Espen Løken and Alexandre de Freitas Barbosa

Industrial bacalao?

Industrial relations in Norway and Brazil and within Norwegian companies in Brazil

Fafo

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Preface

The visit by the Norwegian Minister of Development to Brazil in 2006, along with the resulting dialogue between the two countries forms the background for this report. A "Forum for social dialogue" is planned as an arena for this dialogue, where trade unions, employers' associations and authorities from the two countries will take part.

The Norwegian Ministry of Foreign Affairs engaged Fafo to produce a report on industrial relations within the two countries to serve as a basis for discussions about developing the social dialogue within the working life in Brazil. Fafo engaged Instituto Observatorio Social (Social Observatory) in Brazil (IOS) as a partner on the project, and the resulting report is a joint production of the two institutions.

Espen Løken has been project manager, while Alexandre de Freitas Barbosa has coordinated the work at IOS. At IOS a research group was established, consisting of Ana Iervolino, Ana Luíza Cernov, Angela Tepassê, Cláudia Cirino de Oliveira, Luciana Hachmann, Mércia Consolação Silva and Vicente Gomes Neto who all have contributed to the production.

As part of the project we have studied Norwegian companies with substantial activities in Brazil as well as examining labour relations in their subsidiaries. This work was done through the use of interviews of managers and union representatives in both countries, and visits to four subsidiaries. I want to thank all the people who gave of their time to furnish us with crucial information, without which this report would have been less relevant for the social partners. I would like to especially thank the companies we visited in Brazil – Norsk Hydro, Yara, Kongsberg Automotive and Mustad – for their hospitality and openness while we were there. The companies have had the possibility to comment on the parts of the report that directly concern them (part 4 and 5).

Thanks also to Sissel Trygstad, Fafo, who has been responsible for a related project on CSR, also commissioned by the Norwegian Ministry of Foreign Affairs, for her pleasant and helpful company on the two trips to Brazil. She took part in the interviews with the companies there, as well as in some of the interviews in Norway. I also want to thank Jon Erik Dølvik at Fafo who has read the report and contributed extensive comments. And last, but not least, I would like to thank Fafos Information office who have proofread the text and done the layout work. Fafo's Council Programme has contributed to the publishing of this report.

Oslo, January 2008
Espen Løken

Part 1: Introduction

A quick glance at the figures in table 1-1 will be sufficient to get an idea of the striking differences between the countries which serve as the research focus of this paper. The remarkable disparity displayed by the Human Development Index (HDI)[1] reflects very distinct economical, technological and social outcomes. Brazilian GDP per capita represents around 20% of the Norwegian figure. The technological divide is huge, even though not as significant as the educational and health gaps. Yet the sharpest contrast comes when we compare distributional features of the most egalitarian societies of the world with one of the societies most marked by inequality.

An obvious difference is the size of the two countries. The Brazilian population is 40 times larger than the Norwegian. The unemployed by themselves in this South-American country comprise a group around twice the population of Norway. Another

Table 1-1 Some basic facts.

	Norway	Brazil
HDI position	2	70
GDP per capita (USD, measured by purchasing power parity)	41 420	8 402
Adult illiteracy rate (% aged 15 and older)	1.0	11.7
Under-five mortality rate (per 1000 live births)	4	33
Inequality measure, ratio of richest 10% to poorest 10%	6.1	51.3
Population living below $2 a day (in % of total population)	0	21.2
Internet users (per 1000 people)	735	195
Patents granted to residents (per million people)	103	1
Population, total	4 639 000	186 831 000

Source: UNDP 20072008 Human Development Report based on figures from 2005.

[1] HDI is a summary composite index that measures a country's average achievements in three basic aspects of human development: health, knowledge, and a decent standard of living. Health is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita (PPP US$).

striking difference between these two advanced industrialized countries is the huge informal sector in Brazil, a sector which is almost non-existent in Norway.

What accounts for these incredible differences between the two societies? Geography and history are certainly key components of this tale. One of the countries had the advantage of being situated close to central Europe whose market it could supply without becoming a colony. The other country received more than 4 million slaves from Africa, lost an important part of its indigenous population and was exposed to foreign control of its production. Actually, the slavery system didn't vanish all of a sudden at the end of the 19th century. Rather, it was replaced by a repressive labour system affecting mainly the poorer parts of the country, in particular the black population.

The comparison of these two countries further highlights a stark contrast. One of the countries has been a peaceful democracy and welfare state for many decades, whereas the other has endured twenty years of military dictatorship. In Brazil, the real power has remained within a consortium of elites, even during the industrialization period, and more recently, after the redemocratisation process.

This is indeed a very rough picture that doesn't reflect the complex reality of these two countries. However, our purpose here is to shed light on how the labour history – and its relations with business and the state – mirrors and shapes these macro developments. Both countries have large and powerful trade unions and employers' organisations today, but, as we shall see in this document, different sorts of industrial relations arose.

In Norway, today's configuration of industrial relations was shaped in the 1930s and the post-war period after years of economic crisis, mass unemployment and large industrial conflicts. This configuration is based on both workplace co-determination at the company level, national collective agreements and central concertation[2] through which the trade unions and employers' organisations are incorporated in public decision-making processes and in implementing public policy. This "Norwegian model" was shaped within a political configuration where organised labour was a part of the government for decades, and which has resulted in a relatively stable balance of power between labour and capital. This class compromise evolved in the aftermath of the second world war and the economic depression in the 1930s which paved the way for the first Basic Agreement struck in 1935.

The two-tier system of relations between the unions and employers both at the national and company level emerged during a long period of democracy and economic growth. The union entities at the workplaces are the building blocks of the trade unions and are necessary pre-conditions for the development of workers' involvement and co-determination within the companies. Workers participation is enabled both

[2] Concertation means that the social partners are incorporated regularly and institutionalized within the public decision processes and in implementing public policy.

through a system of representative bodies, as well as through collective bargaining at the company level and through direct individual participation undertaken by employees. In addition to collective agreements, statutory regulation has been used as a tool to build and bolster the model, as is exemplified by the granting of board-level representation in 1973 to employees.

In the case of Brazil, industrialisation gave birth to a national working class protected by labour rights, but such legislation did not benefit all segments of the labour force. The labour movement did not succeed in uniting workers in the manufacturing sector with the country's landless rural workers, small land holders and the urban underemployed living under precarious conditions. Moreover, the trade unions were heavily controlled by the State, and autonomous collective bargaining was rare.

The 1988 Brazilian Constitution eliminated previous ideological restrictions against workers seeking to be elected to trade union boards, and suppressed a provision that allowed the Ministry of Labour to directly intervene in the unions and even remove officials who had been legitimately elected by the workers. At the same time, collective agreements and conventions spread to various sectors.

However, the huge informal sector together with rising unemployment – fuelled by the restrictive neoliberal policies pursued to foster competitiveness in the 1990's – complemented by the maintenance of a traditional, top-down trade union structure did not allow for a reshaping of Brazilian labour relations. Between the 1930's and 1960's trade unions gained a degree of power, but they remained under state control, and were again weakened during the military rule from 1964 to1985. In the late seventies a new brand of trade unionism blossomed, which fought for democratization and for substantial changes in the structure of trade unions, which was considered outdated. Since then, no substantial changes have evolved in the trade union structure, even though the redemocratisation opened space for new grass-root movements. Nonetheless, important progress has been made as measured by several social indicators, as has happened during the first Lula government,.

Indeed, rebuilding from the bottom-up and modernization are fundamental for development of a more representative trade union movement – and for better functioning of collective bargaining. A significant difference between the two countries is that while the Norwegian model is based on a two-tiered system of relations at both the company level and the national level, there exists hardly any management-labour relations or dialogue within Brazilian companies. This fault cannot be remedied overnight, however, simply by allowing worker representation at the company level in Brazil. If not linked to a broader set of institutions and a coherent strategy for fostering participation, dialogue and representative actors (bottom up), such a change could jeopardize the strength of unions even further. Therefore we think that the Norwegian experience is worth being studied by the Brazilian social partners, as it represents a fairly coherent model in which actors at national, sector and company levels of industrial organization interact with one another.

About the project and the report

In 2006 the Norwegian Minister of Development visited Brazil. This visit led to an agreement to strengthen the dialogue and exchange of experiences between the two countries on several issues. Formation of a "forum for social dialogue" will assist in the exchange of experiences within the realm of industrial relations through the active participation of trade unions, employers' associations, and authorities of Brazil and Norway.

This report has two goals. The first is to furnish the social partners with basic knowledge about the patterns of industrial relations in the two countries, with special focus on cooperation and dialogue at the company level. While these patterns are very different in many respects, there are at the same time striking similarities, such as the fact that both countries have relatively strong trade unions and employers' associations. The ability to extend a dialogue and learn from each other necessitates deepening this knowledge base.

The second goal is to look into labour relations within subsidiaries of Norwegian companies in Brazil. As there is an increasing number of Norwegian owned companies operating in Brazil, it is interesting to examine these companies' practice of bringing with them Norwegian business culture partly or in its entirety. This examination is useful with a view to explore further if, and how, attractive parts of Norwegian industrial relations can be introduced in Brazil, and to ascertain the main obstacles to such a transfer of good practice.

The sections of the report which focus on industrial relations in the two countries and Norwegian investments in Brazil are based on studies of the literature, public statistics and earlier research conducted by Fafo and IOS. Industrial relations is a core research topic at both institutes. In order to explore the attitudes and opinions of the Norwegian companies we have interviewed managers and trade union representatives in seven companies in Norway, all of which have substantial production in Brazil. These companies were selected on the basis of having production facilities in Brazil and/or a large number of Brazilian employees. Three more companies were asked, but either did not want to, or did not have the time to, participate. In addition, we visited four of the companies' subsidiaries, situated in the Sao Paulo and Porto Alegre area, varying from smaller plants like Mustad and Kongsberg Automotive to medium sized Hydro Acro and the larger Yara. During these visits we interviewed local managers. In addition, we received supplemental information from the local President of Aker Kværner Brasil.

We have also benefited from earlier IOS reports on Norske Skog and Norsk Hydro. In order to supplement the views of management we interviewed members of trade unions representing the workers at Hydro Acro, Mustad and Yara (Rio Grande plant). Given the limited number of companies surveyed, and especially the limited number of interviews conducted in Brazil, the section of the report concerning Norwegian companies should mainly be regarded as an exploratory study aimed at establishing an initial overview of the topic.

The report is organised in five parts in addition to this introduction:

- Parts 2 and 3 are descriptions of Norwegian and Brazilian industrial relations. These parts are structured in the same way. Initially a set of basic facts about the labour market, wages, the welfare system and legal frameworks are established. This is followed by an overview of trade unions and employers' organisations, together with the systems of collective bargaining and of wage setting mechanisms, before we describe the relations between the social partners at both national/sector and company levels.
- Part 4 provides a short overview of Norwegian investments in Brazil
- Part 5 is devoted to industrial relations within Norwegian companies in Brazil. After a short introduction to the companies in question, we analyze company policy documents and summarize Norwegian managers' and trade union representatives' perceptions of their activity in Brazil. Then we share some of our impressions of the reality in the companies' subsidiaries, and discuss briefly possible reasons for the gap between ideals and realities.
- In part 6 we summarize the main issues which we think ought to be taken into account in further dialogues, and we share some thoughts on possible pilot projects suited to the acquisition of additional experience.

Part 2: Industrial relations in Norway

Introduction

The Norwegian model

The Norwegian or Nordic model is not a well defined concept. In general, the following characteristics are often emphasized:

- Universal welfare arrangements and a large public sector
- High employment, among both men and women
- Small wage differences and a large degree of social mobility
- Strong collective actors
- Both centrally coordinated wage formation and local bargaining at company level
- Close cooperation between the government, employers' associations and trade unions as well as strong co-determination and participation at company level

An important feature of the model is that strength characterizes organisations both on the employees' and employers' side, as well as the relations between them that have been built through many decades. Another feature of the model is the high trade union density relative to international conditions. In addition, long traditions of collective agreements and public regulation of industrial conflicts fill out the model.

The cooperation between employers and employees is based on four pillars that work together.

- Cooperation between a strong trade union movement, centralised employers' associations and the State, at the *national* level. This cooperation has many times displayed the capacity to deliver results and there has existed a general consensus between the large political parties on the importance of this.
- Cooperation between employers and employees at the *company* level, which provides legitimacy, contributes to productivity and a low level of conflict.
- Co-determination and representation on the Board of Directors

- A strong Work Environment Act that protects workers' rights, and at the same time emphasizes the workers' obligation to participate in creating a sound work environment

It should be noted that the strong ties between national organisations have their counterpart within the companies. The management and the workplace branch of the union(s) are responsible for the implementation at the company level of national accords and the results of collective bargaining as well as responsible for participation within productivity enhancement, restructuring and organizational development (Dølvik 2007). This combination of national and local structures allows for a flexible practice of the regulations within each company.

Taken as a whole, one may say that these pillars represent a fundament of shared values and ideas based on the belief that cooperation leads to productivity and the ability to restructure at the company level. According to this belief, cooperation leads to a sound economy at the national level, while also furthering increases in real wages and a sound work environment for the workers. Therefore cooperation is valued by both the trade unions and the employers, and is a principle which has dominated Norwegian working life at least since World War II. This model has always been anchored in both the protection of workers rights on one side and maintaining stable and predictable environments for the companies on the other side.

Both laws and collective agreements are used as tools to implement and maintain the model. The power of these tools resides in the recognition by the parties of both rights and duties, and of an acknowledgement of a common goal which is beneficial for both the community for the company, and, in addition, a recognition of the fact that the parties have both common and conflicting interests. This results in a relatively stable balance of power between labour and capital, a balance deeply anchored in a class compromise connected to historical and political developments. (Dølvik 2007).

Brief historical background

Workplace participation and cooperation in the growth of productivity and industrial restructuring complementing central concertation have been key features of Norwegian industrial relations, which were shaped in the 1930s and post-war period. But the first nationwide collective agreement was agreed upon already one hundred years ago (1907) within the metal manufacturing industry ("Jernavtalen"). This agreement did not just establish the mutual recognition of the organised parties, but also established a negotiating system of collective agreements, voluntary mediation and arbitration.

After a period of economic crisis, mass unemployment and industrial conflicts in the 1920s and 1930s, a cooperative system of industrial relations became institutionalized with the signing of the first *Basic Agreement* by the employers' organisation NAF (today NHO) and The Confederation of Trade Unions (LO) in 1935. This agreement has subsequently been a part of all collective agreements between the parties, and is often referred to as the Constitution of Working Life.[3] The same year, a crisis pact between the Labour party and the Agrarian party brought organized labour into the government This event formed the beginning of a long lasting coalition between labour, small farmers and fishermen which has been a persistent feature of the political configuration in which Norwegian industrial relations have been embedded (Dølvik and Stokke 1998).

After World War II a strong feeling of solidarity emerged among the population. The country was to be rebuilt, and the trade unions joined in this effort as the Labour Party was in the driver's seat. It was a central policy within all unions to contribute actively to industrial modernization in order to ensure productivity and profitability. The slogan was "Moderation today – prosperity tomorrow". With the goal of enhancing productivity so-called *Production Committees* were established in many companies already in 1945. Throughout this post war period the aforementioned duality always lay as a fundament: the workers contributed to the companies' efforts to increase industrial growth and to moderate wage increases, and in return the workers benefited from growth, acquired their rights and secured the work environment. This dualism was the basis for the reforms of both the system for negotiations and for industrial democracy which were developed during the 1960s and 1970s.

In the 1960s and 1970s, a regulatory regime for moderate wage increases and for well-organised capitalism was developed further. In the 1960s, the so-called "frontfagsmodellen" was introduced, meaning that negotiations conducted within a few industries which were characteristically exposed to competition from abroad, set the norm for wage increases for all other industries and sectors. The central wage negotiations in the private sector were coordinated, a permanent Contact Committee between LO, NAF and the state was established, and the wage agreements in all municipalities were merged into one common national agreement.

Cooperation committees (works councils) as we know them today were established throughout the private sector as a consequence of the Cooperation Agreement which was established between NAF and LO in 1966 as part of the Basic Agreement. Similar cooperative agreements were established in the public sector in 1980 (the state) and 1982 (the municipalities).

During the late 1960s the debate regarding Board level representation within the companies became serious. A few years later, employees were granted Board-level participation through the *Limited Liability Companies Act* (1973) along with equal rights and duties befitting their status as shareholders' representatives. In 1977 the

[3] Later the organisation picture has become more complex as more nationwide organisations have emerged both on the employers' side and the unions' side. See more on this later.

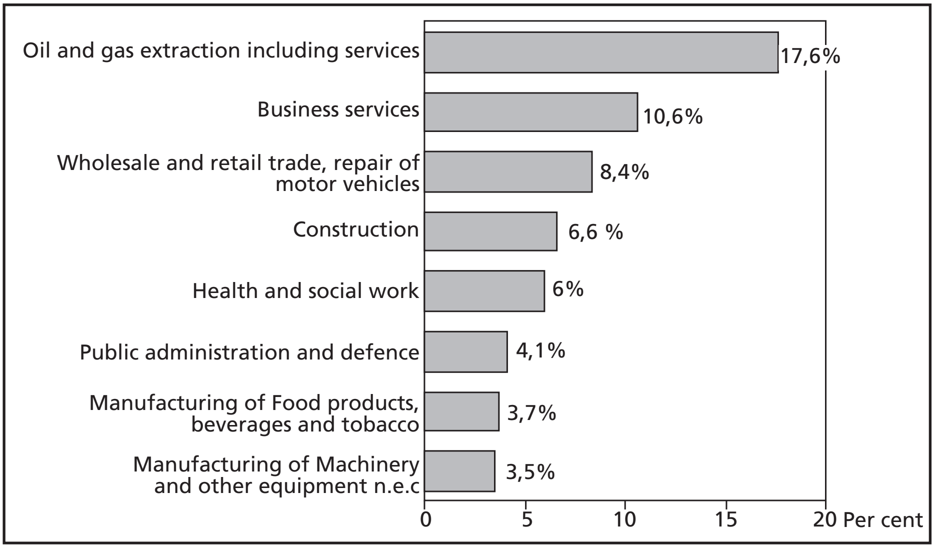
Work Environment Act extended existing schemes of employee participation through the activities of Work Environment Committees and safety delegates. This is a strong protection act which in principle puts the work environment before profitability, and is based on the notion that workers' participation and a sound working environment will lead to efficient production.

Main industries/trades

Gross Domestic Product (GDP) per capita was NOK 462,000 (USD 77,000)[4] in 2006. Only Luxembourg has a higher GDP in Europe, when adjusted for differences in price levels between countries. The Norwegian economy is small and open. Industrialisation arrived late and exports have to a large extent been dominated by raw materials such as fisheries, forestry, and semi-finished metals and chemicals produced through the use of cheap hydro power. Since oil was discovered in 1968, the petroleum sector has gained increasing economic importance. In 2006, the oil industry accounted for 26 per cent of GDP and half of Norway's exports, though this industry did not even exist in 1970.

The picture changes when it comes to employment. The dominant industries in this respect are Health and social services (19.3%), Retail trade (8.1%), Education (7.8%)

Figure 2-1 Most important industries 2006 (share of total production prices).



[4] The exchange rate between USD and NOK has varied between 5.50 and 6.50 NOK per USD during the last year. In this report we use the middle value NOK 6.00 per USD as basis for all calculations. As of December 2007 the exchange rate is 5.50 NOK per USD.

and Public administration, defense and compulsory social security (6.4%). Manufacturing industries employ only 269.491 persons altogether, 11.2% of the total number of employed persons. The oil and gas industry, by far the most important industry in respect to the cost of production, employs only 1.4%.

In recent years, Norway has run a surplus in external trade, thanks in large part to high revenues from oil and gas. Thus the value of exported goods and services is greater than the value of imports. The last time Norway had an export deficit was in 1988. In 2006, Norway had an export surplus of USD 65.5 million. This made up 18 per cent of GDP.

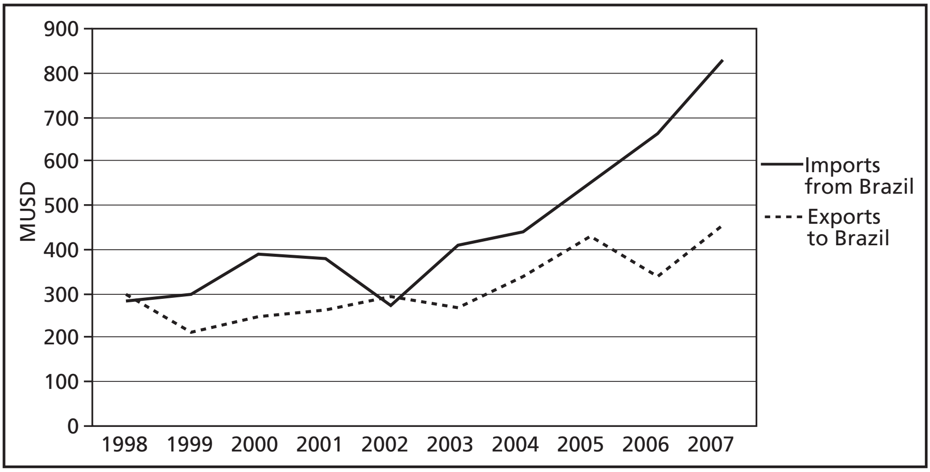
Exports of crude oil and natural gas comprise 49.7% - close to half - of total Norwegian exports of USD 132 billion. Product manufacturing makes up 24.7% of exports, where machinery and other equipment (6.8%), basic metals (6.5%) and refined petroleum products (2.9%) are the most important trades. Export of services makes up 21.9% of the total, wherein gross receipts, shipping (7.7%) and financial and business services (2.4%) are the most important.

Manufacturing products constitute the majority of imports. 63% of total imports are manufactured products, where machinery and equipment (25.6%), basic metals (7.6%) and chemical and mineral products (6.5%) are the most important. Import of services constitutes 31% of total imports, whereof travel (12.7%), financial and business services (6.7%) and operating costs shipping (6.5%) are the most important.

Foreign direct investments have grown considerably during the last years. At the end of 2005, Norway's stock of foreign direct investment abroad (FDI) amounted to USD 110,000 million, an increase of USD 17,000 million over 2004. The US has become the second most important investment country after Sweden, while the share invested in Europe is declining. The Brazilian share of these investments has been quite modest though, comprising typically less than 1 % of total foreign Norwegian investments. In part 4 we analyze in more detail Norwegian investments in Brazil.

Brazil is the most important Latin-American country, in terms of trade, for Norway. However, only 0.27% of Norway's total exports go to Brazil, being number 24 on the list of countries to which Norway exports. Export product number one to Brazil is dried cod, followed by machinery and machinery parts, oil, optical instruments and chemical pulp. On the other side of the ledger, the most important imports from Brazil are aluminum, soy beans, coffee, frozen meat, tea, cocoa, fruit juice and fruit.

Figure 2-2 Trade between Norway and Brazil 1998-2007 (million USD).



Source: Statistics Norway. External trade. 2006 and 2007 are preliminary.

Labour market

73% of all persons between 15 and 64 years are in the work force (3rd quarter 2007)[5] which is a high figure compared to other countries. This is due to a high employment rate among women; 76.3% of men and 69.7 of females were in the labour force. Thirty years ago, less than half of all Norwegian women were employed or actively seeking work. The number of employed men is roughly the same today as in the mid 1970s. Unemployment figures are quite low. 3.4% of the workforce were unemployed in 2006 according to the Labour Force Survey, evenly distributed between men and women, a figure that has fallen to 2.5 % by October 2007[6]. Around 10% had temporary jobs.

The number of employees working outside regular working hours was 648 000, or 31 per cent, in the second quarter of 2005, according to figures from the Labour Force Survey. The majority of employees working inconvenient hours work shifts. This applies to 22 per cent of all employees. Shift work is more common among women than men, as 27 per cent of women work shifts, compared with 18 per cent for men.

44% of females workers work part time, in contrast to only 13% of male workers (2007).

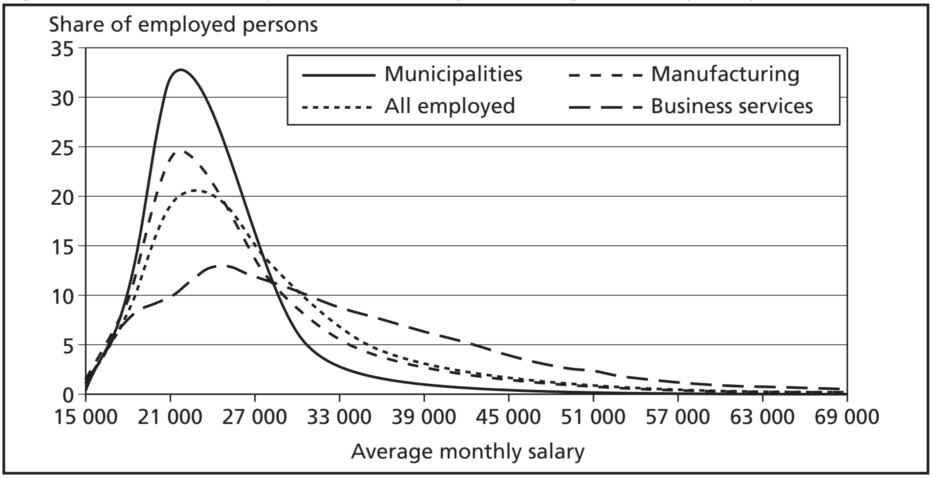
[5] Labour Force Surveys (LFS), Statistics Norway

[6] The registered unemployment at the Norwegian Labour and Welfare Organisation is lower; 1,7% by October 2007

Wages

Norway, together with the other Nordic countries, have the most compressed wages in the world. This is visualized in figure 2-3 which is based on salaries in 2003 for manufacturing, business services and municipalities, as well as all employed. The chart shows that the vast majority of employees (the exception being business services) had a monthly salary between 18,000 NOK (USD 3,000) and 30,000 NOK (USD 5,000). Very few had salaries above 36,000 NOK (USD 6,000) and nearly no one was below 15,000 (USD 2,500).

Figure 2-3 Full-time employed 2003. Percentage according to monthly salary (NOK).



Source: Statistics Norway 2004. www.ssb.no/emner/06/05/lonnansatt/arkiv

A report from the international Hay Group in November 2007[7] showed that Norway had the lowest gap of all countries between white collar workers and managers. In Norway a manager on average earned 2,3 times more than a white collar worker, while the gap in UK was 3,1 and in China 10,4.

The compressed wages is due to the coordinated negotiations in the labour market, the aim for full employment and the generous welfare arrangements. Trade unions adopted wage compression and “solidarity bargaining” as explicit goals in the 1950s, and it is today generally accepted that this equality has been good for economic development.

The economic reasoning behind this argument is that collective wage bargaining and equalisation of wages between enterprises may enhance productive efficiency by encouraging the movement of labour and capital from low to high productivity

[7] Dagens Næringsliv 27.11.2007

activities. Holding down wages in the most productive enterprises through the use of central wage negotiations will encourage their expansion and provide employment opportunities for the labour who will be released when the less productive enterprises are forced to close, as a result of their inability to pay wages. (Moene & Wallerstein).[8]

Solidarity bargaining, which has resulted in compressed wages, rests on a prerequisite consisting of centralized and coordinated bargaining. In this way, local unions in very profitable companies are not allowed to take as large a share of the surplus as unions in a decentralized system would have done, which would have resulted in larger wage differences between workers according to their company's profits. Wage setting on the union side is in the hands of the nationwide organisations, especially LO This practice is accepted because the strategy has resulted in good settlements on the whole, and because it has strengthened the unions as institutions. Employers choose this strategy because they prefer to bargain with "sensible" leaders from the central organizations, who place the common good as their highest goal, rather than bargaining with militant unions in high-productivity companies who battle for a larger share of the surplus.

