These are arguments in favor of a shift in union action. When choosing policy strategy, however, one must take into consideration that the development towards contractual welfare schemes also represents a significant challenge to traditional trade

union values. First, a shift from tax-financed welfare schemes to occupational schemes (statutory or not) will reduce the possibilities for cost-shifting and hence increase the cost of production. As a result, employers will demand more individual contributions to occupational plans and/or reduced direct wage claims. In this respect trade unions will meet the demand for what in politics takes the form of user payments, also in collective bargaining. On the other hand, increased co-payments could strengthen the nature of the social right and increase workers' awareness of actual costs connected to a well-developed social security system.

Second, there is no doubt that employers will try to link occupational welfare schemes more directly to wage developments and to the economy of the firm. Their goal is cost control in the long run. Increased cost control for employers could typically be achieved through the introduction of, for example, defined contribution pension plans as an alternative to the current defined benefit plans. Norwegian employees may well see that employers propose that a fixed per centage of wages is used for welfare provision and that each employee individually can decide upon their preferred combination of benefits. This is already introduced by American employers to control rising health costs. The system is offered tax deduction in the US. If such systems should be introduced and accepted by the legislators in Norway, unions must significantly change their view on the role of individual choice compared to collective decisions.

Third, a growth in occupational pension schemes would imply increased pension funding. The combination of increased integration of pension issues into collective bargaining and of larger pension funds will force the issue of control over investments to move higher on the union agenda. Traditionally, the Norwegian trade union movement has not followed in the footsteps of Danish and Swedish unions in their attempts to influence capital accumulation and investment decisions. Reforms of the public old-age system towards a (partly) fund-based system opens up an interesting possibility to again raise the question of economic democracy.

Taken together, there might be favorable effects for unions in reforming their traditional social policy strategy. This would, however, demand that union policy makers construct an overall philosophy that combines growing individual choice, increased flexibility, and bargaining control over welfare with an explanation of how this would strengthen solidarity among union members and wage earners in general. This could be a nearly impossible task for a traditional social democratic oriented trade union movement. Hence, a combination of reduced public welfare goals and increased individual demands for welfare benefits does not necessarily have to produce a new combination of politics and bargaining where solidarity prevails. Rather, the result can easily be reduced union influence and a much more fragmented and individually-based private welfare arena. In other words, it is uncertain whether individually-motivated demand for welfare services and benefits will be articulated

individually or collectively. Only if one can develop new forms of transforming individual demand through collective institutions of different kinds, will the welfare society of tomorrow be solidaristic. There is an open room to fill in the civilian society by institutions outside the traditional welfare state that link individual needs with broader societal interests.

Appendix 1

Survey Data

This appendix provides an overview of the main – mail and telephone – surveys used in this work. The following data sets on occupational welfare in Norway have been used:

1. The 1990/91 company survey – chapter 7, 8 and 9.
2. The 1992 NSD survey – chapter 7, 8 and 9.
3. The 1993 MMI survey – chapter 10.
4. The 1995 OPINION survey – chapter 10.
5. The ABU survey – chapter 8

(MMI = Markeds og Medieinstituttet A/S and OPINION = OPINIONS A/S Meningsmålingsinstitutt)

In addition to these surveys, in the comparison of Norway and Denmark conducted in chapter 5, the source of the Norwegian figures is a data base containing aggregated measures of expenditures, premiums, members and so forth in the national insurance scheme, in private group based pension arrangements as well as in single pension funds. This data base is put together by Jon M. Hippe based on information from the SSB, The Norwegian Federation of Insurance Companies and The Organization of Independent Pension Funds.

1. The 1990/91 Company survey

The company survey was conducted as a part of a research project on occupational welfare financed by the Norwegian Research Council (See final report Hippe and Pedersen 1992). The survey covers only issues related to occupational welfare in private sector companies.

MMI carried through the survey. The interviews were done by phone in december 1990 and january 1991. The MMI-interviewers were instructed to establish contact with the person responsible for personnel or finance/accounting in the company.

The populations was limited down to companies with more than 10 employees and the company was to be registered in the standard industrial

classification (SIC) codes from 2 to 8. The following major divisions exists in the sic system:

1. Agriculture, hunting, forestry and fishing
2. Oil extraction, mining and quarrying
3. Manufacturing
4. Electricity, gas and water supply
5. Construction
6. Wholesale and retail trade, restaurants and hotels
7. Transport, storage and communication
8. Financing, real estate and business services
9. Community social and personal services

Category 1 was excluded from the sample because farming and fishing are traditionally dominated by small, often one person companies. Category 9 was excluded because it consists mainly of public administration and defence, social and related community services, health services and research and scientific institutions. In category 9 also many non-public activities have their pension arrangements in the state pension scheme (SPK) because of their often close relationship with state, i.e. they are fully or partly financed by the government or they have earlier on been fully integrated into government administration.

A simple random sample was drawn from the MMI-register of Norwegian companies in four groups dependent on number of employees: 10–19, 20–49, 50–199 and 200+. Each category should contain at least 100 interviews.

A total of 683 companies were phoned. 243 did not answer at first try. 37 companies refused to take part in the survey. The net sample consists of 403 cases. This provides us with a response rate of 60 percent.

Because of the dis-proportional character of the sample two sets of weighing procedures was constructed. First the results can be weighted in order to achieve proportionality related to population distribution of companies with more than 10 employees. In this procedure it is first of all small companies that counts relatively more. Frequencies based on this weighing procedure provide an opportunity to conclude in the following manner: X percent of companies in private sector (with more than 10 employees) offers Y benefits to their employees.

The second weighing procedure was constructed to achieve proportionality related to the population distribution of employees in the different company

categories. In this weighing procedure companies with a relative large number of employee counts relatively more than smaller companies. Frequencies based on this weighing procedure provide an opportunity to conclude in the following manner: X percent of employees (in companies with more than 10 employees) work in companies that offer benefit Y to their employees.

See next page for complete questionnaire:

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Jordbruk/skogbruk	01
Utvinning av olje/gass	02
Bergverksdrift	03
Nærings-/nyttelsesmiddelproduksjon	04
Tekstil/bekledning/lærvareproduksjon	05
Trevareproduksjon	06
Treforedling/grafisk forlag	07
Kjemisk/teknisk produksjon	08
Mineralske produkter/glassproduksjon	09
Produksjon av metaller	10
Industriproduksjon ellers	11
Kraft- og vannforsyning	12
Bygge- og anleggsvirksomhet	13
Engros- og agenturhandel	14
Hotell- og restaurantdrift	15
Transport og lager	16
Post og telekommunikasjon	17
Bank- og finansieringsvirksomhet	18
Forsikringsvirksomhet	19
Forretningsmessig tjenesteyting	20
Offentlig administrasjon	21
Undervisning/forskningsinstitusjon	22
Forening/organisasjon	23
Shipping	24
Ånnøt, noter:	25
Jobber ikke	26

NOTER ÅRSTALL:

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 136-39

NOTER 1 MILLIONER
KR:

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 140-44

8	Hva var bedriftens samlede lønnsutgifter i 1989?
KAN ANGIS I OMTRENTLIG SUM.	
NOTER I MILLIONER	145-49
9	Hvordan bedømmer man fra ledelsens side lønnsnivået i bedriften sammenlignet med andre bedrifter innen samme bransje?
LES OPP SVARENE.	
	150
Betydelig høyere enn gjennomsnittet	1
Noe høyere enn gjennomsnittet	2
Omtrent som gjennomsnittet	3
Noe lavere enn gjennomsnittet	4
Mye lavere enn gjennomsnittet	5
(Vet ikke)	6
10	Hadde bedriften et positivt eller negativt driftsresultat i 1989, eller var det omtrent i balanse?
	151
Positivt	1
Negativt	2
I balanse	3
Vet ikke	4
11	Hvilken betegnelse passer best på denne bedriften? Er det....
LES OPP SVARENE.	
	152
Personlig eiet firma	1
Børsnotert aksjeselskap	2
Annet aksjeselskap/andelslag e.l.	3
Stiftelse	4
(Annet, noter)	5
12	Er selskapet et datterselskap, dvs. at det finnes et moderselskap som eier mer enn 50% av bedriften. I såfall er det et norsk eller utenlandsk moderselskap?
	153
Datterselskap med norsk moderselskap	1
Datterselskap med utenlandsk moderselskap	2
Ikke datterselskap	3
Annet, noter	4
13	Omtrent hvor mange personer var ansatt i bedriften i 1989 (gjennomsnittstall)?
NOTER ANTALL:	154-57
14	Omtrent hvor stor prosent-andel av de ansatte er kvinner?
NOTER %-ANDEL KVINNER:	158-59

15	Hvor stor andel av de ansatte menn jobber deltid, og hvor stor andel av de ansatte kvinner jobber deltid?
NOTER %-ANDEL MENN:	160-61
NOTER %-ANDEL KVINNER:	162-63
16	Omtrent hvor stor prosent-andel av de ansatte har høyere formell utdanning, dvs. utdanning på høyskole og universitetsnivå o.l.
NOTER %-ANDEL:	164-65
17	Hvor mange av de ansatte har fagutdannelse eller spesiell yrkesutdannelse?
NOTER %-ANDEL:	166-67
18	Er bedriften organisert i NHO eller i en annen arbeidsgiverorganisasjon?
	168
Ja, NHO	1
Ja, annen arbeidsgiverorg	2
Nei	3
19	Omtrent hvor stor prosent-andel av de ansatte er fagorganisert?
NOTER %-ANDEL:	169-70
20	Fastsettes lønnen til de ansatte gjennom kollektive tariffavtaler, eller blir lønnen utelukkende avtalt individuelt med den enkelte ansatte?
LES OPP SVARENE.	
	171
Helt gjennom kollektive tariffavtaler	1
Delvis gjennom kollektive tariffavtaler	2
Bare ved individuelle avtaler	3
(Vet ikke)	4
21	Har bedriften eller konsernet tariffavtale med forbund tilknyttet....
LES OPP SVARENE.	
LO - (Landsorganisasjonen)	172
AF - (Akademikernes Fellesorganisasjon)	173
YS - (Yrkesorganisasjonenes Sentralforbund)	174
Andre organisasjoner	175
Nei	176
22	Foretas det lokale lønnsforhandlinger i bedriften eller konsernet, og er dette i såfall en tariffestet rett?
Ja, det er tariffestet rett til lokale forhandlinger	177
Ja, det foregår vanligvis lokale forhandlinger	2
Nei	3

23	Har bedriften innenfor de siste to år tatt i bruk inneleiet arbeidskraft?
LES OPP SVARENE.	
	178
Ja, i stor grad	1
Ja, i noe grad	2
Nei	3
(Vet ikke)	4
24	Når det gjelder konkurransesituasjonen, vil du si at denne bedriften er utsatt for svært stor, ganske stor, ganske liten eller svært liten konkurranse fra norske eller utenlandske bedrifter?
179	
Svært stor konkurranse	1
Ganske stor konkurranse	2
Ganske liten konkurranse	3
Svært liten konkurranse	4
Ikke aktuelt	5
Vet ikke	6
25	Hvordan vil du alt i alt vurdere bedriftens økonomiske resultat de siste 5 år, sammenlignet med andre bedrifter i samme bransje?
LES OPP SVARENE.	
	180
Godt over gjennomsnittet	1
Noe over gjennomsnittet	2
Omtrent som gjennomsnittet	3
Noe svakere enn gjennomsnittet	4
Mye svakere enn gjennomsnittet	5
(Vet ikke/annet)	6
26	Har bedriften innenfor de siste 2 årene økt eller redusert antall ansatte, eller har antall ansatte vært omtrent stabilt?
LES OPP SVARENE.	
	210
Sterkt økning	1
Svak økning	2
Stabilt	3
Svak reduksjon	4
Sterk reduksjon	5
(Vet ikke)	6
27	Uavhengig av hvor mange som har sluttet i 1989/90, hvor mange personer er blitt ansatt i bedriften i løpet av 1989/90?
NOTER ANTALL: 211-13	

28	I hvilken grad har bedriften i de siste årene hatt vanskeligheter med å skaffe seg nok kvalifisert arbeidskraft?
LES OPP SVARENE.	
	214
I stor grad	1
I noen grad	2
Ikke særlige vanskeligheter	3
(Vet ikke)	4
29	Har bedriften opprettet en tjenstepensjonsordning, dvs. pensjonskasse eller kollektiv pensjonsforsikring for de ansatte?
215	
Ja, pensjonskasse	1
Ja, kollektiv pensjonsforsikring	2
Nei, ingen tjenstepensjon (GÅ TIL SPM.33)	3
30	HVIS JA.
Hvor stor omtrent blir samlet alderspensjon for medlemmer med full opptjenings tid?	
ANGI STØRRELSEN SOM PROSENT AV TIDLIGERE LØNN.	
NOTER SAMLET PENSJON I % AV TIDLIGERE LØNN: 216-17	
31	Hvor mange av de ansatte er omfattet av denne ordningen?
LES OPP SVARENE.	
	218
Alle eller nesten alle	1
Omtrent to-tre deler	2
Omtrent halvparten	3
Omtrent en tre-del eller færre	4
Bare ledelsen	5
(Vet ikke)	6
32	Omtrent hvilket år ble pensjonsordningen etablert?
NOTER ÅRSTALLET: 219-22	
33	Har bedriften tegnet frivillig ulykkes- eller gruppelivsforsikring på vegne av de ansatte?
223	
Ja	1
Nei (GÅ TIL SPM. 35)	2
Vet ikke (GÅ TIL SPM. 35)	3

34 Hvor mange av de ansatte er omfattet av denne ordningen?

LES OPP SVARENE.

Alle eller nesten alle	224
Omtrent to-tre deler	1
Omtrent halvparten	2
Omtrent en tre-del eller færre	3
Bare ledelsen	4
(Vet ikke)	5

35 Nå følger noen spørsmål om førtidspensjonsordninger. Her tenker vi ikke på ordningen med avtalt førtidspensjonering, altså den såkalte AFP-ordningen som er avtalt mellom NHO og LO, men på andre ordninger som er opprettet av bedriften.

Har bedriften permanente ordninger eller har man i løpet av 1989/90 hatt midlertidige ordninger med førtidspensjon?

Ja, permanente	225
Ja, midlertidige	1
Ja, begge deler	2
Nei, ingen av delene (GÅ TIL SPM. 45)	3
Vet ikke	4

Nå kommer det noen spørsmål om krav til alder og ansettelsestid i forbindelse med førtidspensjonering.

36 Er det krav til nedre aldersgrense for å få tilbud om førtidspensjonering?

Ja	226
Nei	1
Vet ikke	2

37 HVIS JA.

Hva er den nedre aldersgrensen?

NOTER ANTALL ÅR:..... 227-28

38 Er det krav til en minste ansettelsestid for å få tilbud om førtidspensjon?

Ja	229
Nei	1
Vet ikke	2

39 HVIS JA.

Hva er den minste ansettelsestiden?

NOTER ANTALL ÅR:..... 230-31

40 Får alle ansatte som fyller de forutsetningene vi snakket om, tilbud om førtidspensjon, eller har tilbudet bare gått ut til bestemte grupper eller bestemte personer?

LES OPP SVARENE.

Alle ansatte	232
Bestemte grupper	1
Bestemte personer	2
(Vet ikke)	3
(Annet, noter:)	4

41 Er det frivillig for den enkelte ansatte å ta i mot tilbudet om førtidspensjon?

Ja	233
Nei	1
Vet ikke	2

42 Betaler bedriften hele førtidspensjonen alene eller gis førtidspensjonen i kombinasjon med arbeidsledighetstrygd?

LES OPP SVARENE.

Dekkes av bedriften alene	234
Gis bare i kombinasjon med arbeidsledighetstrygd	1
Både og	2

43 Hvor stor er førtidspensjonen (eventuelt sammen med arbeidsledighetstrygden) i prosent av bruttolønn det første året etter yrkesavgang?

Hvis det er ulik kompensasjonsgrad for arbeidere eller funksjonærer oppgi prosenten for hver kategori.

Prosent av bruttolønn for arbeidere 235-36

Prosent av bruttolønn for funksjonærer 237-38

Hvis "VET IKKE", ring 2/39 1

44 Angi omtrent hvor mange ansatte som ble førtidspensjonert i 1989/90?

NOTER ANTALL:..... 240-42

45	Angi omtrent hvor mange av bedriftens ansatte som i løpet av 1989/90 har gått av med alderspensjon?	
NOTER ANTALL:		243-45
46	Angi omtrent hvor mange av bedriftens ansatte som i løpet av 1989/90 har gått av med avtalefestet fortidspensjon (AFP-avtale)?	
NOTER ANTALL:		246-48
47	Angi omtrent hvor mange av bedriftens ansatte som i løpet av 1989/90 har gått av med uforepensjon.	
HVIS 0 GÅ TIL SPM. 49		
NOTER ANTALL UFOREPENJONERTE:		249-51
48	Har bedriften i løpet av 1989/90 utbetalt gavepensjon til ansatte som går av med uforepensjon?	
		<u>252</u>
Ja		1
Nei		2
Vet ikke		3
49	Utbetaler bedriften full lønn ved sykdom også for inntekt utover 6 ganger folketrygdens grunnbeløp (G)? Hvis ja, gjelder dette bare i arbeidsgiverperioden eller under hele sykefraværet?	
		<u>253</u>
Ja, men bare i arbeidsgiverperioden.....		1
Ja, under hele sykefraværet		2
Både og		3
Nei		4
Vet ikke		5
50	Utbetaler bedriften full lønn ved svangerskapspermisjon også for inntekt utover 6 ganger folketrygdens grunnbeløp (G)? Hvis ja, gjelder dette bare i arbeidsgiverperioden eller under hele svangerskapspermisjonen?	
		<u>254</u>
Ja, men bare i arbeidsgiverperioden.....		1
Ja, under hele svangerskapspermisjonen		2
Både og		3
Nei		4
Vet ikke		5
51	Har ansatte tilbud om lønnet svangerskapspermisjon utover den lovfestede perioden som for tiden er på 28 uker?	
		<u>255</u>
Ja		1
Nei (GÅ TIL SPM. 54)		2
Vet ikke (GÅ TIL SPM. 54)		3

52	Hvor mange av de ansatte kvinner er omfattet av denne ordningen?	
LES OPP SVARENE.		
		<u>256</u>
Alle eller nesten alle		1
Omtrent to-tre deler.....		2
Omtrent halvparten		3
Omtrent en tre-del eller færre		4
Bare ledelsen		5
(Vet ikke)		6
53	Hvor lenge vil disse motta lønn utover den lovfestede svangerskapsperioden?	
NOTER ANTALL UKER:		257-58
54	Betaler bedriften lønn til mannlige ansatte som tar ut sin lovfestede rett til 14 dagers (ulønnet) permisjon i forbindelse med barnefødsel?	
		<u>259</u>
Ja		1
Nei (GÅ TIL SPM. 56)		2
Vet ikke (GÅ TIL SPM. 56)		3
55	HVIS JA.	
Hvor mange av de ansatte menn er omfattet av denne ordningen?		
LES OPP SVARENE.		
		<u>260</u>
Alle eller nesten alle		1
Omtrent to-tre deler.....		2
Omtrent halvparten		3
Omtrent en tre-del eller færre		4
Bare ledelsen		5
(Vet ikke)		6
56	Er det ved bedriften etablert permanente tilbud om omsorgspermisjon uten lønn for småbarnsforeldre utover den lovfestede perioden på ett år?	
		<u>261</u>
Ja		1
Nei		2
Vet ikke		3
57	Har bedriften et tilbud om bedriftshelsetjeneste for de ansatte?	
LES OPP SVARENE.		
		<u>262</u>
Ja, har eget ansatt helsepersonell.....		1
Ja, kjøper inn helsetjeneste utenifra.....		2
Nei (GÅ TIL SPM. 59)		3
(Vet ikke) (GÅ TIL SPM. 59)		4

58	Kan de ansatte på eget initiativ benytte bedriftshelsetjenesten til konsultasjoner?	263
Ja	1	
Nei	2	
Varierer	3	
Vet ikke	4	
59	Har bedriften tegnet en egen helseforsikring eller sørget for medlemskap i en privat helseinstitusjon for deler av de ansatte?	264
Ja	1	
Nei (GÅ TIL SPM. 61)	2	
Vet ikke (GÅ TIL SPM. 61)	3	
60	HVIS JA PÅ SPM. 59	
Hvor mange av de ansatte er omfattet av denne ordningen?		
LES OPP SVARENE.		
		265
Alle eller nesten alle	1	
Omtrent to-tre deler	2	
Omtrent halvparten	3	
Omtrent en tre-del eller færre	4	
Bare ledelsen	5	
(Vet ikke)	6	
61	Driver bedriften en egen barnehage eller på annen måte bidrar med støtte til barnehageplasser for de ansatte?	266
Ja	1	
Nei (GÅ TIL SPM. 65)	2	
Vet ikke/ubesvart	3	
62	HVIS JA.	
Er dette en ordning som alle de ansatte kan benytte seg av, eller er ordningen kun for de som oppfyller visse krav til anslenitet og/eller fartstid?		
		267
Ordningen er for alle	1	
Ordningen er for de som oppfyller visse krav	2	
Vet ikke/ubesvart	3	
63	Hvor mange barnehageplasser omfatter denne ordningen?	268
1-2 plasser	1	
3-5 plasser	2	
6-9 plasser	3	
10-19 plasser	4	
20 plasser eller mer	5	
Vet ikke/ubesvart	6	

64	Må de ansatte betale for barnehageplassen?	
HVIS JA, NOTER BELØP.		
NOTER KR.		269-72
65	Har bedriften en egen personalavdeling eller personalsjef?	273
Ja	1	
Nei	2	
Vet ikke	3	
66	Er det ved bedriften utarbeidet en personalhåndbok?	274
Ja	1	
Nei	2	
Vet ikke	3	
67	Har bedriften i løpet av de siste 5 årene hatt utgifter til noen av de følgende formål	
LES OPP OG MERK AV FOR HVERT SVAR.		
	JA	NEI
• Støtte til bedriftsidrettslag	1	2
• Personallytte e.l. fritidstilbud	1	2
• Støtte til opplæring og videreutdanning	1	2
• Personallån	1	2
• Kurs i forberedelse til pensjonsalderen	1	2
68	Er det i lokale tariffavtale eller i særavtaler tatt inn bestemmelser om de ansattes rettigheter innen ett eller flere av de følgende områder?	
LES OPP ETT OG ETT SVAR OG MERK AV FOR JA SVARENE.		
	JA	NEI
• Tjenestepensjon, livs- og ulykkesforsikring	1	2
• Førtidspensjon	1	2
• Sykelønn og permisjonsordninger	1	2
• Helsetjenester, helseforsikring	1	2
• Opplæring og utdanning	1	2
• Barnepass	1	2
• Fritid/idrett	1	2
• (Ikke lokale tariff eller særavtaler)	1	2