Wages constitute 60% of total income in the society, and the distribution of wages between groups has been stable over the last years with a Gini coefficient[9] (after tax) around 0.20. The wage spread between the 9th decil and 1st decil[10] was 2.4 in 2002, compared to for example 4.2 in UK and 3.7 in Spain, indicating a high degree of social equality. The distribution of income between different groups in the society as a whole has become more uneven during the last years, though, as the richest 10% of the population has increased its share of income from 18.7% of the total in 1990 to 29.5% in 2005. This is due to an uneven distribution of income from capital.

The average monthly wage for all salaried employees was USD 5 100 in 2006[11]. The highest paid 10 per cent in 2006 had an average monthly wage of USD 9 766, while the lowest paid 10 per cent had an average monthly wage of USD 3016. Distribution between different occupations are shown in figure 2-4.

Figure 2-5 shows differences according to education (2005).

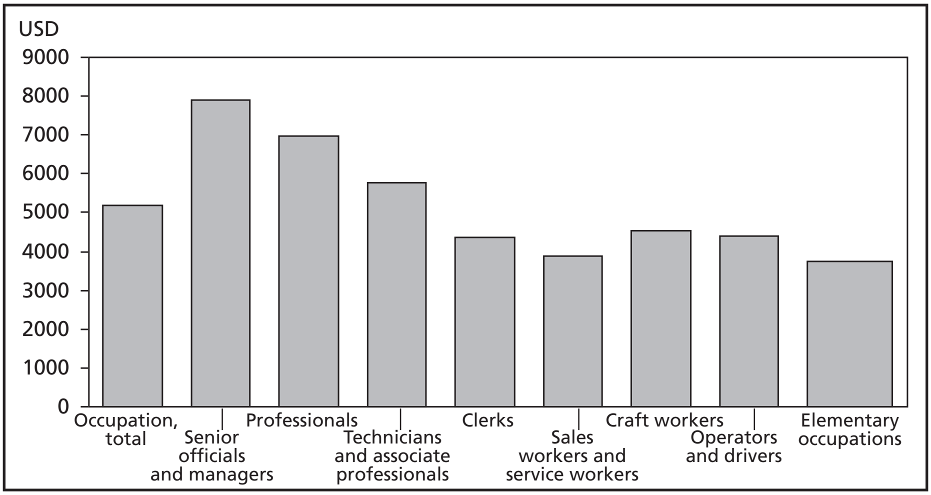
[8] This could lead to difficulties for high-productivity companies trying to attract employees through high salaries. This problem is solved by the government, employers and unions, through the use of active labour market politics, which assists the movement of workers from one industry to another with training programs and grants to cover moving expenses.

[9] The Gini coefficient is a measure of inequality going from 0 to 1. The larger the figure is, the larger is the inequality.

[10] A decil is a tenth of the wage earners. The smaller the difference between the two groups is, the smaller the wage differences in the society are. The figures are taken from the Eurostat 2006 report on Earnings across European countries.

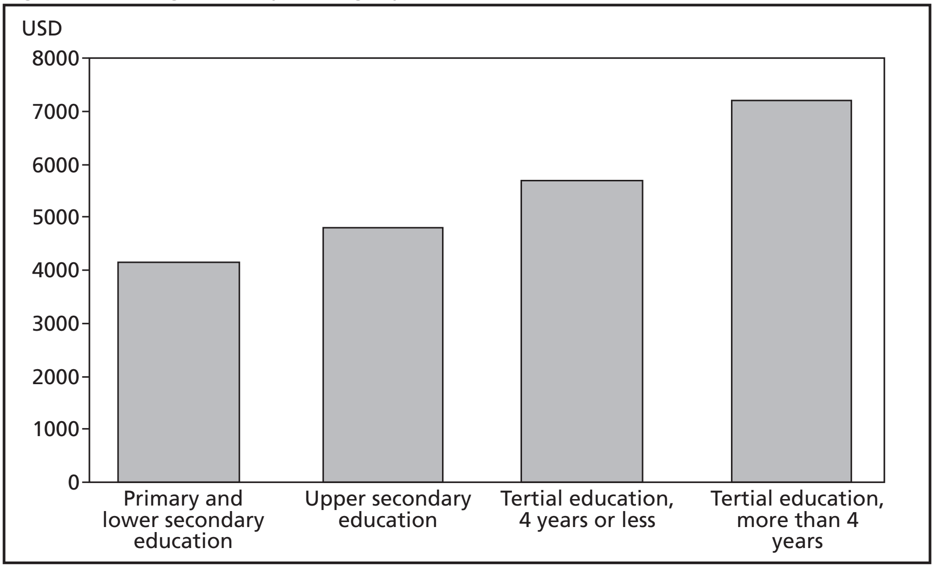
[11] USD 61 200 a year as there are 12 payments a year, not 13 as in Brazil.

Figure 2-4 Monthly earnings for full-time equivalents in private sector by occupation 2006. USD.



Source: Statistics Norway 2007

Figure 2-5 Average monthly earnings by educational level 2005. Full-time equivalents. USD.



Source: Statistics Norway 2007

Differences between average wages in public and private sector are relatively small. The average wage in the private sector was 6.2% higher than in the public sector in 2006.

In 2006, women earned an average of 84.7 per cent of men's earnings. This gap is largely a result of the continued segregation of the labour market. Male domination of around 80% prevails in the manufacturing, communication and transport, building and construction industries exists, while the opposite situation exists within health and care services. Around 35% of the workforce work mainly with colleagues of their own sex.[12]

Welfare

Fundamental to the Norwegian societal model are universal tax-based welfare services (available to all whether one has work or not). In addition, education at all levels is considered a public responsibility and is free of cost. Universal and free access to education results in a highly educated workforce, as well as relatively low wages for educated employees compared to most countries.

The main social insurance schemes are the National Insurance Scheme, the Family Allowance Scheme and the Scheme for Cash Benefit for Families with Small Children. All persons who are residents or who work as employees in Norway are insured under these compulsory schemes. These services take care of children, elderly people, those who are sick or in need of care, and those who fall outside the labour market. In total, about 25% of GNP is used for social issues, a figure that has increased from 19% in 1980. 342,000 people are employed by the health and social services.

The National Insurance Scheme covers old-age, survivors' and disability pensions, disablement benefits, rehabilitation benefits, occupational injury benefits, benefits to single parents, cash benefits in case of sickness, maternity, adoption and unemployment, medical benefits in case of sickness and maternity and funeral grants.
We will not go into details here[13], but briefly mention some of the more important regulations related to working life, including old-age, unemployment, sickness and maternity leave.

The *pension system* in Norway consists of pensions from the national insurance scheme, to which everyone is entitled, and from various supplementary pensions. These are financed partly by the general taxation system and partly through employer and employee contributions. The retirement age is 67 and old-age pensions consist of a basic pension, a supplementary pension and possibly supplements for children and a spouse. The amount of the supplementary pension depends on the number of pension earning years built up by the recipient and the yearly pension points earned according to income.

[12] According to a survey referred to in an article in the newspaper Aftenposten 30.10.2007 ("Best med kjønnsbalanse på jobb")

[13] There are of course a lot of details, exceptions etc in these regulations. More details about the National Insurance Scheme can be found in this brochure: http://www.regjeringen.no/upload/kilde/bro/2006/0001/ddd/pdfv/305711-the_norwegian_social_scheme.pdf

The most important supplementary pensions are occupational pensions, i.e. pensions from pension schemes in employment relationships. By an Act from 2006 all employers are required to offer occupational pension schemes through a minimum contribution of 2% of yearly wage. Most of these schemes are contributions-defined, but some are benefit-defined. There are also various early retirement schemes, i.e. pension benefits paid out beginning from a lower age than the national insurance retirement age of 67 years and lasting until the national insurance retirement age is reached.

Also of importance is for most employees, AFP that is a contractual pension negotiated through collective agreements, which grants employees who are covered by a collective agreement the right to retire at the age of 62. Although AFP is mainly financed by employers, the state also contributes. The old-age pension system is due to be reformed so that all employees may retire at 62, but as of this moment, the manner in which AFP will fit into this reform is the subject of difficult and ongoing negotiations. In all likelihood there will be no resolution of this question until the collective bargaining takes place in spring 2008.

Employees are entitled to daily cash benefits from the first day of a *sickness*. Daily benefits equal normal wage, i.e.100 % compensation, and may last up to one year. The first 16 days are paid by the employer. The same daily cash benefit is granted for up to ten days per year if the employee has to be absent from work in order to care for a sick child.

Maternity leave is as of 2006 44 weeks with full pay, alternatively 54 weeks with 80% pay. This leave is shared between the parents, but six weeks is reserved for the father, in order to encourage fathers to be more at home with the babies.[14] Maternity leave, child benefits and a large expansion in the number of kindergartens since the 1970's, have both contributed to an increase in the birth rate[15] and to a majority of women working outside the home. In 2006 80% of all children were offered a place in a kindergarten, and the Government plans to achieve full coverage in 2008. In addition to the importance of a worker's right to secure the family's economy, this policy has consequences for traditional gender issues and has resulted in a large increase of the Norwegian work force.

Daily cash benefits during *unemployment* partially compensate for the loss of income, provided that the person is registered as an applicant with the labour and welfare service and that he/she has previously earned income. The calculation of daily benefits is based on income, and will normally amount to an annual compensation of 62,4% of preceding income level.

[14] That is, if the father takes less than six weeks, the remaining part of his leave lapses.

[15] In 1983-84 the birth rate was at the lowest ever – 1,66. Since then the rate has risen to 1,90 (2006) according to Statistics Norway, amongst the highest in Europe.

Legal framework and regulation of work and labour relations

Industrial relations are regulated by a combination of legislation and legally binding collective agreements between trade unions and employers' organisations. Individual labour law regulates the rights and duties of the individuals, while the collective labour law regulates collective bargaining and is based on a general peace duty except during renegotiation of collective agreements.

Labour laws

The main piece of legislation concerned with the rights of the individual employee is the *Working Environment Act*[16]. It regulates matters such as employment protection (appointment, dismissal, leave of absence), protection against discrimination, and employee rights in relation to transfers of undertakings. This act also establishes general requirements with regard to the working environment, including health and safety. Other issues regulated by the Act include working hours and temporary employment (fixed-term contracts). The Working Environment Act applies to all operations with employees with a few exceptions. It contains requirements regarding safety representatives and Working Environment Committees elected from employees in all companies.

The equal treatment of women and men is regulated by the *Gender Equality Act* (Likestillingsloven). Employees' social/welfare entitlements are mainly regulated by the *Social Insurance Act* (Lov om Folketrygden), and are a matter to be resolved between the individual employee and the authorities. The issue of monitoring and surveillance of employees is partly subject to regulation in the *Act relating to the processing of personal data*, in addition to non-statutory legal practice in this area. There are also legal stipulations regulating occupational injury compensation. *The Annual Holidays Act* (Ferieloven) is designed to ensure that all employees have annual holidays and holiday pay. By law there is a minimum holiday of 4 weeks a year[17], but most Norwegians have a minimum of 5 weeks according to collective agreements which are also followed by most companies without agreement.

Moreover, pay, among other matters, is regulated in the individual employment contract, unless the employer is covered by a collective agreement. Some of the provisions of the Working Environment Act regulate aspects that concern the employment contract. The employer and employee may not, with a few exceptions, agree on employment conditions that are below the standard stipulated in this act.

The main bargaining rounds, both in the private and the local public sector, are regulated by the *Labour Disputes Act*, This Act include rules of mediation and the use

[16] Law text in English: www.arbeidstilsynet.no/binfil/download.php?tid=42156

[17] Employees get one extra week of holiday from the year they turn 60

of the Labour Court. Collective agreements can expand upon these regulations, and usually regulate arbitration.

The *Limited Liability Companies Act* (Aksjeloven) entitles the employees to be represented on the Board of Directors of joint-stock companies.

Municipal employees fall under the same labour law provisions as employees in the private sector. In certain issues the state sector is covered by the same laws which apply to the rest of the labour market. However, there are two Acts that apply specifically to the state sector. The first is the *Civil Service Disputes Act* which mandates collective bargaining and procedures for conciliation and arbitration. The other is the *Civil Servants Act* which contains provisions similar to the Work Environment Act.

Basic Agreements

The *Basic Agreement*[18]negotiated by the two main confederations LO and NHO is included as part of all collective agreements between LO-affiliated trade unions and NHO-affiliated employers' federations and covers workers in establishments affiliated to NHO. The first Basic Agreement between LO and NHO's predecessor, the Norwegian Employers' Confederation, was signed in 1935. Other parties (both union confederations and employers' organisations) in the private sector have subsequently agreed to their own basic agreements, which to a large extent are based on the same principles as those found in the LO-NHO Basic Agreement.
There are also similar Basic Agreements[19] for the municipal and state sectors.

The Basic Agreements complements Norwegian labour law by defining the principal goals, as well as laying down a set of principles and procedures which regulate the relationship between the labour market parties in all sectors. The main purpose is to create the best possible basis for cooperation between the parties at all levels. (See more about the Basic Agreements later).

Disputes

Issues pertaining to the individual employment relationship are dealt with in the ordinary court system. The Working Environment Act provides special rules in relation to procedures applicable to cases involving employment protection. First, it encourages negotiations to be held between the employee and employer prior to court proceedings. Second, it stipulates that the employee has the right to maintain his or her employment relationship pending the outcome of the court case (unless the court regards this as unreasonable). These rules are applicable in relation to ordinary dismiss-

[18] Similar arrangements are later implemented in agreements between NHO and federations outside LO. The text of the 2002-2005 agreement between LO and NHO can be found here: http://www.lo.no/lobasen/Content/1558/1558-Basicagreement02-05.pdf.

[19] English translation of the 2006-2008 agreement for the state sector: http://www.regjeringen.no/en/dep/fad/Documents/Lover-og-regler/Rules/2006/Basic-agreement-for-the-civil-service.html?id=449042

als, but not in relation to dismissal for gross misconduct or disputes over the use of temporary employment. In conjunction with other aspects of employment protection rights, the employee is not entitled to continue his or her employment relationship, but may resume employment if the court rules in his or her favour. This is the case, for example, when temporary employment has been proven to be illegal, and the employee should have been given permanent employment. The court may also impose financial compensation and damages.

The *Labour Court* (Arbeidsretten) is a court for disputes over rights and deals only with cases concerned with the collective relationship between the social partners – i.e. questions relating to the content and interpretation of collective agreements. However, such cases may involve issues such as working hours or wage compensation, since such issues are regulated by collective agreements. The Labour Court also deals with the lawfulness of industrial action. Rulings are usually final. The Court is independent from the Government and consists of seven judges, of which four are appointed based on suggestions from the main labour market parties.

The *National Wage Board* is regulated by law, and deals with voluntary arbitration in disputes over interests as an alternative to industrial action. Whereas requests for voluntary arbitration are rare, the Board is used more frequently for ad hoc compulsory arbitration. Decisions to ban a conflict and invoke the National Wage Board is taken by government and has to be confirmed by Parliament. The Board is independent from the Government and consists of three unaffiliated experts, two representatives each from the disputing parties and two permanent representatives from employers' and employees' organisations.

The organisations

The organisations on both sides are strong and have a long history together. *The Norwegian Confederation of Trade Unions (LO)* was founded in 1899. *The Norwegian Employers' Confederation (NAF)* was founded the year after. The first industry-wide collective agreement was concluded in the metal industry in 1907. LO and NAF[20] have since been joined by other organisations. In the *public* sector industrial relations developed rapidly from the 1950s.

[20] Merged later with two other organisations into NHO, see chapter about employers' organisations.

Trade unions

Almost all national unions are affiliated to one of four confederations. These four confederations are:

- The Norwegian Confederation of Trade Unions (LO) 838,510 members
- The Confederation of Vocational Unions (YS) 209,438 members
- The Confederation of Unions for Professionals, Norway (Unio) 262,000 members
- The Federation of Norwegian Professional Associations (Akademikerne) 131,000 members

LO, Unio and Akademikerne largely organize different segments of the labour market, based on education. LO and YS organize to a large extent the same groups; workers with low to average education and salary. But while LO is much larger, being dominant among blue collar workers and maintaining strong presence within most industries in both the private and public sectors, YS is concentrated in female dominated, semi-skilled occupations in the public sector and the banking sector.

The Norwegian Confederation of Trade Unions (LO)

LO, founded in 1899, is by far the dominant union force, even though it has lost relative strength over the last decades as other confederations have emerged. This dominance is explained by a combination of its traditional hegemony among blue collar workers in the private sector and to its strength within the large public sector, especially the local public sector. Today LO represents slightly more than half of the unionised workforce. LO consists of 22 different national unions with a total membership of 838,510 members as of 1.7.2007. Of these, around 685,000 are employed. The members are quite evenly distributed between the private and public sector today, and women constitute one half of the membership today.

LO's affiliated national unions are national organisations composed of local trade unions. Skilled and unskilled workers are generally members of the same union. Generally, each national union covers a specific trade, a branch of business, or a public service sector. The national unions vary in membership from less than one thousand to almost 300,000. At the workplaces union representatives are elected locally and engage in union work and represent the members vis-à-vis the employers. The company is obliged by collective agreement to allow union representatives to use work time, paid for by the company, for union activities. In larger companies, it is usual for one or more of the elected union reps to work full time with union activities, and be paid by the company. The members of each LO affiliated union form a workplace branch within each company, which is responsible for local union activity; including both local bargaining and dialogue with the management.

If the company belongs to a group of companies, there will normally be a body which coordinates the workplace branches across LO union borders. and elects common union representatives (convenors). Sometimes even unions outside LO will take part in these coordinating bodies.

Many national unions also have trade unions within geographical areas which represent members' interests within these areas. In about 130 communities, there are local-level LO organisations as well. These are the co-operative bodies of the local unions in municipalities or regions, and LO's auxiliary bodies at the local level. They take up matters of common interest for union members and operate across professional and national union borders.

Throughout its history, LO has maintained a close relationship with the Norwegian Labour Party which has been in the Government most of the time since World War II. In the beginning they were two sides of the same movement, but the ties has loosened, and today they are two distinct organisations.

The Confederation of Vocational Unions (YS)

YS was founded in 1977 and consists today of 22 independent trade unions. Its unions organize for the most part within the public sector and within finance. As of 1.7.2007 YS had,209,438 members, whereof 155,550 are employed.

There is no general organizing principle which determines either the division between national unions or the manner in which each union is built up. Most of the unions affiliated to YS are quite small with less than 10.000 members.

The boundaries between YS and LO are quite blurred, which has led to rivalries and competition. In the public sector and within many private companies unions belonging to both LO and YS compete for members, first and foremost among white collar workers since LO dominates among blue collar workers.

The main difference between LO and YS has historically been a stronger political engagement by LO. LO's close ties to the Labour Party has been a primary motivation for employees joining YS federations. YS market themselves as a "politically independent umbrella organization". Today the relationship between LO and YS is quite good, though the competition for members still remains. While LO and YS always negotiated separately with the employers' organisations, it has become more usual in recent years to negotiate together, especially in the state sector and within private transportation

The Confederation of Unions for Professionals (Unio)

Unio is Norway's second largest confederation of unions. The affiliated unions are professional unions for among others teachers, nurses, research workers, police, clergy and physiotherapists. Founded in December 2001, Unio is today a confederation of nine member unions, with a total of 262.000 members. Their members work almost exclusively within the public sector.

The Federation of Norwegian Professional Associations (Akademikerne)

Founded in 1997, *Akademikerne*, is a confederation of professional organizations whose members have long academic education. They include lawyers, engineers, psychologists, doctors, veterinary surgeons, social scientists, architects, business school graduates, economists, dentists and agronomists. Akademikerne has 13 member organizations, with a total of some 131.000 members.

While the three aforementioned confederations cooperate on many issues, especially within the public sector, Akademikerne stands somewhat out from the crowd. In contrast to the other union federations, for example, Akademikerne prefers individual wage bargaining.

Free-standing unions

In addition to national unions affiliated to the four confederations, there are around 20 free-standing national unions. Most of them are quite small and specialized, the largest and most important being *The Norwegian Society of Engineers and Technologists* (NITO) with about 57.000 members.

Trade union density

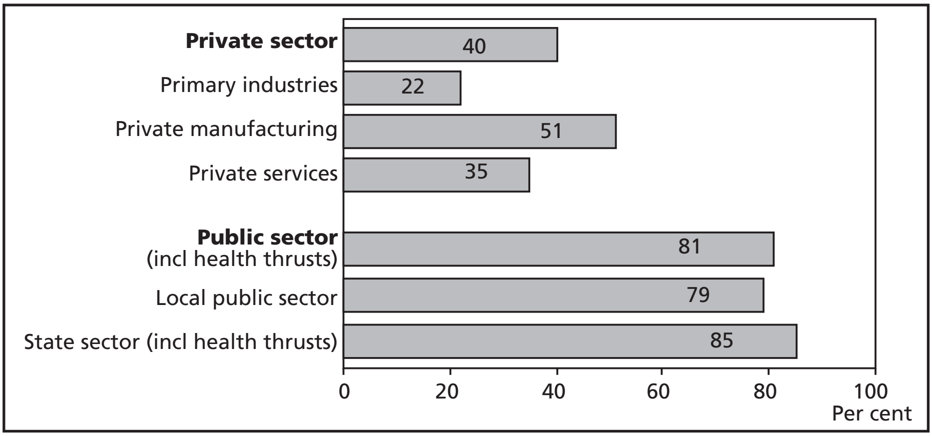
Trade union density may be measured in different ways, which results in slightly different numbers. According to the Labour force survey by Statistics Norway, the density is 55% (2nd quarter 2004). This figure has been quite stable throughout the post-war period in spite of the transition to a post-industrial labour market and in contrast to most European countries. It is lower than in other Nordic countries, reflecting the fact that unemployment insurance in Norway is organized by the state and not by the unions as in these countries.

The union density figures vary considerably between sectors and industries, as shown in figure 2-6. While density is as high as 80-85% in the public sector, private sector density is around 40%. It is lowest in private services, especially within retail trade, hotels and restaurants.

The wide range of functions performed by unions in the workplace is an important reason for union support. It should also be noted that the rising level of education has probably not influenced the density of labour unions in the workforce in a negative way as well-educated groups such as teachers, nurses and academics are well unionized.

There has been a substantial shift in the balance between confederations through the last decades. During the first period after the war, LO was dominant with more than 40 % of the employed as members, and around 80% of all union members. As new confederations were established and the balance between blue and white collar workers shifted, LO's share of the total number of union members has fallen even if the number of members has increased significantly. Today LO has slightly more than

Figure 2-6 Trade union density in separate sectors. Labour force survey 2nd quarter 2004. Per cent.

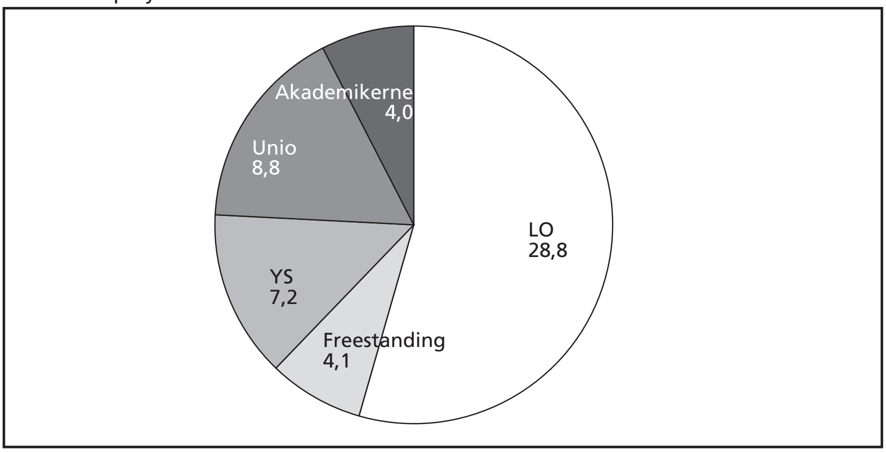


Source: Nergaard og Stokke 2006

half of the union population, and Unio has grown to become the second largest, as shown in figure 2-7.

Despite the relative decline of membership, LO and its unions still are the largest in both the private and public sectors, and dominate bargaining rounds. LO exerts a strong central authority over its unions.

Figure 2-7 Trade union density by confederation 31.12.2004. Employed members in per cent of total employed.



Source: Nergaard & Stokke (2006). Based on Statistics Norway, Survey of the National economy. (Using the Survey of the National Economy yields a slightly different figure for trade union density than using the Labour force survey.)

Employers' associations

There are five main actors on the employers' side – two of which represent private sector companies, two representing the public sector, and one representing members from both sectors (mainly public). These are listed in table 2-1 together with the number of member enterprises and the total number of employed within the enterprises.

All associations are national organisations.

Confederation of Norwegian Business and Industry (NHO)

The only *confederation* in the private sector is the *Confederation of Norwegian Business and Industry* (NHO - Næringslivets Hovedorganisasjon), a product of a merger in 1989 between NAF, founded in 1900, and two industry and craft associations. Altogether NHO comprises about 16,600 firms with around 480,000 employees, mainly within manufacturing, but also within construction, craft trades and the service sector.

NHO and its federations combine the roles of both employers' associations and of industrial interest organisations. The federations negotiate separately with their counterparts, but NHO exerts strong central authority over the federations regarding bargaining and the conclusion of collective agreements with LO and YS, and is party in all their collective agreements.

Federation of Norwegian Commercial and Service Enterprises (HSH)

The Federation of Norwegian Commercial and Service Enterprises (HSH) is the primary employer partner within trade and private services and consists primarily of smaller firms, totaling altogether 11 800 members with around 152,000 employees. HSH represents amongst others retailers, wholesalers, importers, commercial agents, travel agencies, publishers, retail pharmacies, IT firms, service companies and interest organisations and associations, including substantial parts of the voluntary sector in Norway.

Table 2-1 The largest employers' organizations in Norway as of 31.12.2006.

Name	Member enterprises	Employed
The Confederation of Norwegian Business and Industry (NHO)	16 600	480 000
The Federation of Norwegian Commercial and Service Enterprises (HSH)	11 800	152 000
NAVO (from 1.6.2007: Spekter)	186	165 000
The state	n/a.	130 000
The Norwegian Association of Local and Regional Authorities (KS)	900	407 000

Source: Statistics Norway 2007. http://www.ssb.no/emner/07/02/10/arborg/tab-2007-05-03-02.html

As with NHO and its associations, HSH combines the roles of an employers' association and of an industrial interest organisation. HSH has no branch federations.

Spekter

In 1993, a new employer organization, *The Association of Public Owned Enterprises* (NAVO), was founded to meet the needs of semi-autonomous state enterprises. As some of these enterprises have been restructured, made into joint stock companies and are (partly) privatized, the organisation today includes a variety of companies and enterprises among its members, altogether 186 with about 165 000 employees. NAVO changed its name to *Spekter* in 2007. Spekter performs only the role of an employers' association, and not that of an industrial interest organisation.

The State

The public sector is home to separate employer organizations for state and local government. In addition most of the members of Spekter belong to the public sector as they are publicly owned enterprises engaged in public services.

In the *state sector* (state administration) the government is the formal employer, and the main negotiation rounds are the responsibility of the Ministry of Government Administration and Reform. Today this sector has about 129.000 employees[21].