69	Har de ansatte innenfor de siste par år, i forbindelse med lokale lønnsforhandlinger eller i andre sammenhenger, reist krav om større innsats fra bedriftens side på ett eller flere av de følgende områder:		
LES OPP ETT OG ETT SVAR OG MERK AV FOR JA SVARENE.			
	JA	NEI	
• Tjenestepensjon, livs- og ulykkesforsikring .	1	2	<u>318</u>
• Fortidspensjon	1	2	<u>319</u>
• Sykelønn og permisjonsordninger	1	2	<u>320</u>
• Helsetjenester, helseforsikring	1	2	<u>321</u>
• Opplæring og utdanning	1	2	<u>322</u>
• Barnepass	1	2	<u>323</u>
• Fritid/idrett	1	2	<u>324</u>

70	Har du inntrykk av at bedriften bruker mer penger eller mindre penger på sosiale tiltak i forhold til andre bedrifter innen samme bransje?
LES OPP SVARENE.	
	<u>325</u>
Betydelig mer enn vanlig	1
Noe mer enn vanlig	2
Omtrent som vanlig	3
Noe mindre enn vanlig	4
Mye mindre enn vanlig	5
Bruker ingenting	6
(Vet ikke)	7
71	Hvordan har bedriftens utgifter til sosiale tiltak utviklet seg over de siste 5 årene?
LES OPP SVARENE.	
	<u>326</u>
Sterkt økende	1
Svakt økende	2
Stort sett uendret	3
Svakt fallende	4
Sterkt fallende	5
(Vet ikke)	6

TUSEN TAKK FOR HJELPEN.

DETTE INTERVJUET ER UTFØRT I HENHOLD TIL INSTRUKSER GITT AV MMI.

Intervjuers signatur:

2. The 1992 NSD wage earners survey

The 1992 survey was conducted by Norwegian Social Science Data Service (NSD) as a mail survey. The survey was financed by the Norwegian Research Council (NFR). NFR invited a number of researchers to propose issues for a social science survey. A proposal to study employee benefits proposed by Hippe and Pedersen (FAFO), Ryen (ADH) and Øverbye (INAS) won. The questionnaire was designed by this group and they had an exclusive right to the use of the data set for two years.

The field work was done from February to June 1992 by the NSD. The sample was collected from the national register of employees (Arbeidstakerregisteret) at the Statistics Norway (SSB). The sample is a simple random sample of employees borne 1926 to 1974 who was living in Norway at the time.

A	Gross sample	2 698
B	Non response	1 009
	(1) Refusals	56
	(2) Death, sickness	4
	(3) Returned mail	19
	(4) Questionnaires no accepted	3
	(5) Persons in the sample outside target group	57
	6 No response	870
C	Net sample	1 689
	Response rate	62.6%
	Adjusted response rate	64.5

(A – B.2 – B4 – B5)

See next page for complete questionnaire of NSD survey:

NSD

NORSK SAMFUNNSVITENSKAPELIG DATATJENESTE
NORWEGIAN SOCIAL SCIENCE DATA SERVICES

Etablert av Norges allmennvitenskapelige forskningsråd — Established by the Norwegian Research Council for Science and the Human

Hans Holmboesgt. 22
N-5007 Bergen
NORWAY
Telefon (05) 21 21 17
Telefax (05) 96 06 60
J.nr.: 1393/92/KKS/AMD
26. mars 1992

UNDERSØKELSE OM TILLEGGSGODER PÅ ARBEIDSPLASSEN

Norsk samfunnsvitenskapelig datatjeneste gjennomfører nå en undersøkelse om tilleggsgoder på arbeidsplassen. Til undersøkelsen er det trukket et utvalg på 2500 personer. Du er kommet med i dette utvalget, og vi ber vennligst om at du svarer på spørsmålene i dette skjemaet.

Det hevdes ofte at vi i de siste 20 år har fått et større innslag av tilleggsgoder, eller frynsegoder, i arbeidslivet. Disse tilleggsgodene har betydelige konsekvenser for fordelingen av goder mellom ulike arbeidstakere, og det er et stort behov for en undersøkelse om utbredelsen av tilleggsgoder og folks syn på bruken av dem.

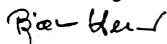
Det er frivillig å svare på spørsmålene, men for at undersøkelsen skal bli pålitelig og av virkelig verdi, er det viktig at så mange som mulig besvarer og returnerer spørreskjemaet. De som er med i utvalget kan ikke erstattes av andre, og det er kun den personen som spørreskjemaet er adressert til som skal fylle det ut.

Svarene du gir vil bli behandlet strengt fortrolig, og vil bare bli brukt til forskningsformål. Resultater fra undersøkelsen vil bli offentliggjort på en slik måte at det er umulig å identifisere enkeltpersoner. Løpenummeret på spørreskjemaet brukes til å registrere utsending og mottak av spørreskjema, og det er kun prosjektleder og en medarbeider som har tilgang til navnelisten. Når undersøkelsen er avsluttet, om ca. et halvt år, vil spørreskjema, navne- og adresselisten bli tilintetgjort. I undersøkelsen inngår det to purringer.

Vi ber vennligst om at du svarer på spørsmålene og returnerer spørreskjemaet i vedlagte svarkonvolutt innen en uke. Porto er allerede betalt. Dersom du har spørsmål om undersøkelsen eller spørreskjemaet, kan du ringe (05) 21 21 17, gjerne på noteringsoverføring.

På forhånd takk for hjelpen!

Med vennlig hilsen


Bjørn Henrichsen
Direktør


Knut Kalgraff Skjåk
Prosjektleder

Undersøkelsen er finansiert av Norges allmennvitenskapelige forskningsråd (NAVF) og Norges råd for anvendt samfunnsforskning (NORAS). Utvalget på 2500 personer er trukket tilfeldig fra Arbeidstakerregisteret, og opplegget for innsamling og oppbevaring av opplysninger er godkjent av Datatilsynet.

Avdelingskontorer: OSLO	NSD Postboks 1055 Blindern 0316 Oslo 3 tlf. (02) 85 52 11	TROMSØ	NSD ISV Universitetet i Tromsø Breivika 9000 Tromsø tlf. (083) 44 336	TRONDHEIM	NSD Universitetet i Trondheim 7055 Dragvoll tlf. (07) 59 19 07
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Dersom du

- av ulike årsaker har sluttet i inntektsgivende arbeid i løpet av det siste halve året, kan du svare på spørsmålene ut fra den jobben du hadde før du sluttet
- har omsorgspermisjon, er permittert e.l., kan du svare ut fra den jobben du vanligvis har
- hovedsakelig er hjemmearbeidende, under utdanning e.l., og har inntektsgivende arbeid bare noen få timer i uka eller deler av året, kan du svare ut fra dette inntektsgivende arbeidet

I. Først vil vi stille noen spørsmål om deg og din husstand.

1. Bor du i by eller på landet?

- 1 ☐ Bor i Oslo, Bergen eller Trondheim
- 2 ☐ Bor i by/tettbygd strøk med 2000 innbyggere eller mer
- 3 ☐ Bor i tettbygd strøk med under 2000 innbyggere
- 4 ☐ Bor i spredtbygd strøk: Færre enn 200 innbyggere i klynge

2. Hva er ditt hovedyrke?

_____ 2

Gi en kort beskrivelse av dine arbeidsoppgaver

3. Vil du karakterisere ditt hovedyrke som et funksjonær- eller arbeideryrke?

- 5
- 1 ☐ Funksjonær, høyere (avdelingssjef eller tilsvarende)
- 2 ☐ Funksjonær, mellomnivå
- 3 ☐ Funksjonær, lavere
- 4 ☐ Faglært arbeider
- 5 ☐ Ufaglært arbeider

4. Har du inntektsgivende arbeid ved siden av ditt hovedyrke nå?

- 6
- 1 ☐ Ja
- 2 ☐ Nei

5. Hva er din sivile status? Er du

- 7
- 1 ☐ Gift
- 2 ☐ Samboende
- 3 ☐ Ugift
- 4 ☐ Tidligere gift (separert, fraskilt, enke, enkemann)

Hvis du er gift eller samboer:

6. Har din ektefelle/samboer inntektsgivende arbeid?

- 8
- 1 ☐ Ja
- 2 ☐ Nei

7. Hvis ja på spørsmål 6: Hvilket yrke har din ektefelle/samboer?

- 9
- 1 ☐ Selvstendig næringsdrivende
- 2 ☐ Funksjonær, høyere (avdelingssjef eller tilsvarende)
- 3 ☐ Funksjonær, lavere
- 4 ☐ Faglært arbeider
- 5 ☐ Ufaglært arbeider

8. Vi vil gjerne vite fødselsår på de andre medlemmene i din husstand

Fødselsår husstandsmedlem nr. 1 _____ 10
Fødselsår husstandsmedlem nr. 2 _____ 12
Fødselsår husstandsmedlem nr. 3 _____ 14
Fødselsår husstandsmedlem nr. 4 _____ 16
Fødselsår husstandsmedlem nr. 5 _____ 18
Fødselsår husstandsmedlem nr. 6 _____ 20
Fødselsår husstandsmedlem nr. 7 _____ 22
Fødselsår husstandsmedlem nr. 8 _____ 24
Fødselsår husstandsmedlem nr. 9 _____ 26
Fødselsår husstandsmedlem nr. 10 _____ 28

9. Hva er din høyeste fullførte utdanning?

- 30
- 1 ☐ Utdanning på ungdomsskolenivå eller lavere (1-9 år)
2 ☐ Utdanning på videregående skole - nivå I (10 år)
3 ☐ Utdanning på videregående skole - nivå II (11-12 år)
4 ☐ Utdanning på universitets- og høgskolenivå I (13-14 år)
5 ☐ Utdanning på universitets- og høgskolenivå II (15-16 år)
6 ☐ Utdanning på universitets- og høgskolenivå III (17-18 år)
7 ☐ Utdanning på forskernivå (over 18 år)

10. Omtrent hvor mange år tilsammen har du hatt inntektsgivende arbeid?

Antall år: _____ 31

11. Er du medlem av en fagforening eller yrkesorganisasjon?

- 33
- 1 ☐ Ja
2 ☐ Nei

12. Hvilken hovedsammenslutning tilhører din fagforening/yrkesorganisasjon?

- 34
- 1 ☐ LO
2 ☐ YS
3 ☐ AF
4 ☐ Frittstående forbund
8 ☐ Vet ikke

13. Omtrent hvor stor var din samlede brutto inntekt (før fradrag og skatt) i 1991 medregnet inntekt fra blyrker, renteinntekter o.l?
Rund av til nærmeste 10 000.