Norwegian Association of Local and Regional Authorities (KS)

The local public sector is represented by *The Norwegian Association of Local and Regional Authorities* (KS – Kommunenes Sentralforbund). KS is a national member's association for municipalities, counties and public enterprises under municipal or county ownership. All municipalities and counties except Oslo are members[22]. KS is an employers and central bargaining organisation, an advisory and consultative body, and a spokesman and advocate vis-à-vis central government on behalf of its members. As a central bargaining agent, KS negotiates on behalf of 900 employers with a total of approximately 407,000 employees.

Other associations

In addition to these 5 larger organisations, there are 17 smaller, independent employers' associations.

Altogether, member enterprises of the employer's associations (including the state) total around 1,520,500 employees as of 31.12.2006 according to Statistics Norway. This accounts for a share of 64 % of the working population of 2,362,000. In this way employers are better organised than employees (compared to a union density of

[21] Fornyings- og administrasjonsdepartementet (2007): Statstilsette i tal. Lommestatistikk for statsforvaltninga 2007

[22] Oslo, the capital, bargains on its own and has its own collective agreements.

around 52%). In the private sector the density of employers' associations amounts to around 60% (Stokke et al 2003).

Generally, employers' associations exercise a large degree of centralized power. There is a relatively clear demarcation of bargaining territories, even if there have been examples of tensions and of enterprises moving their membership between associations. As former state owned companies have become partly privatized over the last decade, the boundaries between territories have become a bit blurred. But even if Spekter today is home to member enterprises which are purely private, NHO has always been the dominant organization in the private sector, and still is. The dominant role of private manufacturing associations, coordinating their policies under the auspices of NHO, have contributed to an institutionalization of an all-encompassing bargaining structure, especially as pertains to LO and its unions, which is based on relations characterized by large amounts of trust, that still prevails.

Collective bargaining

Structure

Basic agreement

The *Basic Agreement* was first introduced in 1935 between NHO and LO (Norwegian Confederation of Trade Unions) and was subsequently revised every fourth year. This collective agreement covers employer and employee rights and obligations in their daily interaction at the enterprise level, as well as conflict solving procedures. It is often referred to as the "Constitution of working life" in Norway. The Basic Agreement is included in all collective agreements between LO-affiliated trade unions and NHO-affiliated employers' federations covering workers in establishments affiliated with NHO. Today, other confederations as well as employers' associations have similar agreements, and all sectors are covered by a basic agreement.

Amongst other issues, the question of sympathy industrial action is regulated in the agreement, while the statutory obligation to maintain industrial peace for the duration of an agreement is amplified. A number of issues regarding shop stewards, employee participation and information and consultation are also regulated in the agreement. The Basic Agreement contains, in addition, a "Cooperation Agreement" which regulates the activities of different coordinating bodies. This latter agreement also touches upon questions relating to how to develop the qualifications and skills needed in working life. A number of supplementary agreements are also attached to the Basic Agreement, covering issues such as guidelines for initiating work studies, equality between men and women, and framework agreements regulating control measures within the firms.

In many ways the Basic Agreement represents the central parties' desire to have a well-defined relationship at the central level, as well as enhancing cooperation at the company level. It reflects an aim of both regulating conflict, typified by disagreements about the distribution of revenues, and of achieving consensus through dialogue and negotiation, typified by cooperation regarding the development of companies. Since the relationship between the labour market parties is regulated only to a limited extent through statute, the importance of the Basic Agreement becomes even more evident. The rights, duties and procedural rules laid down by the first part of the Basic Agreement are central to industrial relations in Norway. The other main element of the Basic Agreement, the Cooperation Agreement, makes it easier for the labour market parties to cooperate locally on a wide range of issues. This cooperation often encompasses joint actions to enhance organisational or productivity development. The agreement also reflects the central role which local trade unions play in representing employees in this type of cooperation in Norway.

Collective national agreements

Collective bargaining agreements exist in order to regulate standard wage rates and working conditions. They subject both employers and employees to obligations, and grant rights, over and above those stated by Norwegian law. The main bargaining rounds are regulated by the Labour Disputes Act, with the exception of the state sector which is regulated by the Public Service Disputes Act.

Not only are wages determined by the collective bargaining agreements. The collective agreements contain a variety of agreements concerning social issues and benefits for unionised workers, such as pension rights, sick leave and training. For example: Workers employed in enterprises with a collective agreement are able to opt for early retirement with a pension stipulated by agreement from the age of 62. The normal pension age in Norway is 67. Ordinary working hours are 37.5 hours a week as set by collective agreements, while statutory maximum working hours, according to The Working Environment Act, are 40 hours a week.

Different bargaining models have been employed during the last decades. The degree of coordination within and across sectors varies from bargaining round to bargaining round. Basically, bargaining alternates between the highest intersectoral level and the industry level in the private sector. LO's General Council decides whether negotiations are to be carried out centrally or by national branch organisations. This alternation provides the trade unions with flexibility in the choice of the level and form of coordination.

If negotiations take place at the intersectoral level, bargaining takes place between the organisations at the central level (LO, YS, NHO etc) and covers broad issues. Combinations of intersectoral and industry-level bargaining have also occurred.

For blue-collar workers, bargaining normally takes place at the sector level and involves the respective trade union and industry associations, while bargaining on behalf of white-collar workers is negotiated by the NHO with cross-sector validity. These agreements are reviewed every two years. LO dominates the bargaining rounds, and exerts strong central authority over member unions.

The settlement period lasts two years, and allows for wage renegotiations for the second year.[23] During the biyearly bargaining round, the entire content of a collective agreement is open for revision.

In the *state sector* and *Spekter area,* agreements are settled with bargaining cartels of unions from the confederations, who can commit the individual unions. In the state sector the agreement has to be approved by Parliament.[24].

In the *local government sector* (municipailities) cartels of unions from the four confederations form the central partners for bargaining with KS, but individual unions may be entitled to bargain independently and may go on strike independently of the cartel as it is the individual unions who are party to the agreements. On the employers' side, the revision of the main collective agreement requires approval by a ballot among KS's members.

The negotiations in the public sector usually start after the wage guidelines in the private sector have been determined. Thus the negotiations that take place on a central nationwide level between LO and NHO serve as background. The state and municipal sectors conduct separate but parallel negotiations. Basic Collective Agreements (Hovedtariffavtale) are concluded for each of the two public sectors, covering the principal terms of employment, pay scales and working conditions.

Collective agreements have to be approved by a ballot vote of the union members who are covered by the agreement.

Private employers are bound by law to apply the terms of a collective agreement also to their ununionized employees. Employers not bound by any collective agreements are not required, but are generally assumed, to implement the provisions of the appropriate settlement. In the state sector, parliament has determined that the terms of collective agreements should cover all employees, while in the municipal sector

[23] Intermediate or mid-term bargaining rounds are always centrally coordinated, and they will focus solely on pay.

[24] In practice the Employer Affairs Section of the Ministry that conducts the negotiations in the state sector, has a great deal of autonomy during the negotiation process. The politicians generally only lay down guidelines. (Olsen 1996)

norms of equal treatment imply that derogations from collective bargaining outcomes are unacceptable. (Dølvik & Stokke).

Local agreements

Norway has a two-tiered collective bargaining system, which means that bargaining is conducted both at the sector and company levels. The centralized bargaining for wages and collective agreements is therefore usually supplemented with bargaining at the company level between the company and the company union(s). Also in the public sector local bargaining has been widely used since the 1990s.

Norwegian collective agreements are in a strictly hierarchical order, which means that company agreements, including pay systems, cannot breach provisions in the sector level agreements. The negotiations at company level are conducted by the local parties without involving the central parties, unless the local parties are unable to agree on a revised agreement.

At the local company level the parties may enter into supplemental agreements, partly encouraged by, and within the framework set by, the central accords, but also by agreements on issues which the parties find useful or necessary. Examples of this include Agreement on Fundamentals of Homework, Equality of Status Agreement, Agreement on Alcohol and Drug Abuse, Agreement on Reorganisation and Efficiency Processes, Agreement on Permission to Electronic Registration of Employee's use of e-mail and Instructions on personnel data.

Local bargaining is done under a peace clause, which means that strikes are prohibited.

Disputes

The parties are obliged to respect labour peace under the duration of a signed agreement. The only exception is that a demonstration or political strike can be undertaken against decisions by the political authorities or in order to influence them to make certain decisions. This principle is based on the condition that the purpose of the strike is not to alter the strikers' own collective agreement or other factors related to their own labour matters. Sympathy actions are also allowed.

Disputes over the content or interpretation of an agreement are to be settled by the Labour Court.

Resolutions of disputes in the bargaining process rely to a large extent on mediation, which in practice is compulsory. The mediator must be notified of all strikes. The mediator decides whether mediation is necessary and whether a temporary peace will be imposed. The parties must therefore go through compulsory mediation before industrial action takes place.

If a strike can cause "serious damage to society", the government may present a special Act to Parliament in order to prevent or end a strike. The dispute is then to be resolved by an arbitration board, the National Wages Board.

Compulsory arbitration has had three main purposes. First, both LO and NHO and their affiliates, have allowed disputes to drag on in the confident expectation that this will eventually result in state intervention. Second, compulsory arbitration has been an important mechanism for containing militant unions both inside and outside LO. Generally, mediators are careful not to put forth more favourable solutions to groups who are not content with the pattern set by previous agreements. In this way the arbitration has tended to preserve the legacy of solidarity found in coordinated bargaining. Thirdly, compulsory arbitration has prevented labour conflicts from disrupting essential services. The most evident impact of both mediation and arbitration are their role in the preservation of 'social order', by preventing external groups from undermining the bargaining framework set by the principal LO-NHO actors. (Dølvik & Stokke). Use of compulsory arbitration was frequent in the late 1970s and 1980s, and came under criticism by ILO for being used in disputes that were not threatening essential services and thus violated international conventions. During the last years the Government has been more cautious in its use of this instrument.

Work stoppages

As a result of the extensive obligation to maintain peace, and strict regulations concerning the use of industrial action, the level of conflict has been low, and mainly associated with short-term, but sometimes large-scale, strikes during re-negotiations of agreements. The tendency is also towards fewer workdays lost during recent decades, as shown in tables 2-2 and 2-3 (Stokke 2005). Measured by the number of strikes per year, Norway therefore tends to rank low in European comparisons. This moderate level of industrial conflicts is certainly part of the explanation for the reluctance Norwegian employers have displayed to fight for full decentralisation of collective bargaining.

Table 2-2 Work stoppages 1996-2006.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Work stoppages	18	6	36	15	29	3	16	5	12	2	12
Wage earners involved	53257	1305	26950	651	93889	29	9865	95	9873	591	29109
Working days lost	549842	6972	286407	7148	496568	619	150775	962	141179	10998	146758

Source: Work stoppages, Statistics Norway. http://www.ssb.no/arbkonfl_en/

Table 2-3 Lost workdays per 1000 days. 1981-2004.

	1981-1990	1991-2000	2000-2004	2001-2004
Norway	93	94	34	42

Source: Tabell 2, Stokke (2005)

Collective agreement coverage

According to Labour Force Survey (2004) 58% of all employees in the private sector state that they are covered by a collective agreement.[25] Other, and more accurate measuring methods, indicate a somewhat lower figure – around 55% in the private sector, a figure which has been fairly stable for many years. Given that the public sector has 100% coverage, the coverage of the wage agreement in the whole labour market is around 70% (Nergaard & Stokke 2006). This relatively high figure is a reflection of a high union density, large public sectors, of rules ensuring that collective agreements are applied to all employees in the private companies covered, and of union efforts to strike application agreements with companies not being members of any employers'association (Dølvik 2007).

Figure 2-8 shows union density and collective agreement coverage in 14 European countries. As we can see, Norway has a relatively high union density and an average wage agreement coverage. The reason why European countries like Austria, Italy and France have a high wage agreement coverage in spite of low union density, is the existence of insitutionalized mechanisms for extensions of collective agreements even if the workforce is not enrolled in unions. In this way, the coverage is first and foremost a function of a high unionization rate among the *employers*, not the employees. In Norway there are no such extension mechanisms.[26]

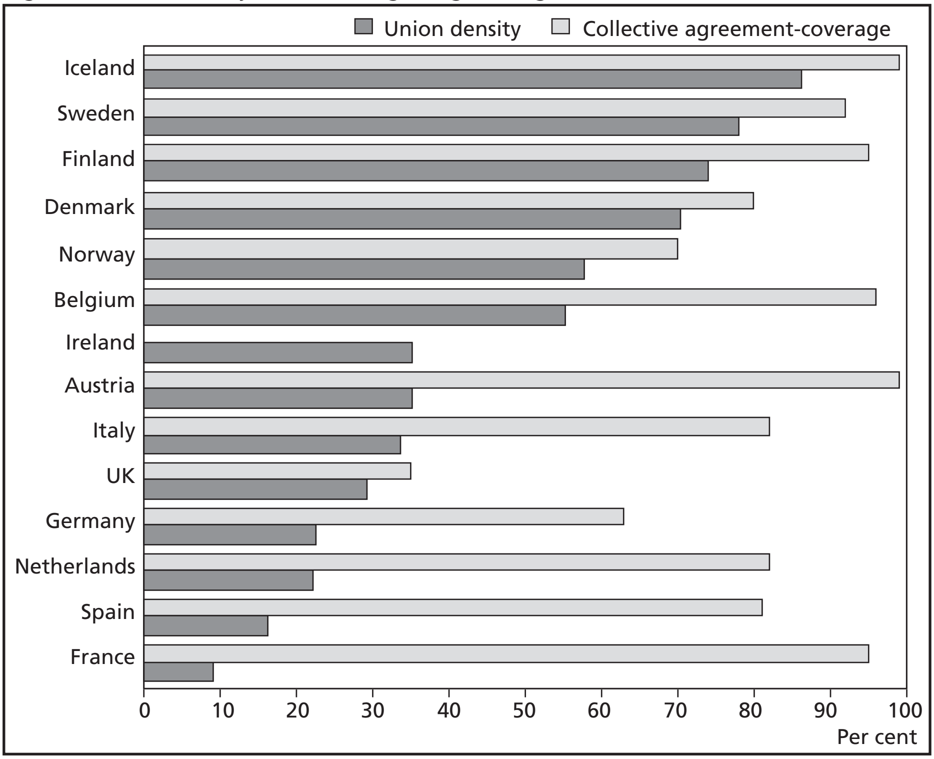
Wage systems

In companies which are regulated by collective agreements, wage systems are part of the agreement. The systems and wage levels vary according to industry and agreement. Blue collar workers will typically have a fixed system where skill and seniority are basic elements. Normally, white collar workers have individually determined wages. The parties engage in bargaining over the yearly increase of these wages at the company level.

[25] In the public sector all employees are covered as mentioned before. Therefore the coverage both in the state and the municipal sector is 100%

[26] A sort of extension mechanism – The Act relating to general application of wage agreements – is described in the next subchapter (Wage systems)

Figure 2-8 Union density rates and bargaining coverage in 14 countries.



Source: Visser 2006, Stokke et al 2003, p. 106. Density figures from 2003, collective agreement-coverage figures around 2000. Figures for Iceland from Statistics Iceland. The figure is taken from Dølvik 2007.

There are also several types of wage systems within the national wage agreements for blue collar workers.

- The most usual, today, are agreements where minimum wages are set in the nationwide collective agreement, and which is accompanied by bargaining at the local level that decides the actual wage.
- In some industries the wage agreements are "normal wage" agreements, which means that the nationwide agreement actually decides the wage rates within the industry
- A few agreements still are piecework wage agreements
- Agreements between trade unions and the employer organisation Spekter contain no wage rates. These are delegated to the local agreements between companies and unions, and wage increases are mostly delegated to bargaining at the local level as well.

Historically wage systems in Norway have been based on fixed salaries. But collective wage systems may also contain elements of variable pay based on performance or results, for example piecework wage and bonuses based on individual or company performance. Variable pay systems and individual wages have been more common among white collar workers, but the last years have seen new elements of performance related pay become more common also among blue collar workers. According to calculations made by Kristine Nergaard at Fafo, there was an increase in the share of employees in private sector with variable pay (bonus, piecework, provisions etc) from 12% in the beginning of the 1990s to 35% in 2003. If regulated by collective agreement, these variable pay arrangements will normally be negotiated with the union at company level.

Since 1964 both the state and local government sector used the same salary scale, but in the 1990s the two salary systems separated. Today there is no formal connection between the two systems.

There is no statutory minimum wage in Norway, but wage agreements will normally contain pay minima. Some employers' associations are positive to statutory minimum wage, but the unions are opposed to this as they are afraid it will weaken the importance of collective bargaining. This issue has been actualized during the last years as a consequence of the enlargement of the European Union leading to a large increase of work immigrants to Norway from eastern Europe. This caused a consternation about possible social dumping and low wage competition. The Government proposed in 1992 a minimum wage in industries which confronted with many immigrants looking for work, but this was rejected by the trade unions. Instead, the *Act relating to general application of wage agreements*[27] was passed to prevent possible negative aspects of immigration. The Act gives a government appointed Tariff Board[28] the right to decide that a nationwide collective agreement, partially or in full, shall apply to all employees, both foreign and Norwegian, who work within the industry covered by the agreement. This instrument was first used in October 2004, when the Tariff Board ruled in favour of a partial extension of three collective agreements at seven onshore petroleum installations. The case was brought by trade unions on the grounds that foreign workers at the seven sites were subject to substandard pay and employment conditions. The Act also allows trade unions to resort to boycotts in cases where extended provisions are not adhered to by companies, while the Labour Inspectorate (Arbeidstilsynet) may call in the police and penalise the employer.

[27] English translation of this Act can be found here: http://www.npd.no/regelverk/r2002/Allmenngjoeringsloven_e.htm

[28] This Board is constituted by 1 representative from the employers' associations, 1 from the trade unions, and 3 "neutral" representatives appointed by the Government

Summary

In summary, one could say that the Norwegian system is a very well regulated system of collective agreements with a peace clause which is in force other than during the negotiation period every second year. The nationwide collective agreements are supplemented by extensive agreements at the company level that makes it possible to adjust to local needs in a flexible way. All negotiations are done within a fairly limited period in the spring. The organisations on both sides are strong and are marked by a high degree of centralized power and a fairly high density, but at the same time the system is dependent on strong local partners at the company level who agree to company implementation of central accords and to collective bargaining at the company level.

Relations at the national level

Industrial relations in Norway have been marked by a strong presence of the state in wage-setting, mediation and settlement of disputes as well as statutory regulation of workers' rights (Dølvik 2007). But the cooperation has gradually been extended into many political and work life issues. In this way, the Norwegian model is a corporative model in which the social partners have a central role in social governance. The employers' organisations and trade unions are strongly involved in preparation of new legal acts and labour regulations, and have close cooperation with the government, public administration and the members of Parliament. But the cooperation also goes on at all levels ranging from company to state level, and throughout the last century many arenas have been created as meeting-places for union representatives and employers.

An example of the close cooperation between the three parties at the central level is the so-called *'Solidarity Alernative'* from the first part of the 1990's. An economic boom in the 1980's suffered a hard landing. Norwegian companies' competitiveness was weakened and unemployment increased. In order to overcome this crisis, the state and the social partners agreed to pursue a Solidarity Alternative according to which centralised income policies should aim at lowering unit costs by 10% compared to trading partners and at the same time bring down unemployment and secure growth in real wages of at least 0.5% a year. As part of the pact, the trade unions obtained the safeguarding of key welfare rights, such as the sick pay scheme, and the introduction of a generous early retirement scheme.

This Solidarity Alternative expressed broad political consensus and the commitment of the social partners to continued concertation. Employers have from time to time declared a goal of more flexibility for the companies and labour deregulation, but sacrificed this for the aim of regaining control over wage determination and avoid inflation and a strong wage growth. Employers and government were attracted by the unions' capacity to deliver wage restraint while LO obtained ambitious employment and labour market policies together with a guarantee for maintaining major welfare schemes. The main partners largely kept to their commitments, and employment objectives were fulfilled, facilitated by economical growth rates beyond what was expected. (Dølvik & Stokke 1997). A central feature of this turnaround was the use of trade union influence to secure a pattern of distribution and a policy that enhanced legitimacy and popular consent. In this way, the trade unions, in particular, have been able to influence the broad parameters of state policy within an institutionalized social compromise.

Another important recent example of tripartite concertation is the *Inclusive Workplace Agreement*. In response to the high sickness absence and disability benefit inflow rates during the 1990s the Norwegian government decided on a – in international perspective – quite unusual route, namely to shift parts of the responsibility for solving these issues to the social partners. With the aim of reducing the outflow from the labour market into health-related benefits and early retirement schemes, a tripartite agreement was signed for the period 2001-2005 between the government and the social partners to cooperate on strengthening active measures at the workplace – *the Inclusive Workplace Agreement*. The main idea behind this is that the workplace is the main arena where progress could and should be made.
The purpose of this Agreement was to help to:

- create a more inclusive workplace for the good of individual employees, workplaces and society
- reduce the utilisation of disability benefits and sickness absence
- make better use of older employees' resources and labour in the workplace

The operational objectives were threefold: Firstly, bring down sick leave absence by 20 % compared to the situation in the second quarter of 2001, secondly, stimulate the inclusion into the workforce of far more people with impaired functional capacity and thirdly, raise the effective retirement age by making older workers stay longer in work.

A special agreement of cooperation has been drawn up between individual enterprises and the authorities, i.e. The National Insurance Service (today part of Norwegian Labour and Welfare Organisation). Enterprises signing the agreement commit themselves to work systematically for the reduction of absence due to sickness. In return, the authorities provide these enterprises with both administrative and financial support for their efforts to bring employees on prolonged sick leave or disability benefits back to work.

At the end of the agreement period it was clear that the objectives were far from being reached, although studies suggested that the climate for constructive in-house cooperation related to risks of exclusion had improved in IW-enterprises and that the level of sickness absence had been reduced considerably. A limitation was that the work tended to be orientated towards the employees already in the enterprise, and that little had been done to recruit persons with impaired functional capacity or older workers, which was also a part of the commitment undertaken when signing up as an IW-enterprise. However, as the IW-concept had gained considerable support in Norwegian workplaces and among the social partners, the government and the social partners agreed to enter into a renewed IW-agreement for a new period.

Tripartite concertation and solidaristic policies have been essential elements in what may be seen as a self-imposed convergence programme. Oil revenues which have had a potentially inflationary impact, have to a large extent been kept in check through the centralized wage determination. Even if the Solidarity Alternative evaporated under a new economic upswing in the late 1990's, new rounds of income policy concertations have been initiated later under governments of different colours, the main difference being that also other union confederations have been incorporated in the process during the last years. Generally there have been limited changes in the bargaining system in spite of modifications of the pattern of coordinated wage-setting and macro-economic policies the last years. In fact bargaining coordination has been strengthened, sometimes even across confederations.

The state has been an active part of the development of the Norwegian model, and the parties have bound themselves both to the model and to the procedure for developing the model. Such development and changes are often achieved by establishing and participating in committees appointed by the government or ministries which may suggest policies related to issues such as income policy, bargaining procedures and labour market policy. In this way the three parties develop the model in a continuing process, and changes within central labour issues are rarely completed without a preceding dialogue aiming for consensus.

Relations at the company level

Strong central power embedded in Norwegian industrial relations is combined with a significant decentralization of the three central issues:

- Co-determination in company development
- Health and safety activities,
- Bargaining (which is covered earlier)

These three issues are dealt with as strictly separate arenas so that co-determination and health and safety issues won't be mixed with wage bargaining.

Employee representation and participation structures are well established, on the basis of both agreements between the social partners and the legal framework, and varies between arrangements based on contacts with shop stewards/trade union representatives, and arrangements based on representatives elected by and for all employees within companies. Although such important elements as Working Environment Committees and Board representation are based on representation of all employees, trade unions nevertheless play a significant role in these bodies as most employees, at least in larger workplaces, are unionised. The Norwegian system is typified by an amalgamation of both trade union representation and employee representation.

Co-determination in company development

Collective agreements providing shop stewards and company-level trade unions with the right to information, consultation and negotiations in a range of areas are probably the most important form of representation in the day-to-day running of companies. Furthermore, both the legal framework and collective agreements establish more formal structures enabling employees to be represented and heard. Company-level trade unions and their representatives play an important role in the Norwegian participatory system, and they also play a significant role in the more formal structures for employee representation.

The basic agreements regulate the rights and duties of workers' representatives and company management with regard to participation and co-determination (information, consultation and negotiations). They also establish formal participatory bodies. Basic agreements between the trade unions and employers' confederations make provisions for the establishment of *works councils* (bedriftsutvalg). The basic agreement between the Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Business and Industry (NHO) has more or less set the norm, making works councils compulsory in companies with more than 100 employees. The parties may also jointly raise the establishment of a works council as a demand in companies with fewer than 100 employees.

These works councils are bipartite bodies composed of an equal number of employee and employer representatives. The LO-NHO basic agreement stipulates that 'Matters that are of material importance for the employees and their working conditions, which relate to the activities of the enterprise, substantial investments, changes in systems and methods of production, quality, product development, plans for expansions, reductions or restructuring, shall be submitted to the council for its opinion before any decision is made.' Basic agreements also provide for other types of structures, such as works councils for groups of enterprises, and divisional councils for companies with more than 200 employees.

A survey in 2003 among companies with more than ten employees showed that in fact eight out of ten companies in the private sector practiced some form of representative employee participation (representation on the Board of Directors is not included) (Kvinge et al 2005).

Another survey (Grimsrud et al) showed that

- Between 70 and 80% of the union representatives participate in planning and the carrying out of company development projects
- The managers involve the union in larger development projects because this participation results in useful contributions as opposed to cosmetic or nominal contributions. At the same time the managers state that this involvement lends a legitimacy to the solutions among employees
- In addition, 6 out of 10 companies without trade unions present have structures for employee representation

This survey was done as part of a research project financed by a body – Hovedorganisasjonenes Fellestiltak (HF) – which in itself is a result of the cooperation between the most important organisations, LO and NHO. HF is owned and run by LO and NHO together in order to further increased economic growth through cooperation on company development, gender equality, better working environment and less absence due to illness. This is accomplished by financing common projects, conferences and courses, and by initiating research projects.

As Hernes says it in a comment to the aforementioned survey results (our translation):

> "Roughly put one may say that the companies are arenas for collective action where the union representatives and many employees to a great extent participate in the companies' continuous development and economic growth. This not only has consequences for the companies' revenues, the employees' income and the work environment. Important bi-products of these processes are the building of predictability and trust, contributions exceeding what might be expected as a matter of course, and a willingness to take on burdens now in order to be able to harvest in the future – in short, building of social capital." (Hernes 2006)

Beyond participation and representation in the workplace, employee representation on the boards of companies is regulated in the *Limited Liability Companies Act* (Aksjeloven). Although there are also other relevant acts, the majority of legal arrangements in this area are based on the principles of this Act. Only in a few cases is the right to Board representation regulated by nationwide collective agreements.

Employees have a right to board-level representation in companies that, on average, have had 30 employees or more during the past three years. In companies with more than 50 employees, employees are entitled to a number of representatives not exceeding one-third of all the board members, or a minimum of two representatives. Employee representatives are elected by all the employees. Companies which in the past three years have had on average over 200 employees must also elect a 'corporate assembly', one-third of whose members are chosen by and from the employees. The corporate assembly elects the company board, and the electoral rules stipulate that employees may elect board-level representatives and deputies from their own ranks, not exceeding one-third of the total number of board representatives, with a minimum of two representatives. The employee representatives have the same rights and duties as the shareholders' representatives. In companies with trade unions, leading union representatives in the company are elected as Board members.