Brutto inntekt: _____ 35

15. Omtrent hvor stor var husstandens samlede inntekt i 1991 (før fradrag og skatt)?
Rund av til nærmeste 10 000.

Husstandens samlede inntekt: _____ 39

14. Hva var din skatteprosent ved overtidarbeid i 1991?
(Eventuelt din marginalskatteprosent?)

- 38
- 1 ☐ Under 20 prosent
 - 2 ☐ 20-29 prosent
 - 3 ☐ 30-39 prosent
 - 4 ☐ 40-49 prosent
 - 5 ☐ 50-59 prosent
 - 6 ☐ Over 59 prosent
 - 8 ☐ Vet ikke

16. Betrakter du deg for tiden hovedsakelig som
(Sett kryss bare i en rute)

- 42
- 1 ☐ Yrkesaktiv
 - 2 ☐ Har omsorgspermisjon
 - 3 ☐ Permittert
 - 4 ☐ Arbeidsledig
 - 5 ☐ Pensjonist/trygdet
 - 6 ☐ Hjemmearbeidende
 - 7 ☐ Skoleelev/student

II. Nå følger noen spørsmål om den bedriften du arbeider i (hovedbeskjeftigelse).

17. Hvilken bransje tilhører bedriften/virksomheten?

- 43
- 1 ☐ Jordbruk, skogbruk, fiske
 - 2 ☐ Oljeutvinning og bergverksdrift
 - 3 ☐ Industri
 - 4 ☐ Kraft- og vannforsyning
 - 5 ☐ Bygg og anlegg
 - 6 ☐ Varehandel, hotell og restaurantvirksomhet
 - 7 ☐ Transport, lager, post og telekommunikasjon
 - 8 ☐ Bank, finans, forsikring, eiendomsdrift o.l.
 - 9 ☐ Offentlig, sosial og privat tjenesteyting
 - 10 ☐ Annet, spesifiser:

18. Arbeider du i offentlig eller privat virksomhet?

- 45
- 1 ☐ Privat virksomhet
2 ☐ Privat organisasjon, stiftelse o.l.
3 ☐ Kommune
4 ☐ Fylkeskommune
5 ☐ Stat
6 ☐ Offentlig forretningsdrift eller annen offentlig virksomhet (offentlig aksjeselskap o.l.)
8 ☐ Vet ikke

Til dem som er ansatt i privat sektor eller offentlig forretningsdrift (svar 1, 2 eller 6 i spørsmål 18)

19. Er arbeidsgiver

- 46
- 1 ☐ Personlig firma
2 ☐ Ansvarlig selskap (stiftelse o.l.)
3 ☐ Aksjeselskap
4 ☐ Annet
8 ☐ Vet ikke

20. Er bedriften en del av et større konsern?

- 47
- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

21. Hvordan vil du vurdere bedriftens/virksomhetens økonomi?
Er den

- 48
- 1 ☐ Svært god
2 ☐ Nokså god
3 ☐ Middels
4 ☐ Nokså dårlig
5 ☐ Svært dårlig
6 ☐ Ikke relevant
8 ☐ Vet ikke

Til alle

22. Hvor mange ansatte er det ved bedriften/virksomheten?

- 49
- 1 ☐ 1-9
2 ☐ 10-19
3 ☐ 20-49
4 ☐ 50-99
5 ☐ 100-199
6 ☐ 200-499
7 ☐ Over 500
8 ☐ Vet ikke

23. Omtrent hvor stor andel av de ansatte ved bedriften/virksomheten er organisert i en fagforening eller yrkesorganisasjon?

- 50
- 1 ☐ Nesten alle
2 ☐ Over halvparten
3 ☐ Omtrent halvparten
4 ☐ Under halvparten
5 ☐ Nesten ingen
8 ☐ Vet ikke

24. Omtrent hvor stor andel av de ansatte er henholdsvis menn og kvinner?

- 51
- 1 ☐ Stor overvekt av menn
2 ☐ En viss overvekt av menn
3 ☐ Omtrent like mange av hvert kjønn
4 ☐ En viss overvekt av kvinner
5 ☐ Stor overvekt av kvinner
8 ☐ Vet ikke

25. Er det vanlig med lokale lønnstforhandlinger ved bedriften?

- 52
- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

26. Har bedriften/virksomheten en egen personalavdeling?

- 53
- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

27. Er det ved bedriften/virksomheten utarbeidet en personalhåndbok som deles ut til de ansatte?

- 54
- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

28. Hvilket år begynte du i den bedriften/virksomheten du arbeider i nå?

Hvis du har arbeidet i denne bedriften/virksomheten i flere perioder, men arbeidet andre steder i mellomtiden, oppgi når du sist ble ansatt her.

Årstall: _____ 55

29. Hvor mange ganger har du skiftet arbeidssted i løpet av de siste 5 årene?

Vi tenker her på skifte av arbeidssted der du samtidig skiftet arbeidsgiver, ikke internt opprykk eller ny stilling i annen virksomhet drevet av samme arbeidsgiver.

Antall jobbskift: _____ 57

30. Hva slags ansettelsesform har du?

- 59
- 1 ☐ Fast ansatt
 - 2 ☐ Midlertidig/tidsbegrenset ansatt
 - 3 ☐ Vikar/ekstrahjelp
 - 4 ☐ Annet

31. Jobber du heltid eller deltid?

- 60
- 1 ☐ Heltid
 - 2 ☐ Deltid

32. Hvor mange timer i uka jobber du vanligvis?

_____ timer/uka 61

33. Hva slags lønssystem har du?

- 64
- 1 ☐ Bare fast lønn
 - 2 ☐ Fast lønn og bonus eller produksjonspremie
 - 3 ☐ Fast lønn og akkordtillegg
 - 4 ☐ Ren akkord
 - 5 ☐ Ren provisjon
 - 6 ☐ Annet

34. Er din lønn helt eller delvis bestemt ved tariffavtale eller utelukkende ved personlig avtale med arbeidsgiveren?

- 65
- 1 ☐ Helt ved tariffavtale
 - 2 ☐ Ved tariffavtale supplert med individuelle tillegg
 - 3 ☐ Utelukkende ved individuell avtale
 - 8 ☐ Vet ikke

35. Hvor mye hadde du i lønn i 1991 (før avdrag og skatt) i ditt hovedyrke?

Rundt av til nærmeste 10 000.

Lønn 1991 _____ 66

36. Hvor arbeider du mest?

- 69
- 1 ☐ I bedriftens lokaler
- 2 ☐ Ute hos bedriftens kunder
- 3 ☐ Jobber for bedriften hjemme hos meg selv

37. Er din stilling på noen måte overordnet?

- 70
- 1 ☐ Ja
- 2 ☐ Nei

38. Hvis ja på spørsmål 37: Vil du si at din stilling tilhører

- 71
- 1 ☐ Arbeidsledelsen
- 2 ☐ Mellomledelsen
- 3 ☐ Toppledelsen

39. I hvilken grad kan du selv planlegge dine arbeidsoppgaver i løpet av dagen?

- 72
- 1 ☐ I høy grad
- 2 ☐ I noen grad
- 3 ☐ I liten grad

40. Mener du at du står i fare for å bli omplassert, bli permittert eller miste ditt nåværende arbeid på grunn av nedlegging, innskrenking eller omlegging i løpet av de 2 nærmeste årene?

- 73
- 1 ☐ Ja, å bli omplassert/få nytt arbeidsområde/nye arbeidsoppgaver
- 2 ☐ Ja, å bli permittert
- 3 ☐ Ja, å miste nåværende arbeid
- 4 ☐ Nei

41. Har du noen gang i denne bedriften/virksomheten blitt forfremmet eller fått opprykk til en stilling med høyere lønn eller større ansvar?

- 74
- 1 ☐ Ja, flere ganger
- 2 ☐ Ja, én gang
- 3 ☐ Nei

42. Hvordan vurderer du muligheten til å få en form for opprykk eller forfremmelse i løpet av de nærmeste 2 årene?

- 75
- 1 ☐ Svært sannsynlig
- 2 ☐ Nokså sannsynlig
- 3 ☐ Lite sannsynlig
- 4 ☐ Helt usannsynlig
- 8 ☐ Vet ikke

43. Har du planer om å skaffe deg ny jobb i en annen bedrift/virksomhet i løpet av de nærmeste 2 årene?

- 76
- 1 ☐ Ja, helt sikkert
- 2 ☐ Ja, kanskje
- 3 ☐ Nei, trolig ikke
- 4 ☐ Nei, helt sikkert ikke
- 8 ☐ Vet ikke

44. Hvordan vil du vurdere din arbeidsgivers muligheter til å finne en tilfredsstillende erstatning for deg, hvis du skulle slutte i jobben? Har du en arbeidskompetanse som det vil være lett eller vanskelig å finne erstatning for?

- 77
- 1 ☐ Meget lett
- 2 ☐ Forholdsvis lett
- 3 ☐ Forholdsvis vanskelig
- 4 ☐ Meget vanskelig

45. Nå kommer vi med 7 påstander om din nåværende jobb, som vi ber deg ta stilling til. I hvilken grad er du enig eller uenig i påstandene?
(Merk av svaret ved å sette kryss i én rute for hver av påstandene A.-G.)

	Helt enig	Delvis enig	Verken enig eller uenig	Delvis uenig	Helt uenig	Vet ikke	
	1	2	3	4	5	8	
A. Jobben er godt betalt.	☐	☐	☐	☐	☐	☐	78
B. Arbeidsmiljøet er godt.	☐	☐	☐	☐	☐	☐	79
C. Arbeidet er interessant.	☐	☐	☐	☐	☐	☐	80
D. Ledelsen viser interesse for at de ansatte trives på jobben.	☐	☐	☐	☐	☐	☐	81
E. Jeg ville skifte jobb, dersom jeg kunne få en tilsvarende jobb hos en annen arbeidsgiver på hjemstedet.	☐	☐	☐	☐	☐	☐	82
F. Jeg jobber ofte hardere eller lenger enn det som strengt tatt er nødvendig i min jobb.	☐	☐	☐	☐	☐	☐	83
G. Det hender at jeg går på jobb, selv om jeg strengt tatt burde være hjemme på grunn av sykdom.	☐	☐	☐	☐	☐	☐	84

III. Nå vil vi stille noen spørsmål om du mottar ulike typer tilleggsgoder ved siden av lønn.

46. Har du pr. idag tilgang på noen av de følgende fordeler i ditt arbeid?

(Sett kryss ved de fordelene du har.)

- 85 ☐ Fri bolig eller støtte til bolig
- 86 ☐ Tjenestebil til privat bruk
- 87 ☐ Støtte til bilhold
- 88 ☐ Fri telefon eller støtte til telefon
- 89 ☐ Fri reise til arbeid
- 90 ☐ Fri bruk av bedriftsferiested
- 91 ☐ Gratis kaffe/te
- 92 ☐ Gratis eller subsidiert kantine
- 93 ☐ Kjøp av varer eller tjenester til redusert pris.
- 94 ☐ Gratis eller subsidiert reise med familie
- 95 ☐ Fri livs- eller ulykkesforsikring
- 96 ☐ Gratis aviser eller tidsskrifter

47. Hvis du er gift eller samboende: Har din ektefelle eller samboer noen av de følgende fordeler i sitt arbeid?

(Sett kryss ved de fordelene hun/han har.)