Employee representation on the board of the companies was a hot issue in the years around 1973 when the Act met considerable skepticism in the parliament and among employers. Nonetheless, today employee board level representation is generally accepted and looked at positively. For the unions it is an arena for getting information, to meet shareholders and exert influence on vital decisions. For the managers and shareholders it is a useful arena to bring in employees' knowledge and perspectives and to anchor decisions among the employees. A survey from 2005 showed that 65% of the companies with more than 50 employees had employee representation (Hagen 2005).

Health and safety activities

The Working Environment Act (Arbeidsmiljøloven) makes work environment committees (arbeidsmiljøutvalg) compulsory in all enterprises with more than 50 employees, and also in enterprises with between 20-50 employees if required by the parties themselves. These committees are bipartite bodies composed of an equal number of employee and employer representatives. The various duties of these committees include considering questions relating to plans that may be of material significance for the working environment, in areas such as rationalisation schemes, work processes and hours of work arrangements. In the state sector, the Civil Service Act (Tjenestemannsloven) provides these employees with the same type of protection and rights.

The act also makes a number of safety delegates in all companies[29] compulsory. They shall safeguard the interests of employees in matters relating to the working environment, both physical and psychosocial. The number depends on the size of the establishment, the nature of the work and working conditions in general, and the

[29] In companies with less than 10 employees the parties may agree to have other arrangements.

company is responsible for financing their training. They have considerable power. If a safety delegate considers that the life or health of employees is in immediate danger, they may halt the work until the Labour Inspection Authority has decided whether work may be continued. A recent report[30] based on a large survey shows that around 80% of all companies have safety delegates and the main conclusion is that the safety delegate system overall is well established and functions well. The report also shows that the safety delegates have power; Around 20% of them have used the right to halt work on account of danger to life or health.

Case: The merger of Statoil and Hydro Oil & Energy

The 18th of December 2006 it was announced that the Norwegian oil company Statoil[31] was going to merge with the oil and energy division of Norsk Hydro[32]. All in all, more than 30.000 employees onshore and offshore were affected. The decision was made by the Boards of the two companies where employee representatives constituted one third. The merger was to be accomplished by the1st of October 2007.

A special project organisation was set up to manage and complete the merger. It was recognised by both the management and the unions that a successful merger depended on close cooperation and involvement with the unions. Therefore the parties agreed on a collaboration model with the following goals:

- Ensure that the process is in accordance with regulations and collective agreements
- Establish a collaboration model which secures a joint and uniform process and communication of important and principal issues
- Create good solutions for the new company and the individual employee
- Secure early involvement and genuine influence of the employee representatives from both companies based on open dialogue and equality
- Secure an effective implementation of the integration planning process and avoid delays and uncertainty

[30] Referred in the newspaper Aftenposten 11th of November 2007 (“Vaktbikkja biter”)

[31] Statoil was established in 1972 as the oil company of the Norwegian state, but was later partly privatized down to 71% state share of stocks. It has been the major player at the Norwegian continental shelf, and is also engaged globally.

[32] Norsk Hydro is an old company, state-owned by 43.8%, that until the merger both was into aluminium and oil and gas, and earlier also has been into fertilizers. After the merger Norsk Hydro mainly remains as an aluminium company.

- Impart correct and timely information
- Create enthusiasm and motivation towards the new company
- Maintain safe and efficient operations and progress in the ongoing projects in both companies

Three central bodies were established: The Integration Planning Team, The Integration Planning Committee and The Union-Management Committee.

The Integration Planning Team (IPT)had the overall responsibility of planning and follow-up for the implementation of integration planning. This team developed principles for designing the new organisational structure and for personnel management as well as lead work with business localisations amongst others. Five union representatives, representing the larger unions in both companies, participated in the team as fully-fledged members. The team had meetings frequently during the entire process.

In addition to this central IPT, "local IPT's" were established for each business area with 2-5 union representatives from both companies.

The Union-Management Committee (UMC)was established as the main arena for collaboration, exchange of information and consideration of cases relating to the integration planning This included:

- Plan for the integration work and for the involvement process
- Organisational structure for the new company
- Localisation
- Principles for personnel management
- Expertise and resource requirements
- Impact assessments
- Overriding HSE (health, saefty and environment) questions relating to the integration and restructuring process
- The process for dealing with remuneration and terms and conditions of work relating to the integration

All 11 unions[33] in both companies were represented besides the management of the integration project organisation. In addition, four representatives from the elected safety delegates from the two companies joined the committee from the start in order

[33] 5 unions from Statoil and 6 unions from Norsk Hydro. Normally in Norway there are not so many unions present in one company. Statoil and Norsk Hydro are exceptions.

to exercise a special focus on HSE issues. All issues concerning the integration were discussed in this committee before decisions were made.

Many *project committees* of different kinds were established during the process to take care of various matters. All these committees had representation from the unions as long as they wanted to be represented. Their work and recommendations were discussed in the Union-Management Committee.

The Integration Planning Committee (IPC)consisted of the top management from both companies and was responsible for ensuring compliance with the integration agreement between the two companies. This committee set the agenda and laid down governing requirements for planning the integration, as well as approved solutions relating to integration planning based on proposals from the integration planning teams and discussions in the union-management committee.

The unions established its *Trade Union Forum* (TUF)consisting of the leaders of all unions across confederation boundaries (the same who took part in the Union-Management Committee) and the four safety delegates. All employee reps at the Boards of the two companies[34] were also invited to the weekly day-long meetings. Most of the unions also engaged external advisors[35] from their national union and they engaged an external coordinator for the Forum who was independent of the unions. All these external advisors and the coordinator participated in the meetings in the Union-Management Committee as well, and their work was paid for by the company[36] even if they were managed solely by the unions. TUF coordinated the union work in the process and agreed on joint representation in the different committees which were established. All merger and integration issues were discussed leading to joint attitudes from the unions in IPT, UMC and project committees. This cooperation developed very smoothly in a good atmosphere, which surprised management, who had feared quarreling and competition between the unions, which could have been very destructive to the merger.

Altogether about 70 union representatives participated directly in one or more committees in this merger process which lasted nine months – 70 union representatives out of a total of 200 people directly involved in the merger project organisation. Three days before the formal merger date, the 1st of October, the head of the Integration Team and member of the corporate management, Hilde Aasheim, summed up her experiences in this way in her letter to all employees:

[34] To the extent they were not already represented. Some of the union leaders were also members of the Boards of the two companies.

[35] In the way that the two company unions affiliated to the same national union shared the same advisor.

[36] This varied somewhat regarding the advisors. Some of the national unions have the principle not to accept payment for their advisors, even if the company offers to pay as in this case.

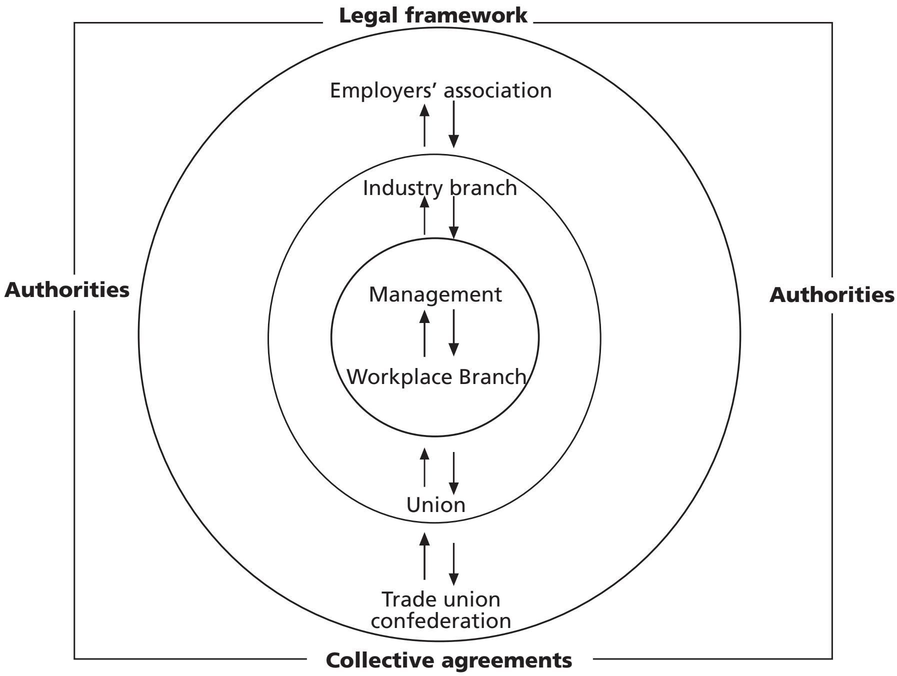
"Statoil and Hydro employees, managers, and employee representatives have worked side by side to find good solutions that satisfy both the company and its employees. I am impressed by the effort that has been put into the integration planning work, and I am proud of the good cooperation we have achieved during this process." (Weekly newsletter 28th of September 2007)

The unions in these two companies who are strong and generally known for being direct, also regarding their pronouncements to the media, all express satisfaction with the process. This doesn't mean that there haven't been disagreements, demands that challenged management and difficult discussions. Nonetheless the unions all tell the same story – that they have felt genuine involvement and a real influence on the decisions made.

Summary

Employee representation and participation structures have been an intrinsic part of Norwegian industrial relations for a long time, and are hardly controversial. Employees,

Figure 2-9 Relations between the social partners.



Source: The figure is taken from Hernes (2006).

trade unions and employers appear to recognise the value of participatory structures, both in relation to company development and production, and as a mechanism to improve the working conditions of ordinary workers. LO and NHO pursue formalised joint cooperation on enterprise development, which includes the funding of company-level projects which act to encourage cooperation and participation.

The relations may be summed up in as in figure 2-9.

The relations between the social parties at each level is surrounded by relations at the next level, all within a legal and collective agreement framework.

Part 3: Industrial relations in Brazil

Introduction

Short historical background

From 1930 onwards – half a century after the end of the slavery and the inauguration of the republican system - Brazil started to have more control of its political and economic destiny. Alternating between democratic and authoritarian regimes, economic policies were implemented – some more nationalist and others seeking to associate with imperialism - that instilled dynamism into the economy, building on domestic market growth and diversification.

Between 1930 and 1980, Brazil boasted economic growth rates of about 6 per cent a year on average. More importantly, the country shifted from being an immense 'farm', in which 60 per cent of the workforce lived in the rural areas, to becoming an urban and industrial society. The industrial sector advanced in the more capital-intensive sectors and, by the late 1970s, the country had become the largest economy of the developing world.

On the other hand, the adoption of an industrial copycat model, rather than one driven by technological innovation, held the country hostage to decisions taken by multinational companies, while the domestic market was restricted to the country's 'wealthiest' 30 per cent. That is, it encompassed at best the middle class and some strata of the factory working elite (Furtado, 1968).

The performance of the labour market revealed some positive aspects. Formal salaried work had grown more rapidly than the Economically Active Population (EAP) (at 6.2 per cent and 2.6 per cent annual averages, respectively) between 1940 and 1980 (Pochmann, 1998).

As one of the outcomes of the industrialization process, Brazil was able to give birth to a national working class protected by labour legislation, even if such legislation did not benefit all segments. Meanwhile, the salaried middle class expanded, with technicians and professionals with a college degree and company and public sector managers gaining apace.

Still, and regardless of these indices indicative of the structuring of a relatively 'modern' labour market, Brazil presented distinctive features not common to the pattern of employment prevalent in developed countries: high disparity between income levels, high percentage of workers in non-organized sectors and the non-existence of a universal system of social protection.

Concomitantly, we emphasize that approximately one third of the country's total salaried workers – including both urban and rural areas –still were out of reach of labour legislation by the end of this expansive cycle. The country had failed to create a collective statute of labour; nor had it been able to create a salaried society as defined by Robert Castel (1999). If we add precarious self-employment in the city and in the rural areas, domestic servants and unemployed excess workers, we reach the conclusion that these segments amounted to 35 per cent of the Brazilian workforce in 1981 (Santos, 2002).

It is worth noting that the government that seized power in 1930, and which modernized Brazilian capitalism under authoritarian inspiration, took upon itself the task of regulating the functioning of trade unions, as well as introducing labour legislation.

Apart from extending the rights achieved by some trade unions in the struggles of the 1920s, it also created a few new ones, such as the case of the minimum wage. Such rights were consolidated in a single legislation in 1943 (Labour Laws Consolidation), yet benefited only urban workers with regular working contracts, while imposing a model of labour organization heavily controlled by the State. Collective bargaining agreements were scarce.

The only modifications of this union model to date, are that the new 1988 Brazilian Constitution eliminated the previously existing ideological restrictions against workers seeking to be elected to trade union boards, and the suppression of a provision that allowed the Ministry of Labour to directly intervene in the unions and even remove officials who had been legitimately elected by the workers. At the same time, collective agreements and conventions spread to various sectors.

Urbanization was another trend of the period. Between 1950 and 1980, the urban population had expanded at an annual pace of 4.4 per cent, leading to an urbanization rate of about 70 per cent in the country at the end of the period. The metropolises concentrated both the wealth and social exclusion. In that same year, 58 per cent of the poor were concentrated in urban and metropolitan areas (Rocha, 2004).

It is worth pointing out that in the 1960's, after the 1964 coup d'etat, an important disruption took place. Brazil would continue growing in a dynamic way, now internationalizing in commercial, productive and financial terms.

However, the country closed off the political arena hindering society's diverse sectors from expressing their interests in order to become an "autocratic bourgeoisie" (Fernandes, 1987), allied to oligarchic groups with the acquiescence of segments of the middle class. The working majority became deprived of the benefits of increased growth and productivity. As a consequence the income concentration index soared: the gap between the average income of the wealthiest 10 per cent and the poorest 10 per cent rose from 21-fold to 47-fold between 1960 and 1980 (Jakobsen and Barbosa, 2006).

In this period, trade unions controlled by the left suffered direct intervention by the military regime. The majority of union leaders were removed from their positions, and many were imprisoned. At the time, the only organizing space was amidst the progressive sector of the Catholic Church.

The period thereafter was of political distension, culminating with the end of the military dictatorship and the indirect election of the first civilian president in 1985. A slow and negotiated process, without political disruptions, marked the transition period.

However, despite the concerted transition, a strong social movement would simultaneously emerge, whose most vigorous expression was a series of strikes that broke out between 1978 and 1986 in high technology sectors of the economy, and the rise of many leftist unionists to the boards of the most important unions.

This expansive process would be interrupted in the 1980s due to the international crisis, which presented three facets: oil price hikes, falling commodity prices and rising U.S. interest rates. To cushion that crisis, the Brazilian government signed agreements with the IMF that included raising domestic interest rates and the generation of trade surpluses. Increasing domestic public debt was the mechanism adopted to shoulder the cost of servicing foreign debt (Belluzzo and Almeida, 2002). Contrary to the conservative diagnosis, inflation levels did not yield, while GDP remained stagnated throughout the decade, and urban unemployment levels rose.

Despite the redemocratization movement that led to the signing of the 1988 Constitution and the strengthening of the social movements, the 1990s would be characterized by the introduction of a plan to stabilize price levels, which was to bring with it a drastic alteration of the role of the State and of the country's model of internationalization, based on a set of economic reforms geared towards deregulation and economic liberalization. As a result, an earthquake shook the Brazilian social structure.

After the 1999 currency devaluation Brazilian GDP has been growing faster, especially after 2004, taking advantage of the international commodities' boom, the cash transfers programmes and of the rise of the minimum wage., Still Brazil has to confront the heritage of the past two decades when unemployment and informality increased steadily.

Labour market

Let us summarize now the general characteristics of the Brazilian labour market today. In the first place, we provide data on unemployment, as well as on its evolution over the more recent period. Secondly, we proceed on to a more thorough analysis, looking at the profile of employed workers, drawing from the PNAD/IBGE 2005 (Brazilian

Yearly Household Survey) database. Lastly, we provide a track record of labour strike evolution in Brazil.

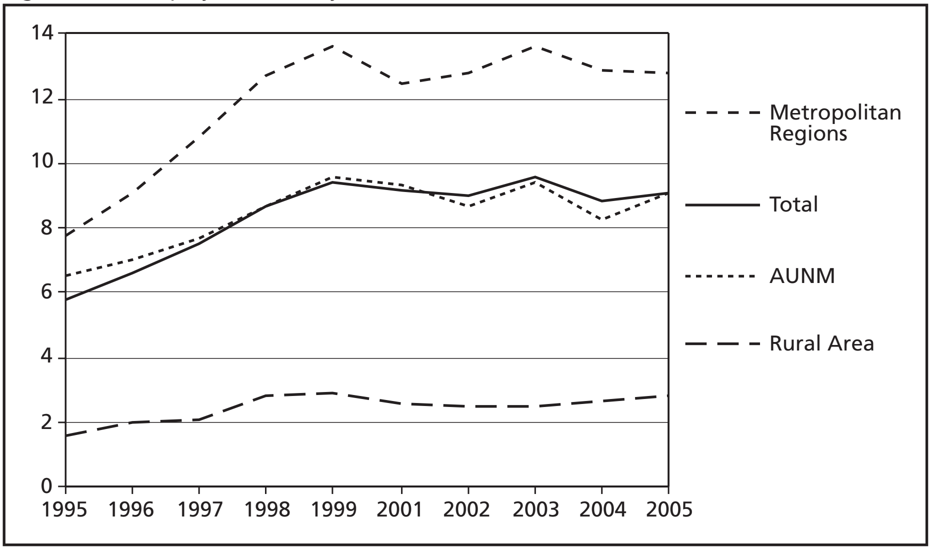
According to figure 3-1, it can be observed that from the 1990s Brazil witnessed a strong increase in unemployment. The years of 1999 and 2003 represent joblessness peaks, because of economic stagnation. At any rate, we observe an elevation in the structural level of unemployment, which leaps from 3% in the late 1980s to 9% in the later years of the following decade.

Notwithstanding a more robust growth of employment from 2004 and onwards, the unemployment rate fell slightly because there was a concomitant increase in the participation rate. That is, many of those formerly in a state of inactivity started to pressure a labour market struggling to regain momentum.

Figure 3-1 also allows us to conclude that the unemployment rate is higher in metropolitan regions, slightly above 12% in 2005. In the rural areas, unemployment is marginal, since there the labour market problem is felt in the guise of high inactivity by virtue of a lack of economic opportunities. It is important to stress, too, that the figures on open unemployment shown in the graph represent only some 30% of the country's decent work deficit, and fail to capture all the dilemmas faced by the Brazilian working population.

Furthermore, it is worth underscoring the differences in unemployment rates across demographic attributes. The rate of unemployment for women (12%) is 74% higher than that of men (6.9%), while that of blacks (10.3%) is 28% higher than that of whites

Figure 3-1 Unemployment rate by areas.



Source: Pnad/IBGE.

AUNM= urban non-metropolitan areas.

(8.1%). The social group presenting the highest level of idleness is the one comprising youths aged 18-24, with an unemployment rate close to 18%. Youths represent half of the 8.5 million unemployed in the country in 2005.

It is worth recalling a 1990s novelty of the Brazilian labour market. The unemployment rate for people with 11-plus years of schooling (9.2%) is now higher than that observed for the segment with eight or fewer years of schooling (7.1%). This figure reflects both the higher supply of an educated workforce and the difficulty the country is encountering generating more qualified jobs.

In 2005, Brazil had approximately 87 million employed workers. About 20% of the total – 17.8 million people in all – were engaged in agricultural activities, a trait that differentiates Brazil from the main developed economies.

The manufacturing industry, other industrial activities (which include the public utility sector) and the construction industry amounted roughly to another 20% of the workforce employed.

The services industry accounted for the remaining 60% of the existing jobs in the country. This heterogeneous sector by nature comprises commerce (17.8% of the jobs), public administration with social services (13.7% of the jobs), the transportation and communications industries (4.5% of the jobs); while domestic services, lodging and catering, and other services – mostly those with the lowest income averages – jointly account for a remarkable 15.1% of total jobs.

Table 3-1 Employed workers by economic sectors 2005.

Sector of Activity	Absolute Numbers	Relative Numbers
Total	87 089 976	100.0
Agriculture	17 813 802	20.5
Commerce	15 484 670	17.8
Manufacturing Industry	12 322 285	14.1
Education, Health and Social Services	7 651 694	8.8
Domestic Services	6 658 627	7.6
Other Activities	5 943 416	6.8
Building/Construction	5 635 753	6.5
Public Administration	4 262 366	4.9
Logistics and Communication	3 962 153	4.5
Other Collective, Social and Personal Services	3 297 403	3.8
Hotel and Restaurant Services	3 183 527	3.7
Other Industrial Activities	676 134	0.8
Non or Badly Defined Activities	198 146	0.2

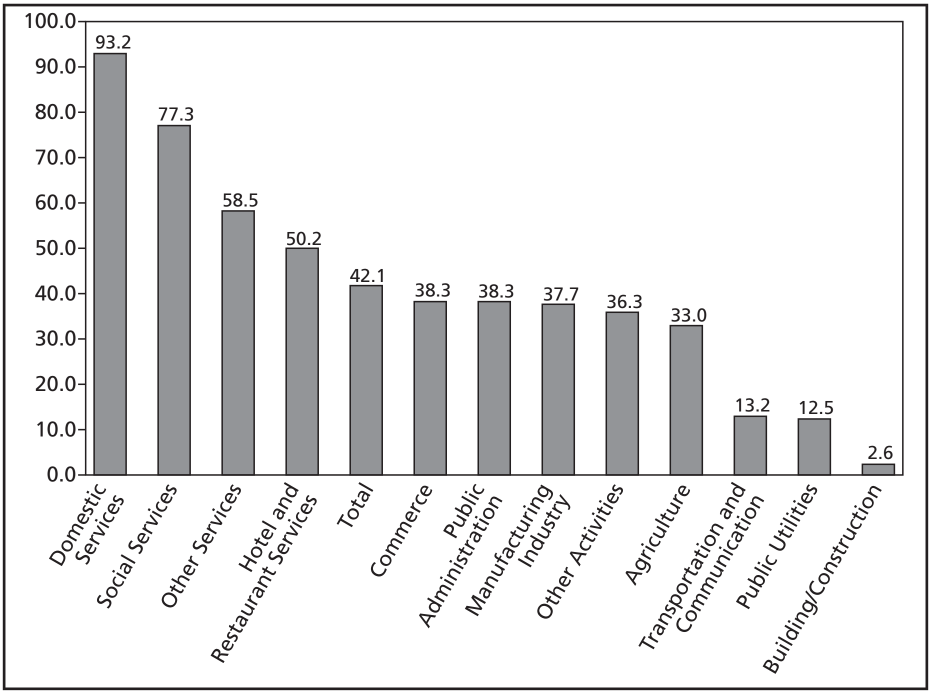
Source: Pnad/IBGE.

Women's share in relation to the total number of employed workers was, in 2005, about 42%, though for some sectors such as domestic services (92.3%), social services (77.3%) and lodging and catering (50.2%), these percentages are significantly higher. Women's share is also important in commerce, public administration and the manufacturing industry, slightly below the 40-per cent level. Also noteworthy is the case of the manufacturing industry, in which women's share rose throughout the 1990s as a result of productive adjustment programs, with women often occupying posts formerly deemed typically male, yet in exchange for lower wages.

Gender discrimination in the Brazilian labour market manifests itself through occupational segmentation – there exist typically female and male jobs –, as expressed by income differentials within the same sector. Men have an average income that is 59% higher than that of women. This differential is especially high in the manufacturing and farming industries, which in the latter case is due to the bigger share of women in non-remunerated activities of a domestic nature.

The percentage of blacks – according to the definition of the Brazilian Institute for Geography and Statistics (IBGE), which aggregates blacks and *mestizos* – in relation to the employed population was at 48.5% in 2005, very close to this segment's share in the overall Brazilian population. The participation of blacks was highest, around 60%,

Figure 3-2 Percentage of women out of total employed workers by economic sectors 2005.



Source: Pnad/IBGE.

Table 3-2 Distribution of employed workers in different economic sectors by colour 2005.

Sector of Activity	% Black	% White	% Other
1 Agriculture	60.0	39.5	0.5
2 Other Industrial Activities	49.6	49.9	0.5
3 Manufacturing Industry	42.7	56.5	0.7
4 Building/Construction	56.8	42.7	0.5
5 Commerce	43.8	55.3	1.0
6 Hotel and Restaurant Services	47.4	51.9	0.7
7 Logistics and Communication	44.0	55.4	0.5
8 Public Administration	44.3	54.9	0.8
9 Education, Health and Social Services	39.3	59.7	1.1
10 Domestic Services	59.3	40.2	0.4
11 Other Collective, Social and Personal Services	46.5	52.4	1.1
12 Other Activities	37.3	61.7	1.1
13 Non or Badly Defined Activities	63.7	35.8	0.4
Total	48.5	50.7	0.7

Source: Pnad/IBGE.

in the farming, construction and domestic services industries, characterized by the lowest income levels and the highest informality rates, pointing to a racial discrimination that is replicated in, and amplified by, the labour market.

In terms of income differentials, the average income of the white population was nearly twice as high as that of the black, once again the farming industry accounting for the highest differences. In domestic services, the difference tends to be smaller, since whites working in this segment also make low wages. It is as if they become "black" by exercising this low skill, low social recognition activity in the country.

In terms of the workforce profile, Brazil had in 2005 three per cent of its workforce engaged in child labour, comprising some 2.6 million children aged 10-15. Another 20% were youths aged 16-24.

Some observations regarding the cross-sector distribution of those employed are important. For example, 8% of farming workers were aged 15 or below. With respect to the youth population, it tends to concentrate in the commerce, transformation industry and lodging and catering sectors, wherein this age group accounts for approximately a quarter of all existing jobs.

In addition to the ageing of the employed population, in spite of the still high share of the youth segments in the Brazilian labour force, it is worth pointing out an elevation in schooling levels over the recent period.

In 2005, ten per cent of the country's employed workers had no schooling, and 38.4% had not completed elementary school. On the other hand, the group exhibit-

Table 3-3 Distribution of employed workers in different economic sector by age groups (in %) 2005.

Sector of Activity	15 years of age and below	16 until 24 years of age	25 until 39 years of age	40 years of age or above
1 Agriculture	8.0	18.5	27.2	46.3
2 Other Industrial Activities	0.8	17.4	42.2	39.6
3 Manufacturing Industry	2.1	23.3	40.9	33.7
4 Building/Construction	1.1	17.3	38.9	42.7
5 Commerce	2.8	26.1	38.6	32.5
6 Hotel and Restaurant Services	3.4	23.2	35.8	37.6
7 Logistics and Communication	1.3	16.6	42.0	40.1
8 Public Administration	0.1	13.7	38.6	47.6
9 Education, Health and Social Services	0.5	14.6	43.5	41.4
10 Domestic Services	2.4	19.3	39.7	38.5
11 Other Collective, Social and Personal Services	1.3	20.6	42.4	35.6
12 Other Activities	0.6	21.6	43.2	34.6
13 Non or Badly Defined Activities	3.1	22.2	30.7	44.0
Total	3.0	20.3	37.6	39.0

Source: Pnad/IBGE.

ing completed secondary school and enrolled in some higher education course already represented 36% of those occupied.