- 97 ☐ Fri bolig eller støtte til bolig
- 98 ☐ Tjenestebil til privat bruk
- 99 ☐ Støtte til bilhold
- 100 ☐ Fri telefon eller støtte til telefon

48. Har du fått noen formell utdanning i form av kurs e.l. i din bedrift/virksomhet i løpet av den tid du har vært ansatt? Regn ikke med læretid eller kurs i forbindelse med tillitsmannsarbeid, arbeidsmiljølov e.l.
Ta bare med kurs som helt eller delvis er betalt av bedriften/virksomheten.

101
1 ☐ Ja
2 ☐ Nei

49. Har din bedrift noen ordning med bedriftshelsetjeneste eller helsekontroll som du kan bruke til gratis eller subsidierte konsultasjoner/legebesøk?

102
1 ☐ Ja, egen bedriftshelsetjeneste
2 ☐ Ja, avtale om helsekontroller/helsetjenester
3 ☐ Nei
8 ☐ Vet ikke

50. Alle arbeidstakere har rett til svangerskapspermisjon i 30 uker (fra 1.4.92 33 uker). Enkelte bedrifter gir de ansatte mulighet til å ta permisjon med lønn lengre enn 30 uker.
Finnes det en slik utvidet ordning ved din arbeidsplass?

103
1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

51. Har du regulær lønn (før skatt og fradrag) på over 200 000 kr.? Hvis ja: Får du utbetalt full lønn ved sykdom eller får du bare ut sykepenger du har krav på i folketrygden?

104
1 ☐ Får full lønn under sykdom
2 ☐ Får bare ut de sykepenger jeg har krav på i folketrygden (full lønn bare opp til 213.000 kroner) 6xG
8 ☐ Vet ikke

52. På mange arbeidsplasser er det som et tillegg til folketrygden opprettet egne pensjonsordninger for de ansatte. Vi tenker blant annet på Statens Pensjonskasse for statsansatte, og ulike tjenstepensjoner og bedriftspensjoner for kommunalt og privat ansatte. Slike pensjoner gir løpende utbetalt pensjon i tillegg til folketrygden.

Er du medlem i eller tilknyttet en slik pensjonsordning?

105
1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

53. Hvis du er gift eller samboende: Er din ektefelle eller samboer tilknyttet en slik pensjonsordning ved sin arbeidsplass?

106
1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

54. Er det ved din bedrift/virksomhet tilbud om førtidspensjon som gjør det mulig for deg å slutte før du er 65 år?

107
1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

55. Har du mulighet til å oppta lån på din arbeidsplass direkte eller via bedriftens pensjonsordning?

108
1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

56. Hvis ja på spørsmål 55: Har du benyttet deg av et slikt tilbud om lån?

109
1 ☐ Ja
2 ☐ Nei

57. Har du mulighet til å få barnehageplass via ditt arbeidsssted?

- 110
- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

58. Hvis du er gift eller samboende: Har din ektefelle mulighet til å få barnehageplass via sitt arbeid?

- 111
- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

59. Hvis ja på spørsmål 57 eller 58: Benytter dere i dag slik barnehageplass til ett eller flere barn?

- 112
- 1 ☐ Ja
2 ☐ Nei

60. Hvis ja på spørsmål 59: Hvor mye betaler dere pr. barn pr. måned for en slik barnehageplass?

_____ kroner pr. måned 113

61. Har du i din jobb noen mulighet til å ta ut lengre ferie enn fire uker pr. år?

- 117
- 1 ☐ Ja, med full lønn
2 ☐ Ja, med redusert lønn
3 ☐ Nei
8 ☐ Vet ikke

62. Er det ved din bedrift/virksomhet organisert bedriftsidrettslag eller annen idrettsaktivitet som har økonomisk støtte fra bedriften?

- 118
- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

63. Har du gjennom din jobb tilgang til bedriftshytte, båt med køyeplass eller campingbil? Fagforeningshytte regnes ikke med.

- 119
- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

64. Har du gjennom din jobb tilgang til teater-, konsertbilletter e.l. som er økonomisk støttet av arbeidsgiver?

- 120
- 1 ☐ Ja
2 ☐ Nei
3 ☐ Vet ikke

65. Dersom du skulle ha erstattet tilleggsgodene du har på din arbeidsplass med lønn, hvor mye mer lønn ville du måtte ha pr. år? Angi omtrent hvor mye mer lønn pr. år før skatt.

_____ kroner pr. år 121

66. Er noen av de følgende fordeler i ditt arbeid innført/utvidet i løpet av de to siste årene (1990 og 1991)?
(Sett kryss ved disse fordelene.)

- 124 ☐ Fri bolig eller støtte til bolig
- 125 ☐ Tjenestebil eller støtte til bilhold til privat bruk
- 126 ☐ Fri telefon eller støtte til telefon
- 127 ☐ Fri reise til arbeid
- 128 ☐ Fri bruk av bedriftsferiested
- 129 ☐ Gratis eller subsidiert kantine
- 130 ☐ Kjøp av varer eller tjenester til redusert pris
- 131 ☐ Fri livs- eller ulykkesforsikring
- 132 ☐ Gratis aviser eller tidsskrifter
- 133 ☐ Tjenestepensjonsordning
- 134 ☐ Førtidspensjonsordning
- 135 ☐ Barnehageplass

67. Er noen av de følgende fordeler i ditt arbeid fjernet/reduisert i løpet av de to siste årene (1990 og 1991)?
(Sett kryss ved disse fordelene.)

- 136 ☐ Fri bolig eller støtte til bolig
- 137 ☐ Tjenestebil eller støtte til bilhold til privat bruk
- 138 ☐ Fri telefon eller støtte til telefon
- 139 ☐ Fri reise til arbeid
- 140 ☐ Fri bruk av bedriftsferiested
- 141 ☐ Gratis eller subsidiert kantine
- 142 ☐ Kjøp av varer eller tjenester til redusert pris
- 143 ☐ Fri livs- eller ulykkesforsikring
- 144 ☐ Gratis aviser eller tidsskrifter
- 145 ☐ Tjenestepensjonsordning
- 146 ☐ Førtidspensjonsordning
- 147 ☐ Barnehageplass

IV. Nå følger noen spørsmål om fordelingen av tilleggsgoder, om de har hatt noen betydning for ditt valg av arbeidssted, og dine synspunkter på forholdet mellom tilleggsgoder og lønn.

68. Har noen av de ekstra goder du mottar ved siden av lønn hatt betydning for ditt nåværende valg av arbeidssted?

- 148
- 1 ☐ Ja, stor betydning
 - 2 ☐ Ja, en viss betydning
 - 3 ☐ Nei

69. Hvilke av de følgende ekstra goder var spesielt viktige?
(Sett kryss ved disse godene)

- 149 ☐ Mulighet for lån via arbeidsstedet
- 150 ☐ Mulighet for barnehageplass
- 151 ☐ Tjenestepensjonsordninger
- 152 ☐ Tjenestebil, støtte til bilhold
- 153 ☐ Tjenestebolig, støtte til bolig
- 154 ☐ Annet, spesifiser:

70. Har utsikten til å miste noen av de ekstra godene du nå mottar ved siden av lønn avholdt deg fra å søke arbeid hos andre arbeidsgivere?

- 155
- 1 ☐ Ja
 - 2 ☐ Nei

71. Hvis ja på spørsmål 70: Hvilke av de følgende ekstra goder har du vært redd for å miste/få redusert utbytte av?
(Sett kryss ved disse godene)

- 156 ☐ Mulighet for lån via arbeidsstedet
- 157 ☐ Mulighet for barnehageplass
- 158 ☐ Tjenestepensjonsordninger
- 159 ☐ Tjenestebil, støtte til bilhold
- 160 ☐ Tjenestebolig, støtte til bolig
- 161 ☐ Annet, spesifiser:

72. I hvilken grad er du enig eller uenig i følgende utsagn:
De som mottar tilleggsgoder bør få lavere lønn enn sammenliknbare grupper som ikke har tilsvarende goder.

162

- 1 ☐ Helt enig
2 ☐ Delvis enig
3 ☐ Hverken enig eller uenig
4 ☐ Delvis uenig
5 ☐ Helt uenig
8 ☐ Vet ikke

73. Er det grupper på din arbeidsplass som mottar vesentlig flere tilleggsgoder enn deg?

163

- 1 ☐ Ja, ledelsen
2 ☐ Ja, både ledelsen og andre grupper
3 ☐ Nei
4 ☐ Ikke relevant
8 ☐ Vet ikke

74. Gis det i din bedrift åpen informasjon om hvilke tilleggsgoder ledelsen har, eller er det noe man prøver å holde hemmelig?

164

- 1 ☐ Det gis åpen informasjon
2 ☐ Det holdes hemmelig
8 ☐ Vet ikke

75. Er den lokale fagforeningen/klubben opptatt av å sikre at de ansatte skal få tilleggsgoder gjennom jobben?

165

- 1 ☐ Ja
2 ☐ Nei
8 ☐ Vet ikke

76. Har du selv tatt initiativ overfor ledelsen på din bedrift/virksomhet får å få et bestemt tilleggsgode?

166

- 1 ☐ Ja
2 ☐ Nei

77. Hvem er det som i praksis bestemmer hvilke tilleggsgoder de ansatte får på din arbeidsplass?

167

- 1 ☐ Den enkelte ansatte sammen med ledelsen
2 ☐ Fagforeningen/klubben sammen med ledelsen
3 ☐ Ledelsen alene
4 ☐ Andre
8 ☐ Vet ikke

78. Hvem burde etter din mening bestemme hvilke tilleggsgoder de ansatte skal få?

168

- 1 ☐ Den enkelte ansatte sammen med ledelsen
2 ☐ Fagforeningen/klubben sammen med ledelsen
3 ☐ Ledelsen alene
4 ☐ Andre

79. I hvilken grad er du enig eller uenig i følgende utsagn:

(Merk av svarene ved å sette kryss i én rute for hvert av utsagnene A. og B.)

[illegible]

Eventuelle kommentarer:

[illegible]

TAKK FOR HJELPEN!

3. The 1993 MMI survey

The 1993 MMI-survey was conducted by FAFO in order to establish a broader documentation of wage earner attitudes to trade union strategies. As a part of this study I was able to include questions in the questionnaire that dealt specifically with occupational welfare.

The question regarding occupational welfare have only been presented to those respondents who reports that they fully or partly are in paid work. Wage earners constitutes 54% of the sample or 660 cases.

These questions have not been used for analytical purposes before this work.

The 1993 MMI-survey is a general population survey chosen from a random sample of Telenors list of private phone subscribers. 1 173 persons over the age of 15 was interviewed. A total number 1 851 people was randomly chosen over the age of 15. Of these there were no answer in 480 cases. In 198 cases the respondent refused to answer. The response rate is 63%.

The interviews were conducted by the MMI from February 9. to 15. 1993.

The data has been weighted by sex, age and geography by the MMI. For more detailed information see MMI report March 1993.

See next page for selected questions from MMI- questionnaire:

SPØRRESKJEMA

Så over til et annet tema

VIS KORT

71 På dette kortet er det satt opp en del samfunnsområder. Hvilke områder mener du at myndighetene bør øke bevilgningene til hvis de skal øke de offentlige utgifter.
Les gjennom listen og angi tre områder.