The farming sector stands out because 85% of its workers had not completed primary school, a percentage that comprised two-thirds of those employed in domestic services. On the other hand, in public administration, two-thirds of the workers had at least completed secondary school, a percentage that rose to nearly 80% in the social services. The manufacturing industry appeared as an in-between case, comprised of workers with low and high schooling, depending on the segment and functions performed.

Working conditions

What is striking, is the fact that 36% of workers endure a working week of more than 44 hours, while at the other extremity some workers – 7% of the total – undertake working weeks of under 14 hours, in a situation akin to sub-employment. Overtime is the mechanism favored by employers to postpone the hiring of new workers, while those already employed, end up conniving with this mechanism, as they regard it as a way to raise their monthly income The Brazilian 1988 Constitution establishes 44

Table 3-4 Distribution of employed workers in different economic sectors by educational levels (in %) 2005.

Sector of Activity	No Education	From 1 to 7 years	From 8 to 10 years	From 11 to 14 years	15 years or more
1 Agriculture	26.6	59.5	8.5	4.6	0.8
2 Other Industrial Activities	6.8	27.0	14.1	38.5	13.5
3 Manufacturing Industry	5.1	36.0	20.3	32.5	6.1
4 Building/Construction	10.3	56.7	17.1	13.1	2.9
5 Commerce	4.5	31.3	21.0	37.9	5.3
6 Hotel and Restaurant Services	6.2	42.3	23.0	25.7	2.8
7 Logistics and Communication	3.6	36.7	20.4	33.6	5.8
8 Public Administration	3.6	17.0	13.0	44.8	21.6
9 Education, Health and Social Services	1.6	10.6	9.4	45.0	33.4
10 Domestic Services	10.3	56.9	19.6	12.0	1.2
11 Other Collective, Social and Personal Services	4.3	29.7	21.5	35.1	9.4
12 Other Activities	2.1	16.2	14.1	44.1	23.5
13 Non or Badly Defined Activities	16.6	57.0	12.0	11.9	2.4
Total	9.5	38.4	16.1	27.3	8.7

Source: Pnad/IBGE.

hours as the top level for the working week. Above this, the enterprise should pay each hour of work with an increase of 50%.

In terms of the distribution of those employed per wage bracket (table 3-5), we observe that 30% of the workers earn up to the equivalent of minimum wage, including those without earnings, usually linked to small family businesses. Another 42% are in the 1-to-2- minimum-wage range. That is, nearly three-quarters of the Brazilian workers make a maximum of the equivalent of two minimum wages. This narrowing of the wage spectrum is a recent outcome, derived from a policy designed to add value to the minimum wage that has been implemented over the past ten years.

We have observed that employees with a contract plus public employees account for only 37.4% of the country' overall employed population (table 3-6). That is, in spite of a recent regulation of employment, the sector protected by the labour legislation still represents a rather small share. This is due to the heritage of the 1990s, when a process of labour market destructuring took place, associated with the historical

Table 3-5 Distribution of employed workers in different economic sectors by wage levels (in %) 2005.

Sector of Activity	Less than 1 minimum wage	From 1 to 2 minimum wages	From 2 to 5 minimum wages	From 5 to 10 minimum wages	More than 10 minimum wages
1 Agriculture	71.7	21.9	4.6	1.2	0.6
2 Other Industrial Activities	10.1	33.2	32.9	15.4	8.5
3 Manufacturing Industry	18.7	48.1	24.5	6.0	2.7
4 Building/Construction	18.5	57.1	20.4	2.5	1.4
5 Commerce	22.8	47.1	21.7	6.2	2.2
6 Hotel and Restaurant Services	27.6	52.3	15.3	3.6	1.2
7 Logistics and Communication	10.2	39.5	37.8	9.3	3.2
8 Public Administration	4.1	40.2	32.6	15.3	7.8
9 Education, Health and Social Services	8.6	46.3	30.7	9.7	4.7
10 Domestic Services	47.1	49.9	3.0	0.1	-
11 Other Collective, Social and Personal Services	26.9	45.4	20.1	5.5	2.0
12 Other Activities	6.0	44.5	28.8	12.5	8.2
13 Non or Badly Defined Activities	65.2	27.7	5.0	1.6	0.5
Total	30.3	42.0	19.3	5.7	2.7

Source: Pnad/IBGE.

legacy of always attributing significant weight to the informal sector in the Brazilian occupational structure.

As for those self-employed, workers with no contract and domestic workers, these account for, respectively, 21.6%, 17.7% and 7.6% of those employed in Brazil, totaling up to 47%. There also exists an important percentage of workers linked to household and subsistence activities (11.4% of total jobs). This contingent is particularly important in agriculture, where it accounts for 44% of those occupied.

Sectors that stand out for their larger presence of salaried workers with working contracts and civil servants (at least 70% of the sector's total jobs) are the public utility services, public administration and social services. The manufacturing industry occupies an intermediate position, with 60% of the "protected" jobs, whereas construction and personal, lodging and catering services exhibit a regulation rate between 10% and 30%. In the national farming sector, fewer than 10% of the workers had working

Table 3-6 Distribution of employed workers in different economic sectors by type of employment (in %) 2005.

Sector of Activity	Registered Employees	Civil Servants and Military	Other Not Registered Employees	Domestic Worker	Self-Employed	Employer	Other
1 Agriculture	8.8	-	18.7	-	25.0	3.1	44.4
2 Other Industrial Activities	67.2	10.2	11.7	-	9.0	1.3	0.5
3 Manufacturing Industry	57.4	0.1	15.3	-	19.0	4.3	3.8
4 Building/Construction	22.6	0.2	26.2	-	43.6	4.5	2.9
5 Commerce	37.6	0.0	19.0	-	29.9	8.4	5.2
6 Hotel and Restaurant Services	32.2	0.1	23.1	-	27.4	8.3	8.9
7 Logistics and Communication	49.3	1.2	16.2	-	29.3	3.2	0.8
8 Public Administration	16.4	61.9	21.4	-	-	-	0.3
9 Education, Health and Social Services	36.4	32.8	20.8	-	6.4	2.5	1.1
10 Domestic Services	-	-	-	100.0	-	-	-
11 Other Collective, Social and Personal Services	25.3	2.1	26.4	-	38.9	3.8	3.4
12 Other Activities	59.4	2.0	16.4	-	15.3	5.8	1.0
13 Non or Badly Defined Activities	7.0	0.2	1.4	-	90.4	0.5	0.5
Total	31.1	6.3	17.7	7.6	21.6	4.2	11.4

Source: Pnad/IBGE.

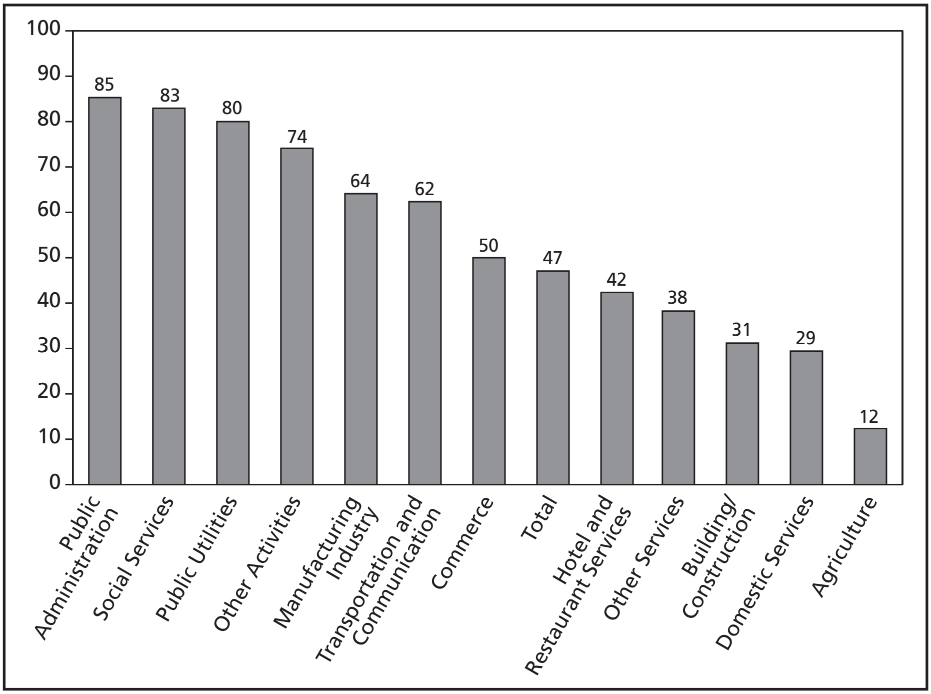
contracts, which is attributed to both precarious labour relations and the breadth of family farming.

Welfare

As regards access to public and social goods, such as social security, the situation of the Brazilian workers can be described as in figure 3-3. Access to social security displays sector large gaps, the highlight being workers in public administration and the public utility and social services. The farming sector represents the lowest figure, as only 12% of these workers have their contribution paid by employers. It is worth pointing out that this is one of the main challenges Brazil will have to tackle over the upcoming years, since only 47% of the employed population is registered with the social security. Unfortunately, the national debate of this topic, which is so strategic for the future of social inclusion and inequality reduction, is highly contaminated by a mere discussion of accounting.

It is important to stress that 2/3 of the pensioners in Brazil receive an average income of one minimum wage. An important part of them are rural pensioners, who

Figure 3-3 Percentage of workers covered by social security in different economic sectors 2005.



Source: Pnad/IBGE.

didn't contribute to the pension system. In this way this policy may be considered as an important form of income distribution that reaches a substantial part of the poor people in the country.

Another aspect of social policy, aimed at the workers, is the unemployment benefit, created in 1985 during the redemocratization process. Today around six million workers receive unemployment insurance payments annually. They have to prove that they have a past history in the formal labour market. Due to the amount of informal workers, only 22% of the unemployed in fact receive the benefit.

The organisations

Trade union structure

The present trade union structure was instituted in 1931, with the publication of Decree nº 19,770, which introduced a trade union organization model of a corporative and mono-unionist (single union) character. Unionization per professional category structured the confederative system and assigned trade unions an assistance driven, welfare function rather than a political one.

Ever since its recognition, from a lawmaking prism, this trade union organization model has undergone few changes. The promulgation of the 1932 Federal Constitution, Article 120, set forth the plurality and autonomy of trade unions, disrupting the model proposed by the 1931 decree. Still, in practice, that was not what happened and, the same principles established in 1931 were upheld.

With the Constitution sanctioned in 1937, unicity, a labour model – only one trade union per economic or occupational category in each territorial area - returned to Brazil – along with corporativism, which characterize the Brazilian labour movement to the present.

Over the historical period comprising 1937 to 1988, there were no modifications to trade union organization. The promulgation of the 1988 Federal Constitution, however, introduced some measures that are enshrined as integral parts of the Brazilian trade union structure.

Thus, as from the adoption of Article 8 of the Federal Constitution, the State is banned from intervening in trade union organization. However, unicity was maintained. Furthermore, trade unions must register with the Ministry of Labour to gain legitimacy. Today, all workers must have union representation, except the military, uniformed police, fire fighters and some other state employees (ITUC, 2007).

> **Article 8.** Professional or union association is free, with due regard to the following:
>
> I - the law may not require authorization of the State for a union to be founded, except for authorization for registration with the competent agency, it being forbidden to the Government the interference and the intervention in the union;
> II - it is forbidden to create more than one union, at any level, representing a professional or economic category, in the same territorial base, which shall be defined by the workers or employers concerned, and which may not cover less than the area of one municipality;
> III - it falls to the union to defend the collective or individual rights and interests of the category, including legal or administrative disputes;
> IV - the general assembly shall establish the contribution which, in the case of a professional category, shall be discounted from the payroll, to support the confederative system of the respective union representation, regardless of the contribution set forth by law;
> V - no one shall be obliged to join or to remain a member of a union;
> VI - the collective labour bargainings must be held with the participation of unions;
> VII - retired members shall be entitled to vote and be voted on in unions;
> VIII - the dismissal of a unionized employee is forbidden from the moment of the registration of his candidacy to a position of union direction or representation and,

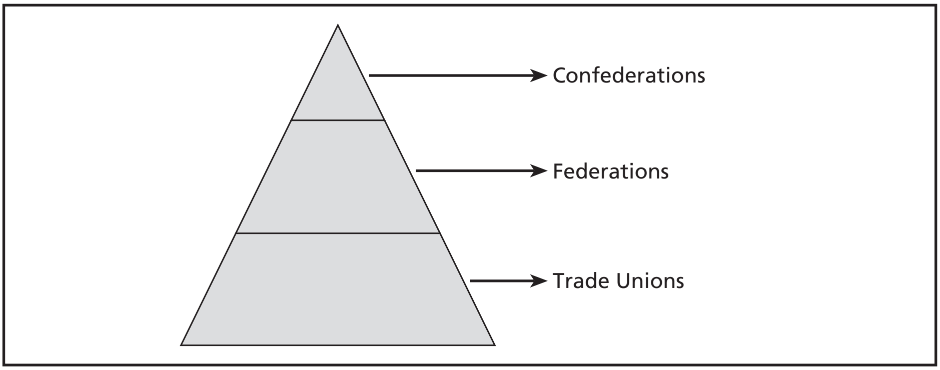
> if elected, even if as a substitute, up to one year after the end of his term in office, unless he commits a serious fault as established by law.
>
> Sole paragraph - The provisions of this article apply to the organization of rural unions and those of fishing communities, with due regard for the conditions established by law. (Federal Constitution, Article 8)

With regard to its structure, both trade unions and employers' associations, are aggregated regionally or by states in the Federations. These are aggregated in the Confederations as shown in the figure 3-4. The trade union central bodies are not included here, as they had not been legalized until the end of 2007.

Brazil's Consolidation of Labour Laws (CLT) legally recognizes Confederations and Federations as Trade Union Associations of a Higher Level. A Federation may be organized, with a minimum of 5 unions, provided these unions represent the absolute majority of a group of identical, similar or akin activities or professions.

Moreover, Federations may be constituted per State. With the authorization of the Ministry of Labour, they may be interstate or national. Confederations, in turn, may be organized with a minimum of 3 Federations and must have their headquarters in the Capital of the Republic.

Figure 3-4 Brazilian union structure.



Trade union and employers' associations fees

According to the Ministry of Labour and Employment, union and employers' association dues, as provided for in articles 578 to 591 of the CLT, have a tax nature and are compulsorily deducted by employers in the month of January and by workers in the month of April of each year.

The annual collection, according to article 8 of the Constitution of the Republic, must be undertaken by all those participating in a given economic or professional category, or liberal profession, regardless of union affiliation or not. This guild tax is equivalent to one day's wages.

Trade union dues shall be apportioned to unions, federations, confederations and the "Special Account Employment and Wage", administered by the Ministry of Labour and Employment (MTE). The objective of the charge is to fund union activities, and the amounts destined to the "Special Account Employment and Wage" are part of the resources of the Worker's Support Fund (Fundo de Amparo ao Trabalhador). It is up to the MTE to issue instructions regarding the collection and the form of distribution of union dues.

Labour Courts

The Labour Court System was created in the 1940s, just like the actual union system in Brazil. According to the 1988 Constitution, it is structured in three-levels. We have the local bodies that preside over complaints between individual workers and their employers. In the second level, there are the regional labour judges, who consider decisions made at the local level and complaints of workers organized regionally. At the top of this structure, there is the superior labour judge, who provides the general orientation to the lower bodies. The superior labour judge also arbitrates in the case of decisions taken at other levels and on complaints of workers organized at the national level (Ferrai, Nascimento and Filho, 1998).

It should be stressed that in lots of cases – when there is no agreement between the workers and employers – the courts may interfere in collective bargaining by making rules based on petitions from only one of the parties. It thus creates an incentive to use the court, allowing for a substantially high number of pending cases (ITUC, 2007).

The trade unions

According to data provided by the Ministry of Labour and Employment, there are 7,257 workers' unions registered and functioning in Brazil. Of this total, 5,272, or 72.65%, represent categories in urban localities and 1,985, 27.35%, are representatives of the rural category.

With regard to the distribution of unions across classes, it may be noted that 5,639 unions, or 77.7%, represent employees of private companies; 652, or 8.9%, represent public employees; 279 unions, 3.8%, represent liberal professionals; 178 unions, and 2.45%, represent self-employed workers.

The majority of the unions, some 55%, are not affiliated with any trade union central body.

It is worth underscoring that, in Brazil, the trade union structure did not provide for the existence of trade union centrals until November 2007. The project was approved

Table 3-7 Distribution of trade unions per trade union central bodies (2007).

Trade Union Centrals	With Solicitation Concluded	%	With Solicitation Concluded and Validated	%
CUT - Central Única Dos Trabalhadores	1715	48.1	1612	49.3
FS - Força Sindical	714	20.0	681	20.8
NCST - Nova Central Sindical De Trabalhadores*	553	15.5	533	16.3
CGT - Confederação Geral Dos Trabalhadores **	95	2.7	137	4.2
SDS - Associação Nacional Dos Sindicatos Social Democrata **	73	2.0	127	3.9
CGTB - Central Geral Dos Trabalhadores Do Brasil	149	4.2	111	3.4
CAT - Central Autônoma De Trabalhadores **	28	0.8	48	1.5
União Sindical Independente	4	0.1	4	0.1
CNT - Central Nacional Dos Trabalhadores	2	0.1	3	0.1
UGT - União Geral Dos Trabalhadores**	213	6.0	3	0.1
Conlutas - Coordenação Nacional De Lutas	7	0.2	1	0.0
Total	3562	100.0	3267	100.0

Source: Ministery of Labour and Employment – MTE.

* NCST is not really a trade union central. NCST is just a grouping of all trade unions not affiliated to any trade union central.

** All these bodies have merged into one (UGT) in 2007.

by the Senate on November 27th. Now, they will have legal power to enter into bargaining agreements with employers.

According to the law, the central union bodies will also now have the right to a part of the financial resources collected through the compulsory union fee. However, during the negotiations to approve the law, the Senate proposed the end of the compulsory union fee. As this idea was refused by the trade union movement, a joint working group with the Ministry of Labour and the central trade union bodies was created to set up a proposal within 90 days. The idea is to substitute the present system for a transitory one, in which the compulsory fee would vanish in the long-term, as a way to not jeopardize the structure of union financing.

It may be said that the government in 2005 proposed an amendment to the Constitution that aimed at reforming the union structure. Despite the debates undertaken between government, unions, employer and labour specialists, the reform did not pass, as the present system still is defended by some of the social actors.

Central Única dos Trabalhadores – CUT – founded in 1983, is the largest trade union central in terms of members and number of affiliated unions. CUT has around 7 million members and 49.3% of all Brazilian unions with their affiliation applications concluded and validated.

In the same affiliation condition as CUT, we notice next the Força Sindical (FS), with 2,1 million members and 20.8% of the unions. Recently there occurred a merger of trade union centrals, with the creation of the União Geral dos Trabalhadores (UGT), which incorporated the former CGT, CAT, SDS, plus the São Paulo commerce workers' union, which before belonged to Força Sindical. We may estimate that this is the country's third largest trade union central, with roughly 1,35 million members and 10% of the trade unions with applications filed and validated. Finally, it is worth highlighting the presence of the CGTB, with 3.4% of the unions, and Conlutas, with a rather lower share, both arisen from a CUT schism.[37]

The CUT is the trade union central with the largest number of Confederations. Today there are six non-organic confederations, meaning that not all of the unions are CUT-affiliated, and nine are organic, with all the unions affiliated to CUT. The FS has two Confederations (Table 3-9).

The Federations are distributed between the three main Brazilian trade union centrals. CUT has 118 Federations, including affiliates and organic unions, throughout the country. The FS has 49 affiliated federations and the UGT has 16 Federations in its rank-and-file.

Among the trade union central bodies, the CUT is the oldest and also the largest trade union central of Latin America, and in fact the fifth largest in the world. The CUT defines itself as "a mass trade union organization at the highest level, with a classist, autonomous and democratic character, committed to freedom of organization and expression, and guided by precepts of solidarity, both in the national and the international spheres".

Moreover, this labour entity declares itself in "defense of the immediate and historical interests of the working class, improved living and working conditions and engaged in the process of transformation of the Brazilian society toward democracy and socialism".

The second largest trade union central in number of affiliated memberships, the Força Sindical, states that its founding arose from "concerns over the course unionism was taking, lagging behind in the process of redemocratisation of the country, whether be it for sterile radicalism or for, on the other hand, paralyzing conformism. The ideal

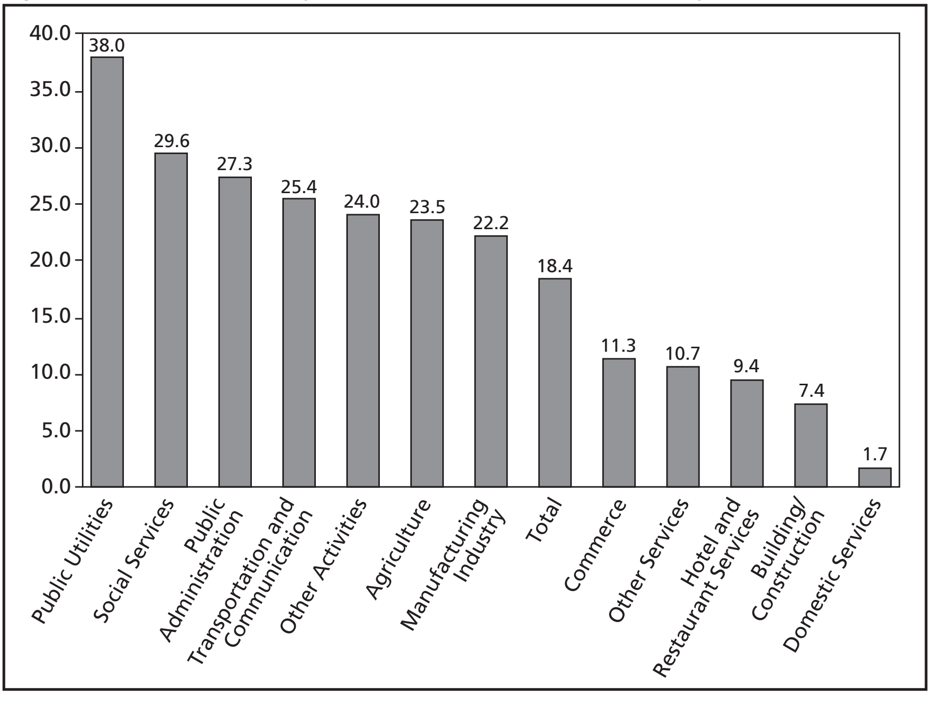
[37] Source for data on members of the trade union centrals in Brazil: http://www.newunionism.net/library/member%20contributions/news/Union%20Federations%202000-2007.htm

that emanated from this 1st Congress of the Força Sindical –the new banner that emerged– was that of launching the Brazilian workers' movement into modernity, to build a strong central, capable of hardening whenever necessary, but of knowing how to negotiate, autonomous, free, pluralistic, open to internal debate and with society. And, foremost, with a well-defined project for a better, fairer, in solidarity and knowledgeable Brazil to promote social well-being among its children".

During the 1990s, the two centrals adopted quite divergent positions. The CUT adopted a critical position towards the Cardoso administration (1995-2002) and the neoliberal reforms, while the Força Sindical opted for a strategy of trying, according to its speech, to attenuate workers' losses, even if they supported the bulk of the neoliberal reforms.

Differences between the centrals have dwindled over the recent period, however important the ideological cleavage may continue to be. Among the reasons for this narrower gap, we may mention, one, a better context for collective bargaining, favouring joint negotiations by the two centrals in many trades, and two, the participation of both in the second Lula Government.

Figure 3-5 Unionization rate by economic sectors (in % of total employed workers) 2005.



Source: Pnad/IBGE.

Trade union density

In 2005, the average rate of unionization was 18.4%, the highlight being workers in public administration and the public utility and social services. The farming and manufacturing sectors had a rate that exceeded 20%, while commerce, construction and other services exhibited rates close to, or below, 10%. See figure 3-5.

Employers' associations

According to data by the Ministry of Labour and Employment there are in Brazil 3,618 employers' associations duly registered. Of this total, 2,657, or 73.4%, represent urban-located employer's associations and 961, 26.6%, are representatives of the rural category.

There are six employers' confederations:

The *CNI* (National Confederation of Industry) was established in 1938 and is the chief institutional representative of Brazilian manufacturing industry. The CNI coordinates a system comprising 27 Federations of Industry which represent all of the country's states and the federal district - with a membership numbering some 1,016 employers' associations. It oversees the National Industrial Training Service (SENAI), the Industrial Social Service (SESI), and the Euvaldo Lodi Institute (IEL).

The *CNC* (National Confederation of Commerce) in addition to having one Federation in each State, has 7 other Federations, which are the Federação Nacional das Empresas Prestadoras de Serviços de Limpeza e Conservação (FEBRAC), Federação Nacional das Empresas de Serviços Contábeis, Assessoramento, Perícias, Informações e Pesquisas (FENACON), and Federação Nacional dos Sindicatos das Empresas de Segurança, Vigilância e de Transporte de Valores (FENAVIST) in Brasília, Federação Nacional dos Corretores de Seguros Privados, de Capitalização e de Previdência Privada (FENACOR), Federação Nacional de Hotéis, Restaurantes, Bares e Similares (FNHRBS) and Federação Nacional do Comércio de Combustíveis e de Lubrificantes (FECOMBUSTÍVEIS) in Rio de Janeiro, and Federação Nacional dos Despachantes Aduaneiros (FEDUEIROS) in São Paulo.

The *CNA* (National Confederation of Agriculture and Cattle Raising of Brazil) represents nationwide the agriculture, cattle raising, rural extrativism, fishing, forestry and primary agribusiness activities, conglomerating more than one million associated rural producers. It congregates 27 agriculture federations with state representation, and more than two thousand rural associations with regional representation. Yet, the Federations represent agriculture and cattle raising employers in 21 Brazilian States. In the States of Pará, Paraná, Pernambuco, Rio Grande do Sul and São Paulo, the Federations represent only farming industry employers, while in Rio de Janeiro the Federation represents employers in the agriculture, cattle raising and fishing segments.

The *CNF* (National Confederation of Financial Institutions) was created in 1985 for the purpose of bringing together, in a political-institutional sense, the associations formed by companies operating in different segments of the financial market. In 2000, CONSIF was organized as a higher-level employers' association responsible for bargaining collective agreements. CNF only has one affiliated member, FEBRABAN (Brazilian Federation of Banks), located in the state of São Paulo. FERBRABAN is a professional organization and the principal representative of the Brazilian banking sector. Its 119 members, out of a total of 164 banking institutions (as of January 2004), hold 95% of the total assets in the system

The *CNT* (National Transportation Confederation) was established in 1954, recognized as a chief institutional representative of Brazilian Transport Sector. Its structure currently includes 29 federations, 2 national unions and 16 national associations. Unlike all other employers' Confederations, the CNC may not necessarily have one Federation in each state, yet may have more than one Federation in the same state. This stems from the fact that the Federations of Transportation affiliates are distributed across sectors, namely passengers, cargo, and the water employers, train employers and air employers.

Finally, the *CACB* (Confederation of Commercial and Business Associations of Brazil) includes 27 federations and 2040 municipal chambers of commerce. This represents approximately two million entrepreneurs, mostly of micro and small companies (2005). CACB does not have a Federation in the states of Amapá, Piauí and Rio Grande do Sul. The remaining 24 States each have a Federation of the Commercial and Business Associations.

In political terms, it is worth pointing out the role of the CNI, FIESP and FEBRABAN. The first one represents a cross sector and regionally diversified manufacturing sector. It tends to have a less interventionist position with regard to economic policy, and upholds policies conducive to reducing taxes and social security taxes.

As for FIESP, the São Paulo Federation of Industry and Enterprise has a more critical position with regard to the government's economic policies. It advocates a more active industrial policy, although it finds it difficult to go beyond its more pressing interests. Still, the various sectors represented by this federation often have quite conflicting points of view.

FEBRABAN, in turn, stands out for assuming a more liberal stance with regard to the economic policy, usually justifying the highly elevated interest rates practiced in the country by virtue of high taxes and high levels of insolvency.

These employer's federations and confederations coordinate between themselves on general issues, like tax reform and labour, mainly aimed at lowering tax and opposing labour demands. In other areas, such as macroeconomic issues and industrial policy, they may have different points of view.

Collective bargaining

Collective Labour Conventions

According to the Consolidation of Labour Laws (CLT), a *Collective Labour Convention* (CLC) is an agreement of a normative character, whereby a trade union and employers' association representative of economic and professional categories stipulate working conditions within the sphere of each respective representation.

Trade unions shall only be able to negotiate Collective Labour Conventions, by deliberation of the General Assembly especially convened for that purpose, in keeping with the provisions set forth in their respective bylaws. The validity of such General Assembly is contingent upon a quorum and a vote, in a first call, of two-thirds of the entity's membership.

Broadly, the terms agreed upon in a CLC are valid for one year, at the time of each category's 'base date'. In other words, once a year, on the 'base date', a General Assembly is held to set off the process of collective bargaining between workers and employers. On that date, employees and employers negotiate wage readjustments, wage floors, benefits, and rights and duties of both parties.

In a CLC, diverse topics may be negotiated, according to each sector's characteristics and representing the interests of the parties involved. However, certain clauses are mandatory in any CLC, as they represent the basic conditions present at the time of a collective bargaining. Thereby, according to Article 613 of the CLT, a Collective Labour Convention shall contain the following:

I – Designation of the convening Trade Unions or the agreeing Trade Unions and companies;

II – Length of Validity;

III – Categories or classes of workers encompassed by their respective provisions;

IV – Conditions agreed upon ruling individual working relations during its validity;

V – Rules for reconciling differences suggested by the convening parties derived from the application of its provisions;

VI – Provisions regarding the process for extending, or fully or partially reviewing, its provisions;

VII – Rights and duties of employers and companies;

VIII – Penalties for parties to the agreement, Trade Unions, employers and companies, in case of violation of its provisions.

If the trade unions and employers agree on the conditions established by the negotiation, they sign the CLC, a document which is then filed with the regional agency of the Ministry of Labour. Provisions in the CLC are applicable to all of a category's members. The CLC goes into force three days after it was filed with the regional agency of the Ministry of Labour.

The main flaw within the Brazilian collective bargaining system is the trade union structure. Most of the negotiations are held at the local or regional level. This impedes any attempt to harmonize labour conditions for the whole country. It also weakens the ability for unions to organize both nationally and at the company level. Both the representativeness and the strength of the unions suffer in this situation. But this system is hard to change. Some trade unions and employers' associations benefit from the current situation, as they receive their fees without the need to fight for their affiliate's interests.

The Role of the Minimum Wage

The minimum wage was created in Brazil, by constitutional definition, in the 1930s. At first, the minimum wage was regional and there was a total of 14 distinct levels for the whole country. In 1940, the gap between the lowest and the highest level was 2.67 times. In the 1980s it once again became unified.

From its inception to the present, minimum wage growth has hardly ever kept pace with the growth of inflation and productivity levels. A loss of workers' purchasing power has been recorded in the main labour market surveys, especially from the 1980s, by virtue of inflationary disruptions. Notwithstanding, the trend toward a significant loss of the minimum wage's real value can be traced to the military dictatorship, instated in 1964. Only after the second half of the 1990s can one observe a recomposition of the minimum wage's real value.

In Brazil, the minimum wage is a very important instrument in the definition of the workers' level of income. When it was created in1936, the minimum wage was defined as the minimum remuneration due to a worker, with no distinction of sex, capable of meeting his/her normal needs for food, clothing, housing, hygiene and transportation. Collective agreements must stipulate wage floors that are higher than the minimum wage in force.

Analysis of the Agreements

The data shaping the present analysis were produced by the Inter-Trade Union Department of Statistics and Socio-economic Studies (DIEESE) (2007), building on 452 bargaining instruments, amounting to 88.5% of the total Collective Bargaining

Conventions with the remaining 11.5% of the Collective Bargaining Agreements at company level, all negotiated in 2006.

37,6% of these negotiations took place in the Southeast Region, 24.8% in the South Region, 22.1% in the Northeast, 7.3% in the Center-West Region and 7.3% in the North Region. Only 0.9% of the collective bargainings were nationwide.

With regard to their distribution across broad economic sectors, 46.7% of the total conventions and agreements analyzed were located in the manufacturing industry, 11.9% in commerce, 39.2% in the services sector and 2.2% were by rural workers.

According to the data in table 3-8, we may note that wage floors are concentrated in the lowest minimum wage ranges. If we consider their distribution, we perceive that 72.6% of the floors do not exceed 1.5 minimum wages, while more than 50% are concentrated in the 1-1.25 minimum wage bracket. Moreover, only 3.5% of all wage floors analyzed exceed 3 minimum wages.

Table 3-8 Distribution of the wage floors per minimum wage levels, 2006.

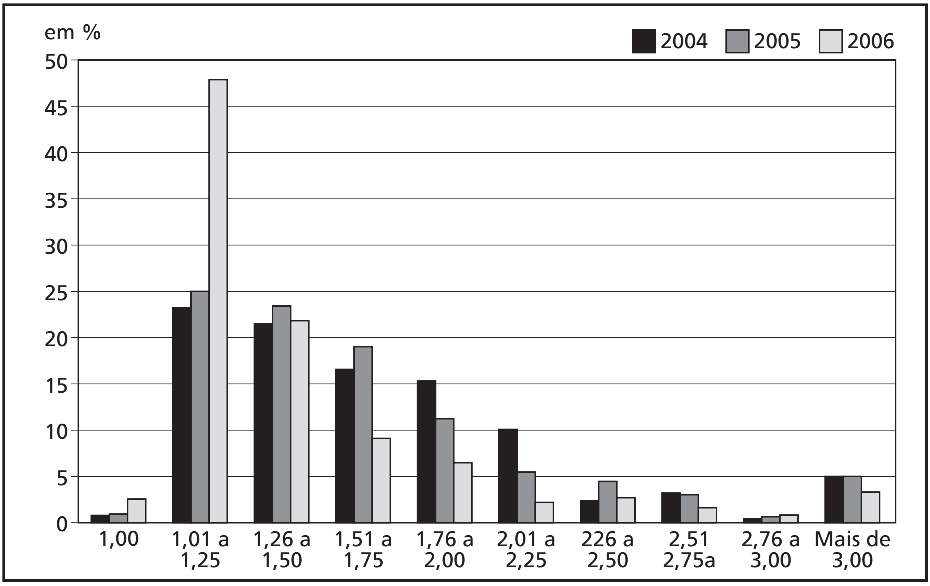
Minimum Wage Levels	Wage Floor		
	nº	%	% accumulated
1,00	12	2.7	2.7
1,01 a 1,25	217	48.0	50.7
1,26 a 1,50	99	21.9	72.6
1,51 a 1,75	42	9.3	81.9
1,76 a 2,00	30	6.6	88.5
2,01 a 2,25	11	2.4	90.9
2,26 a 2,50	13	2.9	93.8
2,51 a 2,75	8	1.8	95.6
2,76 a 3,00	4	0.9	96.5
More than 3,00	16	3.5	100.0
Total	452	100.0	-

Source: DIEESE

Obs.: for each negotiation unit only one wage floor was considered, corresponding to the lowest pay established to perform the end-activities of the companies.

In comparison with previous years, we may observe in figure 3-6 that, in 2006, there was a greater concentration of wage floors negotiated in the wage bracket of up to 1.25 minimum wages than in the years of 2004 and 2005. This is attributable to the fact that the minimum wage rose faster than the wage floors negotiated by many professional categories.

Figure 3-6 Distribution of the wage floors per minimum wage levels, 2004 to 2006.



Source: DIEESE

In table 3-9, we see that the wage floor distribution across economic sectors does not present the same pattern.

For example, if we compare the manufacturing industry's and commerce's wage floors, we see that for the latter there is a higher concentration, 92.6%, of floors in the up-to-1.5-minimum-wage bracket, whereas in manufacturing this share is reduced to 75.9%.

On the other hand, the services sector was the one exhibiting the highest share of wage floors ranging above the 1.5 minimum wage bracket. In this sector, 39% of the floors are distributed in 1.5-2.00 minimum wage bracket, while 20.3% are situated in

Table 3-9 Distribution of Wage Floors by Economic Sectors 2006.

Levels of Minimum Wage	Manufacturing			Commerce			Services			Rural		
	nº	%	% accum	nº	%	% accum	nº	%	% accum	nº	%	% accum
1,00 a 1,25	116	55.0	55.0	32	59.3	59.3	72	40.7	40.7	9	90.0	90.0
1,26 a 1,50	44	20.9	75.9	18	33.3	92.6	36	20.3	61.0	1	10.0	100.0
1,51 a 1,75	18	8.5	84.4	1	1.9	94.5	23	13.0	74.0	0	-	-
1,76 a 2,00	20	9.5	93.9	0	-	94.5	10	5.6	79.6	0	-	-
More than 2,00	13	6.2	100.0	3	5.6	100.0	36	20.3	100.0	0	-	-
Total	211	100.0	100.0	54	100.0	100.0	177	100.0	100.0	10	100.0	100.0

Source: DIEESE

Table 3-10 Average, minor and major wage threshold by geographic region 2006.

Region	Total (n)	Average		Minor Threshold		Major Threshold)		Major/minor threshold
		in R$*	in MW**	in R$	in MW	in R$	in MW	
South-East	170	542,28	1,62	300,00	1,00	2.975,00	8,50	8,50
South	112	470,20	1,42	350,00	1,00	1.078,37	3,33	3,33
Centre-West	33	480,00	1,42	310,20	1,00	1.202,43	3,44	3,44
North	33	461,81	1,35	318,00	1,01	1.270,50	3,63	3,59
North-East	100	431,64	1,31	300,00	1,00	1.766,43	5,05	5,05
Total	448	491,89	1,47	300,00	1,00	2.975,00	8,50	8,50

Source: DIEESE

* US$ 1,00 equals R$ 1,80.

**MW = minimum wage.

the higher than 2 minimum wage bracket, against only 6.2% in the manufacturing industry and 5.6% in commerce. It is worth noting that in the services sector there is a greater presence of professionals with higher levels of qualification, particularly in the areas of communications, health and education.

In the rural sector, to the contrary, we may observe that 100% of the wage floors do not exceed 1.5 minimum wages, and 90% do not exceed 1.25 minimum wages.

With regard to wage floors negotiated per geographic region, shown in table 3-10, we may see that the Southeast Region had the best average, 1.62 minimum wages, followed by the South and Center-West Regions, 1.42 minimum wages, the North Region, 1.35 minimum wages and the Northeast Region, 1.31 minimum wages. In other words, the differences observed in terms of per capita income and productivity across the country's regions and states tend to replicate themselves in the remuneration patterns, as a result of regionalized and non-national collective bargainings, hindering a greater homogenizing of the social and economic structures, and the subsequent reduction of inequality.

According to information provided by the DIEESE's Wage Tracking System (April 2007), the year of 2006 was positive for wage readjustment bargaining sessions. Of the 656 negotiations analyzed over the year, 96% managed to, at least, maintain the purchasing power of wages, and 86% succeeded in gaining higher-than-inflation readjustments. It is worth underscoring that, despite this positive result, the negotiations were not enough to offset the wage losses verified in the 1990s and early 2000s.

Table 3-11 confirms that, in the 1999-2003 period, just in the year 2000 more than 50% of the bargaining processes were conducive to a higher-than-inflation wage raises. This picture was significantly altered between 2004 and 2006.

It is worth stressing, however, that this positive performance by collective bargaining refers to categories of workers linked, by and large, to large companies with secure

Table 3-11 Distribution of wage bargainings compared with inflation 1996-2006.

Year	Above INPC-IBGE*		Same as INPC-IBGE		Below INPC-IBGE		Total	
	nº	%	nº	%	nº	%	nº	%
1996	120	51.9	9	3.9	102	44.2	231	100.0
1997	184	39.1	73	15.5	213	45.3	470	100.0
1998	141	43.5	64	19.8	119	36.7	324	100.0
1999	111	35.1	46	14.6	159	50.3	316	100.0
2000	190	51.5	56	15.2	123	33.3	369	100.0
2001	214	43.2	97	19.6	184	37.2	495	100.0
2002	123	25.6	134	27.9	223	46.5	480	100.0
2003	103	18.8	125	22.8	320	58.4	548	100.0
2004	361	54.9	171	26.0	126	19.1	658	100.0
2005	459	71.7	104	16.3	77	12.0	640	100.0
2006	562	85.7	70	10.7	24	3.7	656	100.0

Source: DIEESE

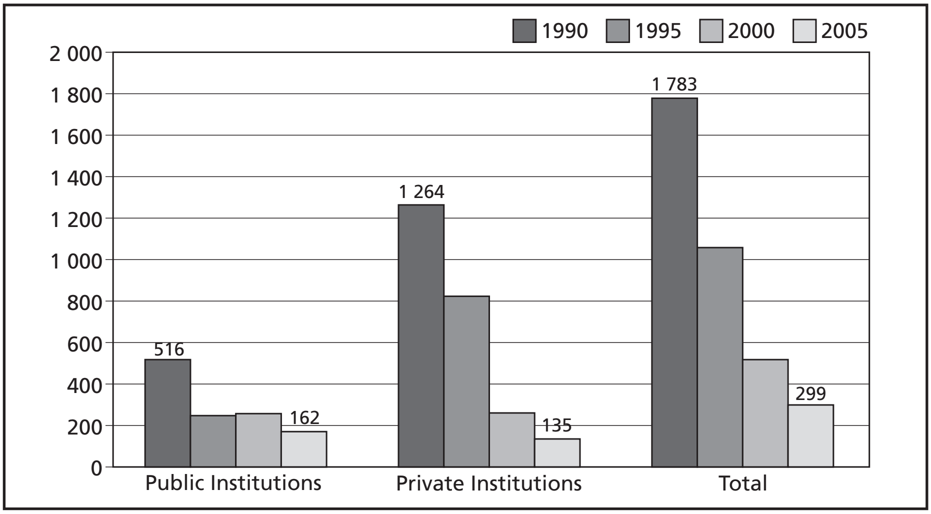
* INPC-IBGE measures the level of inflation in Brazil.

labour rights, which, as mentioned, refer to a quite small portion of the Brazilian labour market.

Work stoppages

Even though the number of strikes has proven to be a limited measure of the level of social volatility, its evolution allows for some relevant conclusions. From the graph 3-7 we can see that the level of strikes, after peaking in the 1980s, falls by half in the

Figure 3-7 Number of strikes per year by types of institution 1990-2005.



Source: Pnad/IBGE.

mid-1990s, only to further fall in this decade. This drop in the number of strikes was stronger in the private sector than in the public. Moreover, as regards the length of strikes, the total of 15,158 stoppage hours in 2006 is less than 10% of the figure acknowledged in the 1990s.

This evolution of industrial action is, to some extent, related to macroeconomic performance. In the 1980s, a context of high inflation and wage losses fueled strikes; while in the 1990s, a reduction in the number of strikes is associated with a context of high unemployment and adjustments undertaken by business, which reduced labour's power. In the present decade, improved wage levels have reduced the number of strikes in many professional categories. In parallel, the direct participation of representatives from many trade union centrals in the government has generated an anti-strike pressure on important trade union segments.

Relations at the national level

The tripartite culture in Brazilian state institutions is very new, having developed in the late 1980s as an outcome of the 1988 Constitution and of the awakening of civil society, a process in which the labour movement played an important role. These institutions were rapidly developed throughout all levels of government (central, state and local ones) and revolving round different issues, concerning gender, environmental, social and economic matters (Oliveira, 2002).

In table 3-12, we present some of the most important institutions where the trade unions could influence the distribution of resources and its priorities as in the case of the Council for the Management of the Fund of Dismissal Fees (FGTS), Council for the Support of Labor Market Policies (FAT) and Fund for Social Development (FDS). This is an important departure from the common view held by the trade union movement of the seventies, which was against any kind of involvement in the State structures, as they were denominated non-democratic.

Nonetheless, during the 1990s, the State structure was redefined by the neoliberal policies which sought to reduce its importance. This counter-movement weakened the ability for these bodies to pursue their objectives as defined by the Constitution. The precarisation of the labour market with the consequent erosion of union power played an important role in contributing to this outcome.

The important initiative at the beginning of 1990s which established the so-called sectoral chambers should also be stressed. These were devised as a way to coordinate industrial policy for specific sectors in a tripartite manner. Discussions among trade unions, employers and government actors about taxes, investment, employment, productivity and wages in sectors such as automotive, chemistry, agriculture machines

Table 3-12 Principal tripartite bodies in the Brazilian federal level.

Council	Composition
CONSELHOS CURADOR DO FUNDO DE GARANTIA POR TEMPO DE SERVIÇO (FGTS) – Council for the Management of the Fund of Dismissal Fees	It's composed by eight Federal Government representatives, four worker representatives and four employer representatives. Deals with the priorities for investing the resources (mainly for housing) collected by the FGTS, which is funded by a tax over 8% of the gross nominal wages.
CONSELHO DELIBERATIVO DO FUNDO DE AMPARO AO TRABALHADOR (FAT) – Council for the Support of Labor Market Policies	Between 1994 and 1995, it established the creation of the Employment Commissions in the state and municipal levels. Its main objective is to articulate action towards employment policies. It has tripartite bodies in all the three levels of government.
FUNDO DE DESENVOLVIMENTO SOCIAL (FDS) – Fund for social Development	It's presided by the National Economic Solidarity Council (CNES). It was created in 2003. This fund's objective is to create connections between the government and the civil society entities that promote policies aimed at stimulating the "solidarity economy".
CONSELHO NACIONAL DA IMIGRAÇÃO (CNIg) – National Imigration council	It was created in 1980 with a tripartite participation. Its main attributions are: to formulate immigration policies, to assist immigrants and entrepreneurs with regard to labour requirement, study subjects about immigration, etc.
CONSELHO NACIONAL DA PREVIDÊNCIA SOCIAL – Nacional Council for Social Security	Its main objective is to establish the democratic and decentralized character of the pension administration. Its management is divided into four groups: government, the workers in activity, the employers and the pensioners. Its attributions are to follow and evaluate plans from the government for the improvement of the services offered from the pension system.

Source: Observatório Social.

and civil construction (Anderson, 1999) was a novelty in the Brazilian reality. These efforts died after the Real plan of 1994, when a stringent monetary policy was granted the highest priority, which left aside the development agenda.

Relations at the company level

There is an essential difference between Collective Agreements and Conventions in the Brazilian law. They differ both in their breadth and in the parties involved in the negotiations.

The Collective Convention, as we saw, is a contract established between one or more trade unions representing the workers of a given professional category and one or more employers' associations. Such negotiations are instrumental in defining the rules for a category of workers and encompass an entire economic sector within the defined geographical area.

On the other hand, Collective Labour *Agreements* are negotiated between the trade union representing the workers of a given plant or plants belonging to a same company and the company itself within a region. In this sense, they differ from a Collective Convention in that they only comprise the specific workers of a particular plant, or plants, belonging to the same company.

A collective agreement is in force for up to two years. Additionally, a company is not obliged to accept the same conditions, approved in one agreement, for the next agreement. Therefore, though addressing relations between workers and employers, and the rights and duties of each party, the Collective Agreement is much more specific than a Collective Convention.

Collective Agreements were not recognized until the 1988 Constitution, even if they already represented a reality. They gained importance in the 1980s, and represent the fruit of a very active labour movement, which further strengthened itself during the campaigns for the redemocratisation of the country in the late 1980s.

During the 1990s, the Collective Agreements reflected the hardships faced by the labour movement. From 1994 on, they were used much more as an instrument to secure minimum guarantees than to conquer new rights. In some cases, negotiations of Collective Agreements were used by employers as a subterfuge to force employees to accept certain clauses in return for an alleged "employability". They were increasingly used to bargain over rights that had been achieved in the past.

To deepen the analysis of Collective Agreements, we have analyzed the agreements from plants of six big companies from diverse sectors of the economy.[38] These companies were chosen for their significant participation in the economy: Two are Brazilian multinational companies (Alunorte and Petrobrás) and four are foreign multinationals established in Brazil (Electrolux, Kraft Foods, Siemens and Telefónica). One of these companies, Alunorte, is partly owned by Norsk Hydro.

[38] Each agreement is limited to a plant (or plants within a region) as collective agreements are negotiated within a geographical region.

The comparison of the Collective Agreements of these six companies is done with regard to three themes: union freedom, wage and benefits policies; and workers' health and safety. Details of the analysis is enclosed in table format as annex to the report. It is made evident that, despite these companies' large market shares and high productivity levels, there is great disparity between the agreements of each company. This is due to differences across companies with regard to the value they ascribe to trade union negotiations and to the power of each labour entity.

In relation to the theme of benefits and wages, the most advanced company is Alunorte, which in every item defines amounts, deadlines and rules for extending such benefits to the workers. Rules in this Collective Agreement are much clearer than in the others. In the agreements of Petrobrás, Eletrolux and Kraft Foods there is no mention even of how much the worker is to receive in case he is called in for an emergency. Some clauses merely limit themselves to repeating what the CLT, the labour law, already guarantees workers.

It can also be perceived that in the Collective Agreements with Petrobrás, Eletrolux and Kraft Foods, no clauses are included with regard to profit and result sharing. This reveals that there are no rules regulating the payment of such benefits.

As regards wage readjustments, it may be noted that in none of these companies did negotiations result in an amount that would suffice to cover the losses caused by inflation in 2005, since inflation as measured by the Broad Consumer Price National Index (IPCA) was 5.69%. The highest raise workers earned was 5.4% at Alunorte. In three of the companies studied, Petrobrás, Kraft and Alunorte, workers received an inflation adjustment to their wages, which helped to minimize a little the losses caused by inflation.

To the contrary, Telefónica and Siemens, in addition to paying the lowest readjustments did not pay any adjustment. Electrolux, which did not pay an inflation adjustment either, granted, however, the second largest wage readjustment of the six companies investigated.

From a different perspective, we come across a practice common to all companies in Brazil: the demand that employees share the costs of benefits such as Health Insurance, Food Vouchers and Life Insurance.

With regard to the theme of workers' health and safety, no major breakthroughs were found. A legally mandated body, the CIPA (Internal Commission for the Prevention of Accidents) is common to every Collective Agreement. There is no mention of this body in the Telefonica and Kraft Foods Collective Agreements. Of all Collective Agreements the only one to have a clause providing for the hiring of a health and safety specialized service, is that of Eletrolux.

The above-mentioned fact creates two other problems. The first one is linked to the companies' lack of will to have a dialogue with the union about health and safety issues. The second problem is related to union freedom as very little room is provided by companies for unions to influence this area more actively.

This curtailing of union freedom is, indeed, one of the main problems faced by trade unions in Brazil. Only in the Siemens and Eletrolux Collective Agreements does there exist a clause dealing with the right to information about the companies (Siemens on health and safety at work and Electrolux on productive restructuring).

Of all Collective Agreements, the trade unions with the least union freedom are those representing Telefónica and Petrobras workers. In the case of Telefónica, the only clause related to the theme is the one that refers to allowing employees a leave of absence to work for the union. In the Petrobrás Collective Agreement, there is no clause on union freedom, despite the Brazilian oil workers union widely acknowledged strength.

The Telefónica, Kraft Foods and Petrobrás Collective Agreements do not contain any mention of the right to unionize. In the face of that, we may infer that in these companies trade unions do not feel safe to unionize workers at the workplace.

The example of the Kraft Foods Collective Agreement may be considered the most typical, at least with regard to the theme of union freedom. In this company's Collective Agreement there is a clause allowing the company to renegotiate clauses of the deal in case of economic hardships.

It is worth stressing that the analyses of the companies' social and labour behaviour cannot be limited to what is written in the collective agreements. Further analysis requires field research and interviews with the various social actors.

These examples illustrate the difficulties that the labour movement has faced since the 1990s. Many of the clauses included in Collective Agreements have been used as a bargaining chip for the maintenance of workers' jobs, usually under strong pressure from the companies. Moreover, the disparities across the various agreements – even of large and well-positioned companies in the market – reveal that in Brazil, company negotiations alone do not necessarily bring positive results.

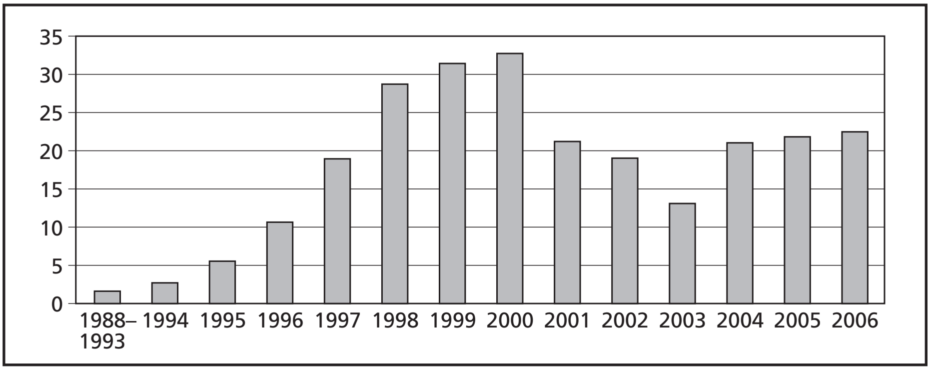
This overview of collective agreements offers an idea of the problems faced by unions in Brazil when negotiating with big multinational companies. In addition, the trade union structure contributes to this reality, given that in very few unions do we see representation at the company level. However, to allow for a strengthening of trade union influence and more equal conditions throughout the country, a broad union reform should be implemented, connecting trade union representation at company level with sectoral national agreements which would establish a floor for negotiation.

Part 4: Norwegian investments in Brazil

An overview of investments

Foreign Direct Investments (FDIs) inflows in Brazil, according to the Central Bank of Brazil, exhibit a clear upward trend from 1996 onward (Figure 4-1). According to a study by the Social Observatory (2005), this growth in capital flows was connected to, among other factors, mergers and acquisitions (M&As) involving large multinational companies, as well as internationalization-driven production processes.

Figure 4-1 Net FDI inflows into Brazil (US$ billion) from 1988-93 to 2006.



Source: Brazilian Central Bank.

Brazil kept pace with both the rising FDI curve until 2000 and with the declining curve which started in 2000 and lasted until 2003, when FDIs gradually pick up again. One explanation for that is the fact that the country's pursuit of this new internationalization wave was primarily driven by the sale of state-owned and private companies. In this regard, it is worth pointing out that 50% of the capital resources spent on the privatizations came from foreign investments. Moreover, expectations regarding the Brazilian economy's potential growth have contributed to maintain Brazil among the top ten FDI recipient countries in the world since 1998.

As can be observed in table 4-1, Norwegian overall investments in Brazil until 1995 represented a marginal share of approximately 0.12% of total FDI flows into the country. In 2000, Norwegian investments grew three-fold, yet the percentage in relation to the total FDI flows barely moved, reaching 0.16 per cent.