Øke de offentlige utgifter. **71.A**

	Øke	Skjære ned
Helsevesenet	F79	G23
Skole og utdanning	F80	G24
Syke- og uføretrygd	G10	G25
Arbeidsledighetsstrygd	G11	G26
Boligstøtte	G12	G27
Forsvaret	G13	G28
Samferdsel	G14	G29
Barnehager	G15	G30
Utviklingshjelp	G16	G31
Eldreomsorg	G17	G32
Offentlig støtte til jordbruket...	G18	G33
Offentlig støtte til industrien...	G19	G34
Kultursektoren	G20	G35
Tiltak mot arbeidsledighet	G21	G36
Ingen oppgitt/Vet ikke	G22	G37

71.B VIS KORT

Hvis myndighetene skulle skjære ned på de offentlige utgifter, hvilke av de samme områdene mener du de burde skjære ned på?
Les gjennom listen og angi tre områder.

VIS KORT

72 Vi vil be deg ta stilling til noen påstander om forskjellige samfunnsforhold. Hva mener du om de følgende påstander?

LES OPP	Helt enig	Delvis enig	Delvis uenig	Helt uenig	Vet ikke
• Utjevningsspolitikken i Norge har gått for langt	1	2	3	4	5 <u>G28</u>
• I de siste årene har den norske velferdsstaten blitt svekket på flere områder...	1	2	3	4	5 <u>G39</u>
• Ingen enkeltperson burde tjene mer enn 350.000 kr. i året	1	2	3	4	5 <u>G40</u>
• Mange som har lang utdanning tjener for lite i forhold til Industriarbeidere	1	2	3	4	5 <u>G41</u>
• Høytlente arbeidstakere må støtte opp om at lavtlønnsgrupper får større lønnstillegg enn de selv ved tariffoppgjørene	1	2	3	4	5 <u>G42</u>

VIS KORT

73 Hva mener du om de følgende påstandene angående lønnsoppgjørene og streik?

LES OPP	Helt enig	Delvis enig	Delvis uenig	Helt uenig	Vet ikke
• Ved lønnsoppgjørene brukes det ofte ord som "ramme", "overheng" osv. Det er dermed blitt vanskelig å følge med	1	2	3	4	5 <u>G43</u>
• I dagens samfunn er det ikke nødvendig å streike. Det finnes så godt som alltid andre måter å vinne frem på	1	2	3	4	5 <u>G44</u>
• I fremtiden bør streikeretten begrenses sterkt ved skjerpede lovregler	1	2	3	4	5 <u>G45</u>
• Streikeretten er ikke reell når regjeringen raskt griper inn med tvungen lønnsnemnd	1	2	3	4	5 <u>G46</u>
• For å minske antall arbeidskonflikter bør lønnstakerne gå sammen i færre og større organisasjoner	1	2	3	4	5 <u>G47</u>

VIS KORT

- 74** Ved de siste årenes tariffoppgjør har bruken av tvungen lønnsnemnd i forbindelse med lovlig arbeidskonflikter blitt aktualisert. Hvilket av utsagnene på kortet dekker best ditt syn på på hvorvidt tvungen lønnsnemnd bør brukes i forbindelse med lovlig konflikter?
- | | |
|--|------------|
| | G48 |
| • Tvungen lønnsnemnd bør aldri brukes..... | 1 |
| • Tvungen lønnsnemnd bør helst unngås, men kan om nødvendig brukes i situasjoner hvor det er helt klart at konflikten medfører alvorlig fare for liv og helse..... | 2 |
| • Tvungen lønnsnemnd bør brukes hvis konflikten helt klart medfører alvorlige problemer for andre enn de direkte involverte parter..... | 3 |
| • Tvungen lønnsnemnd bør brukes hvis konflikten medfører ulemper for andre enn de direkte involverte parter..... | 4 |
| • (Vet ikke/Ingen mening)..... | 5 |

VIS KORT

- 76** Mener du at tvungen lønnsnemnd bør brukes mer aktivt, brukes som nå eller brukes mindre aktivt overfor følgende arbeidstakergrupper?

LES OPP

	Mer aktivt	Som nå	Mindre aktivt	(Vet ikke)	
• Streikende generelt.....	1	2	3	4	G50
• Streikende i privat sektor.....	1	2	3	4	G51
• Streikende i offentlig sektor.....	1	2	3	4	G52
• Små grupper som forsøker å streike seg til større lønnstillegg enn det flestparten av arbeidstakerne har fått.....	1	2	3	4	G53
• Streikende som arbeider i yrker hvor hensynet til andre enn de direkte berørte parter er viktig, som f.eks. helsevesenet og kraftforsyningen.....	1	2	3	4	G54
• Ansatte som ved å streike påfører det norske samfunnet store inntekts tap, som f.eks. streikende i Nordsjøen.....	1	2	3	4	G55

VIS KORT

- 77** Lønnsforhandlingene kan foregå på forskjellige nivåer. Noen mener at forhandlingene bør foregå på et nasjonalt nivå mellom arbeidslivets parter, noen mener at den enkelte bedrift eller virksomhet bør danne rammen for forhandlingene, mens andre mener at lønningene bør fastsettes ved individuelle avtaler. Hvilken av de følgende påstander mener du er mest dekkende for ditt syn?

	G56
• Lønnsforhandlingene bør i hovedsak foregå på nasjonalt nivå, fordi man da lettere kan ta hensyn til landets økonomi og samtidig unngå store lønnsforskjeller.....	1
• Lønnsforhandlingene bør i hovedsak foregå i den enkelte bedrift eller virksomhet, fordi man da lettere kan ta hensyn til den enkelte virksomhets økonomi og betalingsevne.....	2
• Lønnsforhandlingene bør i hovedsak foregå mellom den enkelte arbeidstaker og virksomheten, fordi man da lettere kan ta hensyn til hver enkelts innsats og kvalifikasjoner.....	3
• (Vet ikke/ingen mening).....	4

VIS KORT

- 75** Blant de store organisasjonene i arbeidslivet diskuteres det idag om en bør inngå moderate lønnsoppgjør for å bidra til redusert arbeidsledighet. En eventuell enighet er imidlertid ikke blindende for mange små fag- og yrkesorganisasjoner. Hvilket av utsagnene dekker best ditt syn på hvordan mindre organisasjoner bør opptre i kommende lønnsoppgjør hvis de store organisasjonene avtaler moderat lønnsvekst.

	G49
• Små organisasjoner må kunne forhandle på egne vilkår, uavhengig av hva andre organisasjoner måtte avtale.....	1
• Små organisasjoner bør også vise moderasjon i sine lønnskrav, men forhandlings- og streikeretten deres må ikke begrenses.....	2
• Små organisasjoner bør godta samme resultat som store organisasjoner, og bør ikke få lov til å streike for bedre resultat.....	3
• (Vet ikke/Ingen mening).....	4

- 78** Mener du at en bedrift som har god økonomi bør kunne betale høyere lønninger enn en bedrift som har dårlig økonomi, eller mener du at folk bør ha lik lønn for likt arbeid uavhengig av bedriftens økonomi?

	G57
• En bedrift som har god økonomi bør kunne betale høyere lønninger enn en bedrift som har dårlig økonomi.....	1
• Folk bør ha lik lønn for likt arbeid uavhengig av bedriftens økonomi.....	2
• Vet ikke/Ingen mening.....	3

- 79** Har du selv betalt arbeid på heltid eller deltid?

	G58
Ja, heltid.....	1
Ja, deltid.....	2
Variører.....	3
Nei (= 113).....	4

- 80** Hvor mange ansatte er det på din arbeidsplass?

	G59
1-9 ansatte.....	1
10-49 ansatte.....	2
50-99 ansatte.....	3
100-199 ansatte.....	4
200-499 ansatte.....	5
500 ansatte eller flere.....	6
Vet ikke.....	7

81	Hva slags lønssystem har du? Har du...
LES OPP	
	G60
• Bare fast måneds-, halvmåned-, uke- eller timelønn.....	1
• Fast lønn/timelønn og bonus, akkordtillegg, produksjonspremie eller provisjon i tillegg.....	2
• Ren akkord eller provisjon.....	3
• Annet/Vet ikke.....	4

82	Er din lønn regulert helt eller delvis ved tariffavtale mellom de ansatte og bedriften eller virksomheten, eller er det helt opp til deg og din arbeidsgiver å avtale hvilken lønn du skal ha?
G61	
Helt eller delvis ved tariffavtale.....	1
Opp til deg og arbeidsgiver (= 84).....	2
Ingen avtale i det hele tatt (= 84).....	3
Vet ikke (= 84).....	4
83	Er lønnen din helt bestemt av denne tariffavtalen eller overenskomsten, eller har du også individuelle tillegg?
G62	
• Helt bestemt av tariffavtalen/overenskomsten.....	1
• Også individuelle tillegg.....	2
• Vet ikke.....	3

VIS KORT - GI I.O. TID TIL Å TENKE SEG OM

84	Når den enkelte lønn skal vurderes, hvilke av de følgende faktorer synes du bør kunne gi betydelig tillegg i lønn, noe tillegg eller ikke noe tillegg i det hele tatt?
	G63
	Betydelig tillegg (Vet ikke/ingen mening)
• Samarbeidsevne.....	1 2 3 4 G63
• Deltakelse på kurs eller andre typer etterutdanning i forbindelse med jobben.....	1 2 3 4 G64
• Høyere stillingsnivå og/eller økt ansvar.....	1 2 3 4 G65
• Lite fravær.....	1 2 3 4 G66
• Høyere innsats og bedre arbeidsresultat.....	1 2 3 4 G67
• Ubekvem arbeidstid.....	1 2 3 4 G68
• Tungt og risikofyllt arbeid.....	1 2 3 4 G69
• Allsidighet og kreativitet.....	1 2 3 4 G70
• Yrkeserfaring, dvs. ansiennitet.....	1 2 3 4 G71
85	Nå følger noen spørsmål om holdninger til overskuddsdeling og til det å utstede aksjer til ansatte. Med overskuddsdeling mener vi ordninger der lønnen til den enkelte varierer med driftsresultatet. Stiller du deg i hovedsak positiv eller negativ til en ordning med overskuddsdeling for ansatte?
G72	
Positiv.....	1
Negativ.....	2
Vet ikke/Ingen mening.....	3
86	Stiller du deg i hovedsak positiv eller negativ til at en bedrift utsteder aksjer til ansatte til gunstig pris, eventuelt som en form for bonus eller gratiale?
G73	
Positiv.....	1
Negativ.....	2
Vet ikke/Ingen mening.....	3
87	Har du selv arbeidet i en bedrift som har en ordning med overskuddsdeling blant noen eller alle ansatte?
G74	
Ja, overskuddsdeling blant alle ansatte.....	1
Ja, overskuddsdeling blant noen ansatte.....	2
Nei.....	3
Vet ikke.....	4
88	Har du arbeidet i en bedrift der noen eller alle ansatte eier aksjer i bedriften?
G75	
Ja, alle eier aksjer.....	1
Ja, noen eier aksjer.....	2
Nei.....	3
Vet ikke.....	4
89	Arbeider du i offentlig eller privat sektor?
G76	
Offentlig (= 91).....	1
Privat.....	2
Andre svar (= 91).....	3
Vet ikke (= 91).....	4

VIS KORT

90	Tror du at en ordning med overskuddsdeling eller utstedelse av aksjer til ansatte i en bedrift som din vil føre til høyere, uforandret eller lavere...
SPØR FOR ETT UTSAGN AV GANGEN	
	G77
• Produktivitet?.....	1 2 3 4 G77
• Trivsel blant de ansatte?.....	1 2 3 4 G78
• Inntektsnivå for de ansatte?.....	1 2 3 4 G79

VIS KORT

91 Nå følger noen utsagn om virkninger av overskuddsdeling og aksjer til ansatte. Er du helt enig, delvis enig, delvis uenig eller helt uenig i at overskuddsdeling og aksjer til ansatte vil føre til...

LES OPP

	Helt enig	Delvis enig	Delvis uenig	Helt uenig	(Vet ikke)
• Økt forståelse for lønnsomhet blant de ansatte.....	1	2	3	4	5 G80
• At de ansatte kan delta mer aktivt i bedriftens utvikling.....	1	2	3	4	5 H10
• At de ansatte vil jobbe hardere fordi de får del i overskuddet.....	1	2	3	4	5 H11
• At de ansatte i mindre grad vil skifte jobb.....	1	2	3	4	5 H12
• At de ansatte risikerer å tape deler av lønn eller sparepenger.....	1	2	3	4	5 H13
• At større deler av lønnsdannelsen unndras forhandlingene.....	1	2	3	4	5 H14

92 Har du fått noen form for formell utdanning i form av kurs e.l. i den bedriften (virksomheten) du arbeidet i i løpet av 1992? Ta bare med kurs som helt eller delvis er betalt av bedriften (virksomheten), og regn ikke med læretid eller kurs i forbindelse med arbeidsmiljølov, arbeid som tillitsvalgt o.l.

Ja.....	H15 1
Nei (= 94).....	2
Vet ikke (= 94).....	3

93 Hvor mange dager var du på slike kurs i løpet av 1992?

NOTER ANTALL DAGER: **H15-17**

94 Fikk du noen formell utdanning i form av kurs e.l. i den bedriften eller virksomheten du arbeidet i i løpet av 1991?

Ja.....	H18 1
Nei.....	2
Var ikke yrkesaktiv.....	3
Vet ikke.....	4

95 Føler du at du har behov for mer utdanning eller kurs i din nåværende jobb enn det du har fått hittil?

Ja.....	H19 1
Nei (= 98).....	2
Vet ikke (= 98).....	3

VIS KORT

96 Hvilken type tilbud om videre utdanning ønsker du helst, forutsatt at tilbudet er gratis for deg?

KUN ETT SVAR

• Permisjon med lønn for å følge heltidsutdanning som arbeidsgiver samtykker i på dagtid.....	H20-21 01
• Permisjon uten lønn for å følge heltidsutdanning etter eget valg på dagtid.....	02
• Opplæring på arbeidsplassen.....	03
• Korte yrkesrettede kurs på dagtid med delvis permisjon og full lønn.....	04
• Tilbud utenom arbeidstiden betalt av arbeidsgiver.....	05
• Anledning til å ta fagbrev etter paragraf 20 i Lov om fagopplæring i arbeidslivet.....	06
• Annet, notér.....	
.....	
.....	
• (Vet ikke).....	99

VIS KORT

97 Hvorfor ønsker du mer utdanning? Angi den viktigste og den nest viktigste grunnen.

	Vikt-igste H22	Nest vikt-igste H23
• For å kunne mestre nåværende jobb bedre.....	1	1
• For å kunne utføre nye arbeidsoppgaver i nåværende jobb.....	2	2
• For å kunne mestre annen jobb i samme bedrift eller virksomhet.....	3	3
• For å oppnå høyere lønn.....	4	4
• For å kunne stille sterkere ved eventuelt jobbskifte.....	5	5
• Andre grunner.....	6	6

VIS KORT

98 Med den erfaring du har fra arbeidslivet pr. idag, hvor ofte synes du at du trenger etterutdanning for å føle deg oppdatert i jobb, fag eller yrke?

	H24
En gang pr. år eller oftere	1
En gang hvert annet år	2
En gang hvert tredje år	3
En gang hvert femte år	4
Sjeldnere	5
Ikke i det hele tatt	6
(Vet ikke/Ingen mening)	7

99 Er du...

LES OPP

	H25
Arbeider, ufaglært	1
Arbeider, faglært (⇒ 101)	2
Funksjonær, ledende stilling (⇒ 101)	3
Funksjonær ellers (⇒ 101)	4
Selvstendig (⇒ 101)	5
Annet (⇒ 101)	6

VIS KORT

100 Idag er det populært å ta fagbrev. Det har det ikke alltid vært. Hva er det som gjør at du ikke har fagbrev?

Har ikke tenkt på det	H26
Har ikke fått skoleplass	H27
Fikk jobb uten fagbrev	H28
Har ikke fått opplæringsplass	H29
Har ikke lyst	H30
Før i tiden lønte det seg ikke	H31
Er lei av skolen	H32

H33-36

Annet, notér	33-34
.....	
.....	
.....	
(Vet ikke/Ingen mening)	H37

101

Kjenner du til at det er foretatt noen kartlegging av opplæringsbehovet, eller utviklet planer for opplæring av de ansatte i den bedriften eller virksomheten du arbeider?

H38

Ja, behovet er kartlagt/planer er utviklet	1
Nei, behovet er ikke kartlagt/planer er ikke utviklet ..	2
Vet ikke	3

VIS KORT MED STRATEGIER

102

Mange mener det er stort og udekket behov for videre- og etterutdanning blant ansatte idag. Hvordan mener du fag- og yrkesorganisasjonene bør forholde seg til denne situasjonen? Pek på den strategien du mener er viktigst.

H39

• Organisasjonene bør arbeide for at det offentlige øker sitt tilbud	1
• Organisasjonene bør arbeide for at den enkelte bedrift eller virksomhet utvikler planer og gir flere tilbud	2
• Organisasjonene bør oppmuntre private utdanningsinstitusjoner til å utvikle flere tilbud	3
• Organisasjonene bør arbeide for å tariff-feste retten til etter- og videreutdanning	4
• Organisasjonene bør selv utvikle flere tilbud for sine medlemmer	5
• (Vet ikke/Ingen mening)	6

Nå følger noen spørsmål om tilleggsgoder eller velferdsgoder som helt eller delvis betales av arbeidsgiver. Vi tenker særlig på velferdsgoder som utvider allerede eksisterende offentlige ordninger, som for eksempel tjenestepensjon, ekstra forsikringer, full sykelønn og lengre fødselspermisjon. Dette er ordninger som for mange kommer i tillegg til den vanlige lønnen, og det er en klar tendens til at høytlønte får flere og bedre ordninger enn lavtlente.

VIS KORT

103

Hvem mener du er best egnet til å bestemme hvilke tilleggsgoder som skal gjelde i arbeidslivet?

KUN ETT SVAR

H40

• Den enkelte ansatte sammen med ledelsen	1
• Den lokale fagforeningen eller klubben, sammen med ledelsen	2
• Ledelsen ved den enkelte bedriften eller virksomheten alene	3
• Arbeidsgiver- og arbeidstakerorganisasjonene på nasjonalt nivå	4
• Andre	5
• (Vet ikke/Ingen mening)	6

VIS KORT

104	Stortinget har vedtatt å redusere opptjeningen av tilleggspensjon i folketrygden fra 1992. Dette betyr at folketrygden i fremtiden ikke vil yte nok til å dekke mange arbeidstakers behov for alderspensjon. Hva mener du fag- og yrkesorganisasjonene bør gjøre i denne situasjonen?	
• Arbeide for at reduksjonen oppheves, slik at folketrygden fremdeles blir den viktigste kilden til alderspensjon	H41	
• Reise krav om nye pensjonsordninger i de sentrale, nasjonale lønnsforhandlingene	H42	
• La de lokale fagforeningene og klubbene forsøke å forhandle seg frem til nye eller forbedrede pensjonsordninger ved den enkelte bedrift eller virksomhet	H43	
• La det være opp til arbeidsgiverne å vurdere om den enkelte virksomhet har midler til å innføre eller forbedre pensjonsordninger	H44	
• Oppfordre den enkelte ansatte til å skaffe seg privat tilleggspensjon i en bank eller et forsikringssekskap	H45	
• (Annet/Vet ikke)	H46	

VIS KORT

105	Hvilken av de følgende påstander dekker best ditt syn på hvordan myndighetene bør forholde seg til den økende utbredelsen av tilleggssordninger i arbeidslivet?	
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KUN ETT SVAR

• Myndighetene bør begrense eller stoppe bruken av tilleggssordninger	H47	1
• Myndighetene bør stimulere utviklingen av tilleggssordninger ved å innføre skattefordeler eller lignende tiltak	2	
• Myndighetene bør oppfordre organisasjonene i arbeidslivet til å inngå landsdekkende avtaler om tilleggssordninger	3	
• Myndighetene bør følge opp utviklingen ved å redusere statens ansvar for andre offentlige velferdsordninger	4	
• (Vet ikke/ingen mening)	5	

106	Har du eller har du hatt tilhørsvær i en fag- eller yrkesorganisasjon?	
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Ja, har nå	H48	1
Ja, har hatt tidligere	2	
Nei	3	

107	Er du idag medlem av et fagforbund, eller en yrkesorganisasjon i tilknytning til ditt nåværende eller tidligere yrke?	
------------	---	--

Ja	H49	1
Nei (= 111)	2	
Ikke sikker (= 111)	3	

108	Hva heter fagforbundet eller yrkesorganisasjonen? Vi mener ikke her LO, YS osv., men forbundsnavn som f.eks. Norsk Sykepleierforbund.	
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FOR MMI

NOTER FULLT NAVN, IKKE BARE FORKORTELSER:

H50-52

VIS KORT

109	Hvilken hovedsammenslutning tilhører du, eller er forbundet ditt et frittstående forbund for lønnstakere/profesjoner?	
------------	---	--

LO	H53	1
YS	2	
AF	3	
Frittstående	4	
Vet ikke	5	

VIS KORT

110	Hvilke tre saksområder mener du din hovedsammenslutning satser mest på?	
------------	---	--

Satser mest på **110.A**

• Lønnsspørsmål	H54	H68
• Arbeidsmiljø	H55	H69
• Lånemuligheter	H56	H70
• Pensjonsspørsmål	H57	H71
• Inntektsutjevning	H58	H72
• Sysselsetting	H59	H73
• Solidaritet	H60	H74
• Likestilling mellom kjønnene	H61	H75
• Påvirke politiske partier	H62	H76
• Yngre arbeidstakers interesser/problemer	H63	H77
• Arbeidstid og andre arbeidsforhold	H64	H78
• Yrkesfaglige spørsmål	H65	H79
• Andre	H66	H80
• Ingen områder	H67	I10

110.B VIS KORT

Hvilke tre av de samme saksområdene mener du at din hovedsammenslutning bør satse mest på?	
--	--