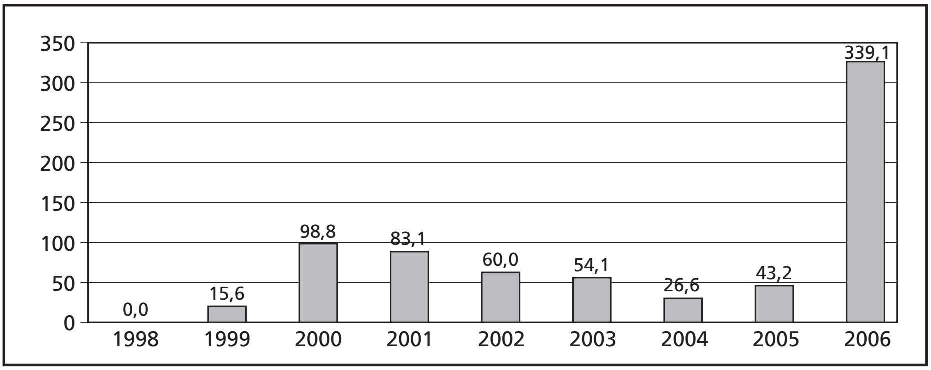
Table 4-1 Norwegian FDI stock in Brazil - 1995 and 2000.

	Norwegian direct investment in Brazil		Total Foreign Direct Investment in Brazil - US$ billions
	US$ Millions	% of total FDI	
1995	50,91	0.12	41,7
2000	169,43	0.16	103,0

Source: Brazilian Central Bank.

As can be seen in Figure 4-2, Norwegian investments in Brazil peaked in 2000, when they began to slide, as did foreign investments in general. Nevertheless, after a slight recovery in 2005, Norwegian investments suddenly leaped forward reaching a new level of US$ 339.1 million in 2006.

Figure 4-2 Norwegian fdi inflows in Brazil (US$ millions).



Source: Brazilian Central Bank.

According to Central Bank data,[39] this growth led Norway to occupy the 14th place in the ranking of countries with the largest investments in Brazil in 2006 (in 2005, it ranked 22nd). Norwegian investments in 2006 surpassed the total sum of Norwegian investments made over the five preceding years, accounting for 1.5% of that year's total FDI flows into the country. Concentrated in the second semester, Norwegian investments in this period came to represent 2.12% of total FDIs in Brazil (table 4-2).

Norwegian cross-sector investments in Brazil between 2000 and 2006 are illustrated in table 4-3. Based on these data, we may note that the sector receiving the largest Norwegian investments in Brazil – services – fell sharply in 2006, a year marked by strong investments in other sectors, especially in the manufacturing of chemicals, which received more than 50%, oil extraction-related sectors (27%) and transportation (with a 13% share).

[39] Central Bank of Brazil. Annual Report 2006, p. 144. Available at http://www.bancocentral.gov.br/?BOLETIM2006, data retrieved on 3 October 2007.

Table 4-2 Norwegian FDI inflows in Brazil by half-year (2005 and 2006).

	Inflows – US$ millions	% of total FDI inflows
First half-year/2005	16	0.21
Second half-year/2005	27	0.19
First half-year/2006	67	0.72
Second half-year/2006	272	2.12

Source: Brazilian Central Bank.

Table 4-3 Norwegian FDI in Brazil by activities (US$ millions)(*).

Economy activities	2002	2003	2004	2005	2006	2007(**)
Real Estate Business	-	-	-	11	23	3
Oil extraction and related services	26	34	9	10	90	20
Chemical industry	6	-	3	-	172	81
Business Services	-	-	5	14	3	4
Transportation	5	13	6	2	43	54
Other activities	16	2	1	7	5	4

Source: Brazilian Central Bank

(*)The source presents the foreign investments by month, considering only the values above US$ 1 million. Table 4-3 is based on the total amount of each year's monthly values.

(**) the 2007's values refer to the period January-March.

Approximate percentages of the relevant Norwegian investments in these three sectors in relation to total FDIs per sector are shown in table 4-4. For these three sectors, we may say that Norwegian investments have played an increasingly strategic role, and may come to contribute to shape the industrial relations policies of these companies.

Table 4-4 Norwegian FDI in Brazil - most important activities considering the total FDI inflows (2006).

Economy activities	Norwegian share of direct investment inflows in Brazil (%)	Total foreign direct investment inflows in Brazil (US$ millions)
Oil extraction and related services	12.26	734,05
Chemical industry	15.17	1133,88
Transportation	26.39	162,93

Source: Brazilian Central Bank

A cross-sector analysis

Oil extraction industry and related Services

According to Brazil's Oil, Natural Gas and Biofuel National Agency (ANP), there was a great change in this sector after ratification of Act 9,478 of 6 August 1997, which became known as the Oil Act. Since then, Petrobras' monopoly was abolished, opening up the opportunity for the entrance of foreign capital companies. ANP was created to control such operations.

Total foreign capital invested in this sector reached US$ 1.022 billion in 2000. Table 4-5 shows this sector's foreign direct investments between 2001 and 2006. Per origin of capital, the countries with the largest investments in 2006 are listed in table 4-6.

Table 4-5 FDI inflows in Brazilian oil extraction and related services.

	2001	2002	2003	2004	2005	2006
Investment inflows (US$ millions)	1.359,89	508,26	364,62	285,18	896,90	734,05

Source: Brazilian Central Bank.

Table 4-6 FDI inflows by capital origin in Brazilian oil extraction and related services (2006).

Capital source (countries)	Investment inflows (US$ millions)(*)
United States of America	260
Netherlands	155
Norway	90
Panama	85
South Korea	56

Source: Brazilian Central Bank.

Norway appears as the sector's third largest foreign investor in 2006, only behind the United States and the Netherlands. Table 4-7 shows the sector's main Norwegian companies with units in Brazil.

Aker Kvaerner[40], part of Aker, is a leading global provider of engineering and construction services, technology products and integrated solutions, and employs approximately 23,000 people in some 30 countries. The company established itself in Brazil over 30 years ago, initially in Curitiba, state of Paraná. Today it also has facilities in Rio de Janeiro and Rio das Ostras, in the state of Rio de Janeiro. Operations in

[40] It is expected that the company will change name to Aker Solutions at the General Assembly, April 2008. (Oslo Børs, 22.1.08)

Table 4-7 Norwegian companies in Brazilian oil extraction and related services.

Companies	Number of employees in Brazil	Number of units in Brazil	Norwegian group (% of total capital)	Year of establishment in Brazil (or under the group control)
Aker Kværner Oil & Gás	376*	-	Aker Kværner (100%)	1970's
Elkem Materals South América	181 (2007)(*)	2 (2007) (*)	Elkem (100%)	1984
StatoilHydro	31(*)		StatoilHydro (100% - whereof Norwegian State 62,5%)	2007(**)

Source: companies' websites.

(*) this information was provided by the company.

(**) The year of merger between Statoil and the oil and energy division of Norsk Hydro. Statoil established an office in the 1990's, which later was closed, but reopened in 2001.

Aker Kværner figures includes 75 subcontracted employees

Brazil are focused on the supply of systems for underwater production, engineering and technology, processing systems, submarine hydraulic systems, and correlated services for the Brazilian oil industry. According to Aker Kvaerner's 2006 annual report[41], shares of Aker Kvaerner Oil & Gás do Brasil Ltda. are fully owned by the Norwegian parent company.

Elkem Materials South América, a subsidiary of Elkem Asa, has been operating in Brazil and South America since 1984. Its activities are in the field of micro silica technology and applications and other raw materials for the construction industry, directed especially to the cementing of oil wells.[42]

Before the merger with the oil and gas division of Norsk Hydro 1st of October 2007 – an operation that established the world's biggest offshore deepwater oil and gas producer– Statoil had already acquired interest in four continental platforms in Brazil for deepwater oil exploration. StatoilHydro's operations cover a total area of 2,420 square kilometers.

According to a news report published in Diário Econômico on September 2007,[43] oil companies Statoil and Petrobrás signed, at the time, a cooperation agreement for

[41] Aker Kvaerner Anual Report 2006. Available at http://huginno.mobular.net/huginno/124/1/7/ (data retrieved on 16 Oct. 2007)

[42] Elkem South América. http://www.microsilica.com.br/index2.html, data retrieved on 19 Oct. 2007.

[43] http://diarioeconomico.sapo.pt/edicion/diarioeconomico/internacional/empresas/pt/desarrollo/1035931.html, data retrieved on 24 Oct. 2007.

the exploration and production of, oil, gas and biofuels. The document sets forth joint studies by both groups concerning the potential development and exploration of oil and natural gas reserves in Brazil and abroad.

The Norwegian State holds the majority stake in StatoilHydro (62.5%), and – according to information by news agency EFE – it will be one of the world's top fifty companies in terms of stock market worth: around US$ 100 billion.[44]

According to StatoilHydro's web site, in the Camamu region, the company has a 40-per cent stake in the BM-CAL-7 unit, a 100% stake in the BM-CAL-8 unit, and a 60% stake in BM-CAL-10; in the Campos region, the company's stake in the BM-C-539 unit is 50%; in the Espírito Santo region, it has a 70% stake in the BM-ES-11 unit and 40% in the BM-ES-594 unit; and in the Jequitinhonha region, StatoilHydro controls 40% of BM-J-3.

Chemicals Industry

In the 1990s the Brazilian chemicals industry underwent a restructuring process marked by technological innovations. Globalization intensified the pressure exerted by big foreign companies, prompting companies based in Brazil to develop new strategies.[45]

Total stock of foreign capital invested in the sector until 1995 was US$ 5,331 billion, reaching US$ 6,043 billion 2000. Table 4-8 shows amounts of foreign direct investments in this sector between 2001 and 2006. The five countries with the largest investments in 2006 are presented in table 4-9.

Table 4-8 FDI inflows in Brazilian chemicals industry.

	2001	2002	2003	2004	2005	2006
Investment inflows (US$ millions)	1.546,15	1.573,10	915,68	1.362,96	763,66	1.133,88

Source: Brazilian Central Bank.

Norway was the sector's second largest foreign investor in Brazil in 2006. Table 4-10 presents the main Norwegian companies operating in Brazil in this sector of the economy.

Carboindustrial has been fully controlled by Elkem ASA since 2000, when the latter acquired the 50% stake owned at the time by Brazilian Lorentzen Empreendimentos S.A. Carboindustrial produced in 1999 some 52 thousand tons of carbon-based prod-

[44] http://noticias.uol.com.br/economia/ultnot/efe/2007/10/02/ult1767u104114.jhtm, data retrieved on 24 Oct. 2007.

[45] Information taken from a Social Observatory report produced in 2002.

Table 4-9 FDI inflows by capital origin in Brazilian chemicals industry (2006).

Capital source (countries)	Investment inflows (US$ millions)
Netherlands	215
Norway	172
Switzerland	143
United States of America	141
Canada	130

Source: Brazilian Central Bank

Table 4-10 Norwegian companies in Brazilian chemicals industry.

Companies	Number of workers in Brazil	Number of units in Brazil	Norwegian group (% of total capital)	Year of establishment in Brazil (under the group control)
Elkem Carboderivados*	90	1	Elkem (100%)	1974
Elkem Carboindustrial*	125	1	Elkem (100%)	1974
Yara	1111	17	Yara (100%. - whereof the Norwegian State 36,2%)	2000

* The two Elkem companies are now merged to one company, but still with two factories close to another. Elkem Carboderivados has 50 own employees + 40 subcontracted. Elkem Carboindustrial has 100 own employees and 25 subcontracted.

Sources: Information on number of employees provided by the companies (2007).

ucts.[46] Among the products made by Carboindustrial Soderberg, pastes stood out (of which the company was Latin America's main producer), used in the manufacturing of electrodes for ferroalloy furnaces. The company plant, located in Vitória, ES, was set up in 1974. Net profit in 2004 corresponded to US$ 7,5 million. Net revenues of US$30,9 million contributed to the company's ranking as the 28th largest company in the subsector "other chemical industries", according to the Balanço Anual report made by Gazeta Mercantil newspaper (Sept. 2006).

Carboderivados caters to the carbochemical industry and focuses on the coal tar retail market. Company premises are located in Vitória, ES. Elkem increased its stake in Carboderivados S.A. in 2000, when its holdings rose to 89%. The company occupies the 42nd position in the ranking prepared by Balanço Anual / Gazeta Mercantil (Sept. 2006) of those companies operating in the petrochemical products sector, with net

[46] Reuters. Elkem announces full acquisition of Carboindustrial. (3 July 2000).Available at http://www1.uol.com.br/economia/reuters/ult29u1461.htm, data retrieved on 22 Oct. 2007.

revenues of US$ 22,7 million in 2004. Today, the two neighbouring plants of Carboindustrial and Carboderivados are merged into one company. Elkem also owned a mine in Mineracao Vila which was sold in 2002.

Yara, formerly part of Norsk Hydro, employs 1,100 workers in its 17 units in Brazil, distributed over the cities of São Luís (MA), Pontezinha (PE), Salvador (BA), Rondonópolis (MT), Uberaba / Três Pontas (MG), Vitória (ES), Cubatão / Santo Antônio da Posse (SP), Paranaguá (PR), Rio Grande and Porto Alegre (RS).[47]. Adubos Trevo was acquired in July 2000 by Norsk Hydro.

This Porto Alegre-based company is one of the country's major producers and marketers of fertilizers, accounting for 7.7% of the product's national market share (2003).[48] Control of Brazilian Fertibrás was acquired in July 2006.[49] Fertibras's net profit in 2005 was US$ 10,8 million and net revenues in that same year amounted to US$ 358 million, placing the company in the 517th position in the ranking of the 1,000 top companies by publication Valor1000 (August 2006).

Transportation

Table 4-11 lists the five countries with the largest investment flows in the transportation sector in the year 2006, with Norway ranking second. This result is due to the fact that Norway has companies that specialize in maritime transportation and related equipment.

Table 4-11 FDI inflows by capital origin in Brazilian transportation activities (2006).

Capital source (countries)	Investment inflows (US$ millions)
United States of America	150
Norway	43
Netherlands	35
Spain	32
Switzerland	18

Source: Brazilian Central Bank

Table 4-12 presents data on the large company Aker Promar operating in this sector in Brazil.

[47] According to a company report with data for July 2007.

[48] Boletim das Redes (Networks Newsletter), # 14, available at http://www.observatoriosocial.org.br/boletim/boletim14.htm, data retrieved on 23 Oct. 2007.

[49] Source: *Valor – Grandes grupos (Dec. 2006).*

Table 4-12 Norwegian companies in Brazilian transportation services.

Company	Number of workers in Brazil	Number of units in Brazil	Norwegian group (% of total capital)	Year of establishment (under the group control)
Aker Promar	900 (2006 May)	-	Aker Yards (100%)	2001

Source: companies' websites.

Aker Promar, with facilities in Niterói, RJ, operates in the ship building industry and is this segment's market leader in Brazil and Latin America.[50] Company operations in Brazil started in 1996, then by the Brazilian company Promar. In 2001, Promar associated with company Aker Brattavaag, of the Norwegian group Aker Yards, and became Aker Promar, with Aker Yards holding the majority of the stocks (51%). In March 2007, Aker Yards acquired the remaining stock. The group is the largest in the shipbuilding sector in Europe and the fourth in the world. In June 2007,[51] Aker Yards owned 18 shipyards, spread over Brazil, Finland, France, Germany, Norway, Rumania, Ukraine and Vietnam. In October 2007 the South Korean group STX Corporation aquired 39,2% of the stocks in Aker Yards.

Shipbuilding in Brazil is concentrated in the state of Rio de Janeiro, where 64% of the country's shipyards are located. According to a news story published in May 2006 in the *O Globo* newspaper[52], the Aker Promar shipyard employed 900 workers and the maritime sector represented 4% of all formal jobs in the Rio de Janeiro manufacturing industry.

According to *Balanço Anual* by Gazeta Mercantil newspaper, published in September 2006, Aker Promar had in the fiscal year 2005 a profitability of US$4,0 million, the best results posted by a company in the shipbuilding industry that year in Brazil. The company's net earnings in 2005 added up to US$ 120 million, which placed it second in this sub-sector's ranking (second only to Mauá Jurong).[53]

[50] Information in accordance with what is disclosed on the company's web site at (www.akerpromar.com.br), data retrieved on 4 Sept. 2007.

[51] Source: news report published by web site Webtanspo – Aquaviário, available at http://www.webtranspo.com.br/aquaviario_noticias2.asp?Registro=10788 (logged on to link on 4 Sept. 2007)

[52] News available at http://www.codin.rj.gov.br/Noticias/NoticiasAdobe/Industria%20Naval_14.05.2006.pdf, logged on to link on 4 Sept. 2007.

[53] Company had not published the 2005 Balance Sheet by the time the Gazeta Mercantil newspaper issue was closed; hence, net earnings used refer to fiscal 2004. (GAZETA MERCANTIL, 2006, p. 194)

Other Sectors

Table 4-13 below provides data on some Norwegian companies engaged in various sectors in Brazil.

Table 4-13 Norwegian companies in other Brazilian acitivities.

Companies	Number of workers In Brazil	Number of units in Brazil	Norwegian group (% of total capital)	Year of establishment (under the group control)
Denofa	-	-	Orkla (20%) Unikorn (40%)	1999
Det Norske Veritas (DNV)	300 (2004)	7 (2004)	100%	1974
Hydro Alumínio Acro	456 (399+57)	1	Norsk Hydro (100%) (whereof the Norwegian State 43.8%)	1997
Alunorte	1.200	1	Norsk Hydro (34.5%)	1999
Mustad	60	1	Mustad 100%	1988
Norske Skog Pisa	336 (2006)	1	Norske Skog (100%)	2000
Kongsberg Automotive	66	1	Kongsberg Automotive (100%)	1999

Source: The companies

The primary services delivered by Det Norske Veritas in Brazil – established in 1974 – encompass three areas: maritime, oil and gas, and certification. The offices of DNV Óleo e Gás are located in Macaé and Salvador; those of DNV Marítima, in Santos; and DNV Certificação, in São Paulo, Caxias do Sul, Belo Horizonte, and Vitória, with representatives in Bahia, Paraná and Santa Catarina, too.

Denofa do Brasil was set up in 1999, for the purpose of importing to Norway non-genetically modified soy.[54] Nowadays, Orkla holds a 20 per cent stake at Denofa, while the remainder is controlled by Norwegian Unikorn (40%) and by Brazilian Inlogs (40%), which belongs to the Agrenco group, an equity structure that goes back to late

[54] Information obtained at web portal *Com Ciência* at http://www.comciencia.br/reportagens/agronegocio/03.shtml, data retrieved on 17 Oct. 2007.

2004.[55] According to the Embassy of Norway site in Brazil,[56] the Brazilian investment bailed the company out when Denofa was on the brink of bankruptcy.

Norske Skog Pisa is a company that belongs to the Norwegian Norske Skog group and operates in Brazil in the pulp and paper industry. It occupies the 559th position in the ranking of the 1,000 largest companies in Brazil in 2005, according to publication *Valor1000*. In that year, net profit was worth US$$0.63 million, with net revenues amounting to US$135.4 million.

The company employs 336 workers (2006), taking into account both its industrial plant in Jaguariaíva, Paraná, and the Curitiba offices, also located in the state of Paraná. In Brazil, according to Bracelpa –the Brazilian Pulp and Paper Association–, it is the only newspaper mill, satisfying roughly one third of the domestic demand. The enterprise plans to enlarge its unit between July 2007 and July 2009, with investments forecast to total US$200 million.

Kongsberg Automotive has been present in Brazil since 1999, when it started to supply automotive parts to Scania América Latina and Volvo do Brasil. In 2004, it started to supply parts for the manufacturing of Volkswagen trucks in Brazil. and has now 60 employees in the country.

Norsk Hydro acquired Acro Extrusão de Metais Ltda., based in Itu, Sao Paulo. Hydro Alumínio Acro is fully controlled by Norsk Hydro (100%).[57] According to the *Boletim das Redes*[58] published by the Social Observatory in 2003, the company had an annual production of 18,000 metric tons of aluminum components for vehicle air-conditioning systems, and construction systems for high-rise façades. According to the local manager the company employed 399 workers directly and 57 subcontracted in 2007. Hydro Alumínio Acro is the country's third largest manufacturer of profiles, only behind the market leader Alcoa and CBA.

Alumina do Norte do Brasil S.A. (Alunorte), with a factory in the city of Barcarena, in the state of Pará, is also partly controlled by Norsk Hydro. The group has already invested US$ 800 million in the expansion of Alunorte's project, an alumina refinery, holding 34% of the business in partnership with CVRD. This interest ensures 2.2 mil-

[55] AGRENCO GROUP. *Relatório Anual 2005*, p. 17. Available at http://www.agrencogroup.com/portal/uploads/pdf/Relatorio_Final_Agrenco.pdf, data retrieved on 18 Oct. 2007.

[56] Norway – official web site in Brazil. *Norwegian company is saved by Brazilian investor.* http://www.noruega.org.br/business/news/denofa.htm, data retrieved on 18 Oct. 2007.

[57] Information in institutional brochure Hydro :a growing presence in Brazil and worldwide. Available at http://www.hydroacro.com.br/sistemas/downloads/folhetos/institucional.pdf, data retrieved on 23 Oct. 2007.

[58] Boletim das Redes, # 14. Available at http://www.observatoriosocial.org.br/boletim/boletim14.htm, data retrieved on 23 Oct. 2007.

lion tons/year of alumina for its aluminum mills in Norway.[59] In 2008 the partners will decide on a possible new alumina project in Belem where Norsk Hydro will eventually hold 20% of the investment.

Norsk Hydro's first investment was, however, a 5% share of the bauxite mining company MRN already in 1974, which they still hold.

[59] Valor Online. Available at http://noticias.uol.com.br/economia/ultnot/valor/2007/03/22/ult1913u66474.jhtm, data retrieved on 23 Oct. 2007.

Part 5: Industrial relations within Norwegian companies in Brazil

The main question underlying this part of the report is to examine the extent to which companies import Norwegian work standards and union dialogue practices, or if, to the contrary, they accommodate themselves to the Brazilian institutional framework and practices. First we provide an overview of the companies studied, second, we summarize impressions gathered from interviews and from the documentation with which we were furnished in Norway. Third, we share some of our impressions of the workaday reality in the companies' Brazilian subsidiaries regarding some of the main issues, and fourth we briefly discuss possible reasons for the gap between ideals and realities.

The companies

We have interviewed managers and union representatives from seven companies at their headquarters in Norway - Aker Kværner, Elkem Carbon, Norsk Hydro, Kongsberg Automotive, Mustad, Norske Skog and Yara. These companies were selected on the basis of having production facilities and/or a large number of Brazilian employees. Three more companies were asked, but did not want, or did not have the time, to participate.[60] Some of the managers interviewed on the Norwegian side have experience from Brazil, but they are not active in operations today. These interviews were supplemented with interviews with managers and union representatives in Brazil (see later).

Many of the companies have a quite long history in Brazil. Norsk Hydro made a strategic investment in the mining company MRN already in 1974, planning on acquiring a larger presence at a later date, which they eventually accomplished in 1997 through the takeover of Acro and a 25% share of AluNorte in 1999. Elkem Carbon bought Carboindustrial in 1974 and entered into joint venture to establish Carboderivados the same year. Also, Aker Kværner Subsea's Brazilian operation in Curitiba has a long history, as it was a Kværner Pulping factory previous to its takeover by the Kværner

[60] These companies were Aker Yards, Eltek and Det norske Veritas

Subsea division in the mid 1990's. Mustad had for some time been aiming to get into Brazil when they bought their factory in Porto Alegre in 1988.

Other companies are rather new in Brazil. Kongsberg Automotive established their factory in Jundiai in 1999 and Yara bought Adubos Trevo in 2000. Norske Skog had been exporting to Brazil for about 30 years, but did not have any operations until 1998/1999.

The main reason why these companies established operations in Brazil, was access to the Brazilian market. The Brazilian market is large, and high customs and taxes made it necessary for the companies to have production inside the country to be competitive. For a company like Kongsberg Automotive it was also important that large customers such as Scania and Volvo were already established in the country, and these companies demanded local content from their suppliers. Similarly Aker Kværner Subsea wanted to become a supplier to Petrobras. For Elkem Carbon transportation costs necessitated production in South-America in order to be competitive in the region.

Only Elkem and Norsk Hydro state access to raw materials as an important reason. Norsk Hydro gets bauxite through their participation in MRN, and AluNorte is very important as it supplies half of the group's need of alumina worldwide. None of the companies stated cheap labour costs as an important reason for the investments.

Most of the companies entered the Brazilian operations through takeovers of existing companies. This was done partly through joint ventures with non-Norwegian companies, but most of these joint ventures have eventually been taken over in full by the Norwegian companies or have been abandoned, as the Norwegian company has bought other companies. An example is Norske Skog that entered into joint venture with the Brazilian company Klabin in 1998/99, but later acquired the factory in Pisa as a consequence of the takeover of the Fletcher group in 2001. Two years later the joint venture agreement with Klabin was not renewed. Norsk Hydro still has joint venture with the Brazilian CVRD-group in AluNorte. The only really new factory established solely by one of these companies, was Kongsberg Automotive's greenfield factory in Jundiaí. Also Elkem Carboderivados was a new factory, but initially established through joint venture with Lorentzen.

The Norwegian operations that we have looked into, are of quite different sizes when it comes to number of employees. Yara is the only really large company with a total of around 1100 employees distributed at 17 plants around the country, with the plant in Rio Grande as the largest with around 400 employees. Norsk Hydro, Norske Skog and Aker Kværner Oil & Gas are medium sized companies with around 400 employees of their own. Elkem Carbon has 150 employees at two factories, while Kongsberg Automotive and Mustad are small companies with around 60 persons employed by each.

The companies are parts of larger groups, which means that strategic decisions are taken by the group or group division outside Brazil, and most of them are monitored tightly. Only Mustad and Norske Skog stated that their Brazilian subsidiaries have a quite large degree of self-determination in business matters. When it comes to human relations policy the degree of self-determination is generally larger, even though as we shall see, most of them have developed group policies and regulations also in relation to these matters.

Ideals and perceptions among Norwegian company actors

Management

Norwegian management is known to be equality oriented, based on dialogue and marked by a flat hierarchy (Trygstad & Hagen 2007), while many of our interviewees perceive Brazilian management culture to be more authoritarian, hierarchical and less dialogue oriented. "Our" companies have quite different policies and practices regarding nationality of the top manager of the Brazilian subsidiary, but even if the top manager is Norwegian, the rest of the management in all these companies is Brazilian. Larger groups like Yara and Aker Kværner, as well as the somewhat smaller Elkem, underlined the fact that the top manager did not have to be Norwegian, but that it was important in the first years to have managers who had work experience from the group, in order to control that the group culture and regulations were applied properly. Norske Skog and Norsk Hydro had Brazilian managers the first years, but these groups have had Norwegian managers based in Brazil for their total South-American operations as well. The smaller Mustad and Kongsberg Automotive used Norwegian top managers the first years, but Mustad has later handed over this position to a Brazilian.

All the companies underlined that, regardless of the nationality of the top manager, it was important to introduce and anchor the group culture and mindset, even though some of the larger groups stated that this did not necessarily mean a "Norwegian" mindset was necessary. Most of the companies have global leadership programs and global meetings with participation of all top managers. An example is "Leadership in Norske Skog" (LENS), a management development programme with a special focus on organisational progress, team work and managing human resources, where managers from different countries are mixed. Kongsberg Automotive brings all managers to courses in Norway. Their "Interdal" programme is directed towards young employees worldwide who aspire to work abroad, but is not compulsory. In this programme cultural understanding and ethics are important elements besides "pure" business topics including finance, operations, logistics etc. Their "KA Commercial" programme for employees who have relations with customers, also emphasize cultural understanding and ethics. A small group like Mustad has no formal global leadership programs, but also this group carries out active training and meetings where top managers meet each other regularly.