GÅ TIL SPM. 113

VIS KORT

111	Hvilke tre saksområder mener du at yrkesorganisasjonene/fagforbundene satser mest på?	
	Satser mest på	111.A
	↓	
• Lønnsspørsmål.....	I11	I25
• Arbeidsmiljø.....	I12	I26
• Lånemuligheter.....	I13	I27
• Pensjonsspørsmål.....	I14	I28
• Inntekstutjevning.....	I15	I29
• Sysselsetting.....	I16	I30
• Solidaritet.....	I17	I31
• Likestilling mellom kjønnene.....	I18	I32
• Påvirke politiske partier.....	I19	I33
• Yngre arbeidstakers interesser/problemer.....	I20	I34
• Arbeidstid og andre arbeidsforhold.....	I21	I35
• Yrkesfaglige spørsmål.....	I22	I36
• Andre.....	I23	I37
• Ingen områder.....	I24	I38
	↑	
111.B	VIS KORT	
	Hvilke tre av de samme saksområdene mener du at yrkesorganisasjonene/ fagforbundene bør satse mest på?	
112	Vil du melde deg inn i et fagforbund eller en yrkesorganisasjon dersom de tilbyr kompetansegivende kurs eller annen videreutdanning?	
		I39
Ja.....		1
Nei.....		2
Ikke sikker.....		3

DEMOGRAFI - TIL ALLE	
A	Hva er din alder?
NOTER	
ANTALL	ÅR 150-51
B	Hva er din stilling i husstanden?
	153
Husfar (mann).....	1
Husmor (kvinne).....	2
Sønn.....	3
Datter.....	4
Annet.....	5
C	Hvor mange personer med betalt arbeid er det her i husstanden?
	154
En person.....	1
To personer.....	2
Tre personer.....	3
Fire personer.....	4
Fem og flere.....	5
Ingen.....	6
D	SE SPØRREBOK SIDE 14
Hva vil du anslå husstandens samlede brutto inntekt til pr. år?	
Altså all samlet inntekt før skatt og fradrag.	
	916-17
Inntil kr. 60.000.....	01
Kr. 60.-100.000.....	02
Kr. 100.-160.000.....	03
Kr. 160.-200.000.....	04
Kr. 200.-300.000.....	05
Kr. 300.-400.000.....	06
Kr. 400.-500.000.....	07
Kr. 500.000 eller mer.....	08
MERK AV FOR....	
Ville ikke svare.....	09
Visste ikke.....	10
E	SE SPØRREBOK SIDE 15
Hva vil du anslå din personlige brutto samlede inntekt til pr. år?	
Altså all samlet inntekt før skatt og fradrag.	
	918-19
Inntil kr. 60.000.....	01
Kr. 60.-100.000.....	02
Kr. 100.-160.000.....	03
Kr. 160.-200.000.....	04
Kr. 200.-300.000.....	05
Kr. 300.-400.000.....	06
Kr. 400.-500.000.....	07
Kr. 500.000 eller mer.....	08
MERK AV FOR....	
Ville ikke svare.....	09
Visste ikke.....	10

F	Er du
	LES OPP
Gift.....	157
Samboer.....	1
Ugift/Aldri vært gift.....	2
Tidligere gift/Separert/Fraskilt.....	3
Enke/Enkemann.....	4
	5
G	Hvor mange personer bor det her i husstanden?
	158
En person.....	1
To personer.....	2
Tre personer.....	3
Fire personer.....	4
Fem personer.....	5
Seks personer.....	6
Flere enn seks personer.....	7
H	Hvor mange hjemmевærende barn eller ungdom er det i husstanden?
NOTER ANTALL	159
I	I hvilke aldersgrupper er disse?
NOTER ANTALL FOR HVER ALDERSGRUPPE	
0-2 år.....	160
3-4 år.....	161
5-7 år.....	162
8-10 år.....	163
11-13 år.....	164
14-16 år.....	165
17-19 år.....	166
20 år +.....	167
J	Har du selv betalt arbeid på heltid eller deltid?
	168
Ja, heltid.....	1
Ja, deltid.....	2
Variert.....	3
Nei.....	4
K	SE SPØRREBOK SIDE 16
Hvilken type stilling har du?	
	920-21
Arbeider, ufaglært.....	01
Arbeider, faglært.....	02
Funksjonær, ledende stilling..	03
Funksjonær ellers.....	04
Selvstendig.....	05
Elev/Student/Lærling.....	06
For tiden arbeidsløs.....	07
Alderspensjonist.....	08
Trygdet.....	09
Gift uten eget betalt arbeid....	10
Annet.....	11

L	SE SPØRREBOK SIDE 17
Innen hvilken bransje arbeider du?	
	924-25
Industri/Håndverk.....	01
Varehandel/Butikk.....	02
Samferdsel/Transport/Post/Tele.....	03
Jordbruk/Skogbruk.....	04
Helsevesen/Sosialomsorg.....	05
Undervisning/Forskning.....	06
Bank/Forsikring/Finans.....	07
Forretningsmessig tjenesteyting.....	08
Offentlig administrasjon/Forsvar/Polit/Rettsvesen.....	09
Annet yrke.....	10
Intet yrke.....	11
M	Arbeider du i offentlig eller privat virksomhet?
	172
Offentlig.....	1
Privat.....	2
Andre svar.....	3
N	SE SPØRREBOK SIDE 18
Egen almenutdannelse	
	174
Folkeskolenivå.....	1
(Inntil 8 års skolegang)	
Ungdomsskole/Realskolenivå.....	2
(9-10 års skolegang)	
Videregående skole/Gymnasnivå.....	3
(11-13 års skolegang)	
Universitetsnivå.....	4
(Mer enn 12 års skolegang + studier)	
HVIS UNIVERSITETSNIVÅ:	
O	Du anga mer enn 12 års skolegang + studier. Har du avsluttet universitets- eller høyskoleeksamen med akademisk tittel?
	176
Ja.....	1
Nei.....	2
Annet, noter.....	3
P	Boligtype
REGISTRERES	
	178
Enebolig.....	1
2-4-manns bolig.....	2
Rekkehus.....	3
Blokk/Bygård o.l.....	4
Hybel.....	5
Annet.....	6

4. The 1995 OPINION wage earners survey

This survey was conducted as a part of a research project on state and local government occupational pensions financed by trade unions in the public sector. See Fløtten, Gautun and Hippe (1996) for the final report from the project. The 1995 survey was conducted in order to map attitudes to occupational pensions. One chapter in the project report, written by Hippe, offers a first analysis of this data set. Chapter 10 in this work takes the analysis a step further as well as includes other data sources as well.

The sample is a random sample from Telenors list of private phone subscribers. A total number 2 738 people was randomly chosen over the age of 18. Of these there were no answer in 503 cases. All numbers were called three times. In 237 cases the respondent refused to answer. In 793 cases the respondent where not a wage earners and where therefor left out.

A	Gross sample	2 738
B	Non response	740
	(1) No answer	503
	(2) Refusals	237
C	Non wage earners	793
D	Net sample	1 205

Response rate (A – B) 73% .The interviews were conducted by OPINION from June 8 to 15. 1995.

See next page for complete questionnaire

OPINION AS

LANDSOMFATTENDE UNDERSØKELSE BLANT YRKESAKTIVE

8. - 15. JUNI 1995

1. Arbeider du i privat, fylkeskommunal/kommunal eller statlig sektor, eventuelt er du lærer i grunnskole eller videregående skole?

- 1: Privat
- 2: Kommunal, fylkeskommunal
- 3: Statlig
- 4: Pedagogisk personale i grunnskole og videregående

2. På mange arbeidsplasser er det som et tillegg til Folketrygden opprettet egen pensjonsordning for de ansatte. Vi tenker blant annet på Statens Pensjonskasse for statsansatte, KLP for kommuneansatte, og ulike bedriftspensjonsordninger i privat sektor. Slike pensjoner gir utbetalt pensjon i tillegg til folketrygden. Er du medlem i eller tilknyttet en slik pensjonsordning?

- 1: Ja
- 2: Nei =====> GÅ TIL
- 3: Ikke sikker ==> SPM05

HVIS PRIVAT ANSATT:

3. Har du inntrykk av at din tjenstepensjonsordning er bedre eller dårligere enn de pensjonsordninger som gjelder for tilsvarende ansatte i stat og kommune?

LES ALTERNATIVENE:

- 1: Mye bedre
- 2: Noe bedre
- 3: Omtrent det samme
- 4: Noe dårligere
- 5: Mye dårligere
- 6: Ikke sikker

HVIS OFFENTLIG ANSATT:

4. Har du inntrykk av at din tjenstepensjonsordning er bedre eller dårligere enn de pensjonsordninger som gjelder for tilsvarende ansatte i privat næringsliv?

LES ALTERNATIVENE:

- 1: Mye bedre
- 2: Noe bedre
- 3: Omtrent det samme
- 4: Noe dårligere
- 5: Mye dårligere
- 6: Ikke sikker

HVIS OFFENTLIG ANSATT:

5. Hvem er det som i praksis bestemmer om en tjenstepensjon skal innføres på en arbeidsplass, og som bestemmer kvaliteten på de ytelsene som skal innføres? LES ALTERNATIVENE

- 1: Stortinget
- 2: Ansatte sammen med arbeidsgiver
- 3: Fagorganisasjon, fagforening sammen med arbeidsgiver
- 4: Arbeidsgiver alene
- 5: Andre
- 6: Ikke sikker

HVIS PRIVAT ANSATT:

6. Hvem er det som i praksis bestemmer om en tjenstepensjon skal innføres på en arbeidsplass, og som bestemmer kvaliteten på de ytelsene som skal innføres? LES ALTERNATIVENE

- 1: Ansatte sammen med arbeidsgiver
- 2: Fagorganisasjon, fagforening sammen med arbeidsgiver
- 3: Arbeidsgiver alene
- 4: Andre
- 5: Ikke sikker

7. Hvem burde etter din mening bestemme i spørsmål knyttet til tjenstepensjoner?

- 1: Stortinget
- 2: Ansatte sammen med arbeidsgiver
- 3: Fagorganisasjon, fagforening sammen med arbeidsgiver
- 4: Arbeidsgiver alene
- 5: Andre
- 6: Ikke sikker

Bargaining, Politics, and Solidarity: A Different Story?

The Norwegian case offers an opportunity to tell a different story of occupational welfare. Opposed to what is conventionally perceived, this work argues that occupational welfare plays an important role in the Norwegian welfare state and that, in certain periods, the growth of these arrangements has been a precondition for an expansion of public social policy programs. The study offers an analysis of the historical development of occupational welfare and its interplay with public programs as well as an analysis of why such benefits are offered by private sector companies. Among the conclusions drawn are:

- Employee benefits that can be closely linked to social policy schemes (i.e. occupational welfare) show increasing importance as a form of remuneration and do form a distinct part of indirect remuneration
- The provision of occupational welfare benefits is determined by factors internal to the firm, such as the organizations of labor relations, the system of wage bargaining and personnel policies. Employers tend to adjust their welfare strategies when unions enter the picture
- The relationship between private and public welfare provision has been far from mechanical in the way that traditional theories of substitution could lead one to think. The substitution effect is to a large extent dependent on the nature of labor market institution

This analysis of occupational welfare indicates a revised understanding of how the Norwegian welfare state came to be far from a heroic version of welfare state development as a result of a grand strategic plan in which a homogenous labor movement consolidates its political power and quite simply legislates the "new society".



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Fafo-report 228

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