Norske Skog is the only company with global and regional meetings where also union representatives from all subsidiaries are present. In some of the other companies Norwegian union representatives meet in their capacity as members of the Board.

Ethics

All companies have developed common global policies and common high standards within HSE and ethics. Human relations policy exhibits more variety, but the general impression is that Norwegian companies emphasize having good human relations.

All the companies have comprehensive ethical policies and codes of conduct in writing. Most of these documents are published at the companies' web sites, available for everybody.[61] They all underline that the policies and codes of conduct are mandatory in all countries, and in most companies they are introduced to all employees through compulsory training. Elkem could serve as an example:

> "This code of conduct sets out the overall ethical guidelines, which apply for all Elkem employees….Our operations must meet the same ethical standards regardless of where they are pursued in the world…. Violation of this code of conduct will not be tolerated and may, as prescribed by relevant legislation, lead to internal disciplinary action, dismissal or ultimately to civil legal action or criminal prosecution." ("Code of conduct", Elkem web site)

Corruption is a central issue within these codes of conducts. All managers were asked about their attitude to corruption as this is a known challenge in Brazil. They all underlined zero tolerance towards use of bribery and other forms of corruption. The managers told us that you can do business with "clean hands" as long as you are consistent in this matter, and we were told several stories in confidence about attempts of bribery. Some companies also brought up the challenge of competing with "black market" companies that did not pay taxes and used undeclared workers, and Mustad pointed out smuggling via Paraguay as a major problem for their business.

Health, safety and environment (HSE)

Besides ethical guidelines and codes of conduct, HSE is the main issue where all companies have strict policies and standards worldwide, both related to work environment and external environment. All managers pointed out that these standards were equal regardless of country. Here are some excerpts from the company policies as example:

[61] Mustad is the only exception

"Safety first. Our stance is that injuries, occupational illnesses and safety and environmental mishaps are all preventable - and our goal is to reduce all of these incidents to zero." ("Our employees", Yara web site)

"Hydro is responsible for ensuring that working conditions are such that both employees and contractors can work for the company without danger to life or health." ("People policy", Norsk Hydro web site)

A few also emphasizee that the same requirements applies to their suppliers:

"KA has a set of guidelines based on the environmental standards according to ISO 14001. These standards apply for all units worldwide.(...) The same set of rules shall apply to all KA's partners, e.g. suppliers. It is KA's responsibility to see to that KA does not use partners that violate the KA guidelines with respect to all areas of HSE." (KA Ethical values to ensure Fairness & Ethics within the workplace)

Norske Skog is the only company that includes global HSE-issues in a binding collective agreement, as it is a part of their global agreement with ICEM/Fellesforbundet[62]:

"Health & Safety. The parties believe that every employee has the right to a healthy and safe working environment. Norske Skog is committed to providing this. To achieve industry best practice the company will involve and work with the employees, their representatives and trade unions, to continually improve the company's health and safety performance." (Norske Skog Global agreement, paragraph 2c)

All companies measure H-value worldwide and sickness absence worldwide. Generally they say that Brazilian scores are better than most countries. Companies like Elkem and Aker Kværner have inspectors who travel around the world. In addition, suppliers and contractors are normally controlled. Aker Kværner for example audits the HSE quality of all suppliers at least once a year. These audits also include the use of overtime. Many of these companies refer to this accentuation of HSE as an example of Norwegian values, but Aker Kværner points out that the high standards of HSE first and foremost are due to requirements employed in the offshore industry.

Mustad told us that uncertainty about Brazilian regulations on toxic waste, prompted them to follow Norwegian regulations at a start-up. In this way the company became a reference company in the Porto Alegre area on waste treatment.

[62] ICEM: International Federation of Chemical, Energy, Mine and General Workers' Unions. Fellesforbundet, affiliated to LO, is the Norwegian national blue collar union having signed collective agreement with Norske Skog.

Human relations policy

The only company that explicitly in writing emphasizes cooperation with trade unions in their global policy, is Norske Skog:

> "Our group has been a pioneer in setting a global standard for social responsibility and worker-management relations. We were the first international paper manufacturer to sign an agreement with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and the Norwegian United Federation of Trade Unions[63] concerning employee rights on a global basis. We were also an early adopter of the 10 principles in the UN Global Compact. Through our development programme for managers and employees, the whole organisation is being familiarised with the values, ethical standards and good business conduct on which we build our business." (From the Norske Skog web site)

Some of the global unions are aiming at entering into such global agreements with as many transnational corporations as possible, but still only a few (and mostly European based) corporations have entered signed agreements. Of other Norwegian companies operating in Brazil, only StatoilHydro has such an agreement, and Aker will probably have one soon.

The other larger companies also emphasize in policy documents the relationship with employees, along with specifying the core values this relationship is based on. Yara is conscious of having Norwegian roots, but at the same time of being a globally oriented company. The management stated in our interview that in this way Norwegian values are exported even if the practical human relation policy is delegated to the subsidiary. In their document "Our Policy" the company says for example:

> "Yara employees can expect a safe and healthy place to work, and an atmosphere marked by openness and opportunity, with respect for diverse opinions and freedom from discrimination or harassment. Yara is committed to providing its employees with continuous learning opportunities. In this way we aim to provide them with the possibility to improve their performance and their employability." ("Our Policy", from the Yara web site)

Yara and Norske Skog conduct annual employee satisfaction surveys (run by an independent consultant). The Yara survey involves the sending of a questionnaire to all employees worldwide each autumn, with the results being used to benchmark the group against a global network of external companies. Four key areas are measured, one of which is "Involvement" (capability development, team orientation and empowerment).

[63] Fellesforbundet

Some companies explicitly make a point out of diversity in their global policies. An example is Aker Kværner in their document "People Policy":

> "Aker Kvaerner recognises the value that diversity in the workplace brings to our company. We are enriched by having the diversity of a global organisation, which embraces people from many cultures, religions and ethnic groups. Aker Kvaerner will therefore ensure that equal opportunity is provided to all prospective and current employees regardless of race, colour, religion, sex, age, national origin or disability." ("People Policy", Aker Kværner web site).

Norsk Hydro emphasizes more clearly their policy of zero tolerance towards discrimination:

> "**Discrimination will not be tolerated.** We do not accept any form of discrimination or other behavior that you, your colleagues, our business connections or others can perceive as threatening or degrading. This includes discrimination and harassment on the basis of gender, religion, race, nationality, ethnic origin, cultural background, social group, handicap, sexual orientation, marital status, age or political views." ("People Policy", Norsk Hydro web site)

But again, Norske Skog is the only company that includes anti-discrimination as a part of a binding agreement with the trade unions:

> "**Discrimination**. Equality of opportunity and treatment shall be guaranteed regardless of race, colour, gender, religion, political conviction, nationality, cultural origin or other irrelevant factors (ILO Conventions 100 and 111)." (Norske Skog Global agreement, paragraph 2b)

All companies emphasize good human relations practices and proper treatment for the employees in interviews with us, and several managers claim that Norwegian and other European companies stand out from American and Asian companies in these matters, as well as from most Brazilian companies. Mustad could serve as an example. When they took over in 1988, Brazil was suffering from hyper-inflation, creating a situation in which workers had to use their salary immediately after being paid. The only way to deal with this situation was to have an arrangement with two bank accounts and a mechanism to compensate for the inflation, which at that time in practice was reserved for rich people. Ordinary blue collar workers in the Porto Alegre did not have such bank accounts, but Mustad forced their bank to establish bank accounts for all their workers, otherwise the company would change bank. Mustad also invested in the improvement of the work environment, ranging from sanitary conditions to waste handling, immediately after takeover.

Work conditions and benefits

Generally the managers in Norway consider work conditions and benefits in their subsidiaries to be better than conditions within Brazilian companies in the same area, but at the same level as subsidiaries of other European companies. Most of them say they don't want to set wages higher than everyone else, but consider their benefits to be very good. This is especially the case for health insurance, dental care, educational support and other social benefits which are important in Brazil where the public welfare is inadequate. Three of the companies have a profit sharing scheme, which is rare in Brazil.

Policy documents are not very concrete on these issues, but Norsk Hydro is an exception as the company in their "People Policy"-document set concrete requirements worldwide for working hours and protection against dismissal due to pregnancy and birth:

> "Your working conditions are to be in accordance with local legislation, rules and agreements. However, wherever in the world you work, you are entitled to the following as a minimum: (...)
>
> **A proper working environment.** You are entitled to a proper and satisfactory working environment, where fundamental human rights are respected. This also means that you shall be treated fairly and protected against harm, including work that is dangerous to your health and any form of discrimination and harassment.
>
> **Reasonable working hours.** Working hours shall comply with local laws and agreements. On a weekly basis, you should normally not work more than 48 hours and 12 over-time hours and you should have at least 24 consecutive hours of rest.
>
> **Protection against dismissal due to pregnancy.** In Hydro, you are protected against dismissal due to pregnancy, birth and the responsibility for newborns."("People Policy", Norsk Hydro web site)

The global agreement between Norske Skog and ICEM/Fellesforbundet has two paragraphs related to wages and employment conditions:

> "**Wages**. Wages and benefits paid for a standard working week shall at least be sufficient to cover the basic needs of the worker and his or her family. Deductions shall not be made from wages as a disciplinary measure. All employees shall receive clear information in writing about the wage scales and deductions from pay before they are employed. Information regarding pay and deductions should be provided to employees each time wages are paid, and these should not be changed other than by written consent of the individual worker or by collective agreement.

Employment conditions. Employment shall, as a main rule, be based on permanent employment. Temporary and part-time employees should as a main rule receive the same relative terms and conditions as fulltime permanent employees. All employees shall have the opportunity to take part in relevant educational and training programmes." (Norske Skog Global agreement, paragrahs 2 f and g)

The last paragraph has actually come to use in Brazil. When Norske Skog acquired the Pisa factory in 2000/2001 a large share of the workers were employed by contractors and were paid lower than their own employees. As a result of an initiative from the Norwegian union, with reference to the global agreement, these employment conditions were cleaned up. Most of the contractor's employees became employed directly by Norske Skog, and all received the same benefits.

When Mustad acquired their factory in Porto Alegre, the relations between management and workers were poor. The new management improved the working conditions in several areas. In particular, they point to the health and dental care arrangement which they introduced for "social responsibility reasons", and which they have marketed within the employers' association FIERGS.

Direct employee involvement

The Norwegian industrial relations model implies direct employee involvement as well as involvement of trade unions at the company level. The Norwegian managers interviewed see the direct involvement as important. As one of them says: "It is the workers who do the job and know what is needed". Policy documents emphasize this issue as well:

> "At all times, employees are encouraged to discuss and resolve their concerns, problems and ideas with their immediate supervisor, who is expected to be available and indeed seek opportunities for such discussions (....) It is essential that these processes effectively communicate on issues of genuine interest to employees and such matters as our values, market situation, competitiveness, future strategic direction, major organisational adjustments and changes in the workforce levels affecting the Aker Kvaerner units. These processes and practices should provide ways in which employees can feed back their ideas, comments and suggestions for improvement to the various levels of management." ("People Policy", Aker Kværner web site)

> "The most important and valuable collaboration remains direct face-to-face communication with and involvement of employees in day-to-day work. This is a matter of openness and visible leadership. A corporate identity, commitment and proprietary attitudes throughout the organisation can only be developed when each employee is respected and allowed to be an individual." ("Best practice", Norske Skog web site)

Several of the managers point out to us that such involvement is difficult in Brazil as there is no tradition for this. As one of them says: "It always becomes the responsibility of the management." One reason mentioned is that the educational level is lower than in Norway, resulting in a weaker ability to become actively involved. But there is also generally less openness to oppose superiors, or come forward with criticism. There is a culture of doing as the management says, while in Norway decisions are questioned and have to be anchored within the workforce, otherwise decisions may not be followed up. In one company both the manager and the union representative on the Norwegian side told us that they really had to struggle to convince the Brazilian management that openness really was wanted, not only a nice word. A manager of another company told us about the challenge of developing true openness between the Brazilian top and middle management as this was felt by the top manager to threaten his authority.

But involvement is nevertheless attempted. For example the Norwegian management in Kongsberg Automotive claims that production teams based on the Toyota philosophy function almost the same way in Brazil as in Norway, the only difference being that the Brazilian teams function in a more informal way.

Collective agreements and relations with the organisations

All subsidiaries have collective agreements, but generally the managers in Norway have little in depthknowledge of the details of this issue. Few know, for example, with which unions the agreements are made, and there is only a vague understanding of the relations between trade unions and the company. This knowledge is of course deeper among the managers who have been in Brazil.

Most of the interviewed managers in Norway either do not know if their subsidiaries are members of employers' associations, or state that they are not members of an employers' association. As for reasons as to why this is the case, they state that employers' organisations are not very important in Brazil, that there is no culture for such participation, and that companies see no reason to be members. At the same time, they all say that they follow the annual wage regulations agreed between the trade unions and employers' organisations.

Most Norwegian managers also exaggerate the trade union membership in their subsidiaries. The general belief is that all or most of the workers are members, while the reality is that in some of the companies only a very few are union members.[64]

[64] According to Dieese, the Inter Union Statistics and Socio Economic Studies Department, in their annual report about the labor force in Brazil, only 18,4% are union members (2005). In the southeast, where the majority of companies in Brazil are located, the union rate is 17, 4%, while in the south the rate is 23,%. It was difficult to get verified numbers of union members in the Norwegian subsidiaries, but generally it seems that the union membership is quite high in the larger companies like Norske Skog, Hydro and Yara, but very low in the smaller companies.

None of the Norwegian managers are negative to trade unions even if several of them had the view that Brazilian unions often are less cooperative, contribute less and are more confrontational than their Norwegian counterparts. According to the managers, they want cooperation, but find that unions seldom contribute to solutions and are very focused on their rights according to the law, and not to what may be important to the workers. As one of them said to us:

> "It is ok with us that all workers are members of the trade union, but it really does not mean anything as to our treatment of our employees." (Norwegian manager)

Another said:

> "We can demand the impossible in the factory, but not move the barbeque." (Norwegian manager)

Even if the general impression from the interviews with the managers in Norway is that only a few companies engage in extensive cooperation with the trade unions in Brazil, laboru relations mostly are perceived to be friendly and some state that their ambition is to develop labour relations in a more constructive direction.

Some of the companies' policy documents contain views on relations to trade unions. One example is Norsk Hydro:

> "**Freedom of association**. Hydro recognizes the principle of freedom of association. Consequently, as far as Hydro is concerned, you have the right to join an employee organization and to be represented in collective negotiations." ("People Policy", Norsk Hydro web site).

Aker Kværner goes a bit further in their policy document:

> "We expect that there are processes and practices in place for regular communication with employees, their Trade Union representatives and other key stakeholders that take into account local preferences and legislation." ("People Policy", Aker Kværner web site)

But again, Norske Skog is the only company that in their policy documents explicitly state that cooperation with unions and elected employee representatives is part of their philosophy:

> "Norske Skog has developed a policy on cooperation with elected employee representatives based on our core values of honesty, openness and cooperation." (Norske Skog web site)

This attitude is also binding through their global agreement:

"**Freedom of association and collective bargaining**. All workers shall have the right to be members of trade unions. These unions shall have the right to be recognised for the purpose of collective bargaining in conformance with ILO Conventions 87 and 98. Workers' representatives shall not be subjected to any discrimination and shall have access to all necessary workplaces in order to carry out their duties as representatives (ILO Convention 135 and Recommendation 143). The employer shall take a positive attitude to trade union activities, including organising." (Norske Skog Global agreement, paragraph 2a)

The Norske Skog agreement also applies to contractors and suppliers, as the agreement in the introduction says that the parties also wish to promote fundamental human rights and trade union rights in the company's supply chain and with customers.

Some companies say they have regular meetings with the trade unions several times a year to exchange information. This applies for example to Norske Skog. But most companies have less frequent meetings. The smaller companies hardly have any dialogue, which for a large part can be due to the fact that they are so small that the unions may not view them as important, and partly these companies may cause no problem for the unions.

Cooperation at the company level

A fundamental part of the Norwegian industrial relations model is cooperation between the management and the unions within the companies. We find few traces of this in the Brazilian subsidiaries when interviewing the Norwegian managers.

None of the companies stated having works councils or anything resembling such bodies within the workplace, but some Norwegian managers believed employee representatives were elected within the subsidiary with whom there were meetings. The only body that resembles a cooperative body, is CIPA, which is statutory in companies with more than 100 employees. This body is, however, limited to HSE-issues, and many of the Norwegian managers leave the impression that this body to a very little extent is proactive, mainly being a body to which the company reports HSE information. One of the managers we interviewed, reported frustration about a lack of willingness among the employee representatives to take part in preventive HSE-work. Their main concern was "being taken care of when accidents happened", he said.

There were also some misunderstandings on the Norwegian side. One manager believed that union activity within the workplace was not allowed. Generally, they have good experiences with cooperation at the local level in Norway and most of Europe, and believe that such cooperation is for the best for both the company and the employees. But at the same time most managers are of the opinion that this is difficult to achieve in their Brazilian subsidiaries. When questioned about employee representation on the Board of the subsidiary, which is compulsory in Norway, none thought of this as a good idea, and none of the companies had received any inquiries for Board representation. Some of the managers also expressed concerns about a lack of confidence between management and unions.

Union cooperation across borders

Norwegian union representatives are accustomed to cooperation across borders through European Works Councils (EWC). The only company among the interviewed companies that doesn't have EWC representation in spite of the fact that the workers are entitled to it, is Kongsberg Automotive.[65] But formal cooperation between unions across countries outside Europe within each group is rare.

Some of the companies discuss works council arrangements outside Europe, but the only one that in fact has such arrangements, is Norske Skog. Norske Skog has a *Global Employee Forum* consisting of one union representative from each factory worldwide. The body was established in 2005 and had its second meeting two years later. From 2008 the intention is to have yearly meetings. These meetings last for three days, whereof two days are used for meetings together with management representatives from the same factories, and one day is dedicated to a separate meeting for the unions. In addition to these global meetings Norske Skog has established *regional works councils* with yearly meetings. One of these regional works councils cover South-America. The Norwegian chief shop steward participates in all regional meetings, as well as in the global meetings, an arrangement that secures a good flow of information and that provides him with valuable knowledge about the conditions within the Brazilian subsidiary.

It is worth noting that Norske Skog's Global Agreement mentions the importance of the availability of information as well as of monitoring the agreement:

> "Norske Skog will ensure that appropriate translations of the agreement are available at all workplaces. The agreement will also be made public on Norske Skog's website and Intranet. Both parties accept that effective local monitoring of this agreement must involve the local management, the workers and their representatives, health and safety representatives and local trade unions. To enable local representatives to play a full role in the monitoring process, they will be given adequate time for training and involvement in the monitoring process. The company will ensure that local representatives are provided with information, access to workers, and rights of inspection necessary to effectively monitor compliance with this agreement." (Norske Skog Global Agreement, paragraph 3a-c)

[65] Mustad is not entitled to a EWC as the company does not have factories in any other European country. Elkem is incorporated into the Orkla EWC.

Such paragraphs are important if the agreement shall be more than nice words. Also Aker, the owner of Aker Kværner, will probably have a global agreement soon, according to their Norwegian union representatives.

Apart from Norske Skog there are no formal relations or communication between the Norwegian union representatives and the Brazilian unions, except for the relations that were established as a consequence of the visit that Norwegian LO arranged to the Norsk Hydro, Norske Skog and Mustad subsidiaries in 2002, when LO brought the Norwegian union representatives from these companies as part of the delegation. That visit led to temporary contacts in Norsk Hydro and Mustad, as well as in Norske Skog, but as no formal relations or bodies were established, these contacts have later faded in Mustad and Norsk Hydro.

Realities and practices in Brazilian subsidiaries

To get an impression of the reality in Brazil we visited the subsidiaries of Kongsberg Automative in Jundiai, Norsk Hydro (Hydro Acro) in Itu, Mustad in Porto Alegre, and the headquarter of Yara, also in Porto Alegre. During these visits we interviewed the local management and were shown the production facilities[66]. In order to acquire a perspective from the union side we interviewed representatives of three unions, representing workers at three of the companies. We also received supplemental information from the manager of Aker Oil & Gas in Curitiba, and we have benefited from earlier IOS studies on Norske Skog and Norsk Hydro (see enclosed reference list), based on several interviews both with management, unions and workers.[67]

This part of the report must be viewed solely as an exploratory study aimed at sketching a preliminary overview of existing conditions, especially regarding social dialogue within the companies. As the study is both limited in terms of the number of companies and especially of the number of interviews in Brazil, we have thought it appropriate not to name companies when criticism is leveled against them, and we will not furnish any detailed accounts of wages, benefits etc. Instead we will summarize our impressions on some of the main issues relating to labour-management relations.

[66] At Yara we did not have time to visit the production facilities.

[67] At project start-up we also had metings with LO, the employers' association FIRJAN, the manager of Norsk Hydro and the communication manager of the oil workers union FUP in Rio de Janeiro.

Social dialogue

Except for the statutory CIPA dealing with HSE-issues, we found no examples of a social dialogue involving elected representatives of the workers within the companies. In fact we found no evidence of elected union representatives at company level at all, not to mention any formal cooperation or consultation bodies in which the management and elected representatives of the workers meet. This means that, contrary to the Norwegian model and to what some of the managers in Norway believed, there are no representative institutions at the company level in which a dialogue on company issues apart from HSE-issues could be exercised.

According to the unions, relations between the district unions and the companies seem to be satisfactory for most companies, and for two of the companies we are told that the dialogue is very satisfactory. As the Norwegian company in some districts is an important (or the *only* important) company within a certain industry, the dialogue between the district union and company management could to some extent substitute arrangements within a company. In these communities (some of the) union representatives will be from the company in question, and a meaningful dialogue on company issues is possible as the union has considerable knowledge of the company. Norske Skog is an example of this, as almost all members of the paper workers union in Jaguariaiva municipality work at the Pisa plant. In this case both full-time union officers at the union office are employees of the company on leave, and 22 employees are on the board of the union. The company has meetings with this union twice a month and the union officers have free access to the plant. Vital issues such as restructurings, reorganisations and possible lay-offs are discussed with the union, as well as the profit sharing program as the union is represented in the committee dealing with this program. The union is allowed to have meetings with the workers at the plant, allowing the union to have close communication with the workers on company issues.

Also Yara seems to stand out for having a very good dialogue between the unions and the management, especially in Rio Grande where the main plant is located. As in Norske Skog, Yara is the most important company for this union in Rio Grande. It is interesting to notice that this union has become more committed to a social dialogue on general company issues as a consequence of the good relations:

> "In the past, we, the union, had no partnership with the employers. We used to be a stone in the company's shoe, but now the situation is different. In social terms, today we have partnership. Stockholders want money, and now we understand they in fact are correct. We want the company to make millions. This makes us achieve much more to the employees." (Union officer, Sindifértil, Rio Grande)

The partnership idea echoes the Norwegian way of thinking, and is extending to many issues. For example, the union offers the company the use of its facilities for courses qualifying workers in their skills. As in the case of Norske Skog the communication between the union in Rio Grande and the workers seems to be good. As one of the union officers told us:

> "We inform about meetings for the members in the factory and always have a "full house". Besides announcing the assemblies in the newspaper we announce the meetings in the factory. A few times it has been possible to conduct some sort of meetings within the plant to deal with company-specific issues" (Union officer, Sindifértil, Rio Grande)

Generally the relations between the Norwegian companies and the district unions seem to be without big controversies and based on mutual respect, but in several cases the dialogue seems to be less than extensive and is limited with respect to openness and issues discussed. In two of the companies there were hardly any relations at all. There is a widespread opinion that unions are confrontation-oriented, and one manager told us blankly that he was afraid of giving confidential information to the unions, for example on restructurings, fearing that the information would not be kept confidential.

In one case the relationship is marked by hostility without any dialogue at all. As one union officer puts it:

> "They are bad players. There is one HR manager (...) who is a very bad player. We had serious problems in the past. We have already denounced them to Norway and nothing changed.(...) Social dialogue is non-existent.(...) Employees do not feel at ease to talk to the company's management." (Union officer)

In this company the "dialogue" is at the factory gate whenever the union wants to take some action. According to the union the management does not react against the union directly, but:

> "They harass people who participate in our meetings. As for the CIPA member, they have pressured him until he resigned." (Union officer)

The manager did not give the same impression of hostility, but it was obvious that there was no dialogue between the parties.

Our investigations into how CIPA was functioning resulted in a mixed impression. Generally this body seems to function best in the companies where the social dialogue and relations with unions are the best, but in most companies this was not a proactive and vital body according to the managers. The following quotation is fairly typical:

> "We have CIPA. They are involved in the tools, meetings, safety rounds and so on. But CIPA is not very active. It is not them who force the HSE process. We have this committee first and foremost because it is statutory." (Manager in Brazil)

Lastly we will add that it seems to be little cooperation between the unions in different plants of the same company. In Yara there are contacts, but no formal cooperation. This is complicated because, as in the Yara case, the local unions that represent workers in their respective plants all over Brazil, may belong to different national unions, even confederations. This weakens the trade unions within larger companies and makes them less relevant and competent as partners than they could be.

Human relations, wages and benefits

Generally it seems that the Norwegian companies have relatively good wages and benefits, but not more than is necessary to be competitive in their district and/or industry. Some of the companies have very generous social benefits, which is important in Brazil. In several cases the benefits are beyond what is regulated in the collective agreement, which also means that the company may take these benefits away. In one case, however, the average wage is beneath the wage level of this category of workers in the collective agreement. As to additional wage arrangements like variable remuneration, the unions are involved in discussing these in two of the three companies.

Yara impressed us with a very comprehensive and extensive program of investing in their employees beyond offering very good social benefits. We draw attention in particular to significant investments in workforce capability and education, which have achieved documented results. Since Yara acquired Adubos Trevo, the share of the workforce that has not completed elementary school has dropped from 46% (December 2001) to 12% (July 2007), even if the company recently bought Fertibras which employs a high percentage of low-skilled workers. In the same period the share of the workforce that has completed high school, has risen from 12% to 36%. This has changed the skill profile of the workers completely in the course of less than six years – from a situation where only 1/3 had high school education or more, to a situation where 72% of the workers has such a level of education today. This was achieved by using a systematic approach during these years, which the company explained in detail to us and justifiably took pride in. Yara has just finished a program to promote female managers and now they have a program focusing on disabled employees. The company also has a well-documented procedure of communication with both the union and their employees around issues concerning them.

Employers' associations

We found that only half of the companies have any relation to an employers' association. Aker Kværner, Yara and Norske Skog are participating actively, while Mustad has used their services since start-up, first and foremost to seek practical help and advice.

This attitude is surprising when we know that all companies, Norwegian companies included, by law have to pay an annual fee to the employers' associations. We suppose the prevalence of this attitude among some of the Norwegian companies is not unique among foreign owned companies, which represents a big challenge for the employers' associations in Brazil. With respect to the social dialogue process, we think that active participation within the employers' association could be a feasible way of influencing Brazilian industrial relations, especially within the oil and gas, chemical and maritime transportation industries, where Norwegian companies are important.

Summary and discussion of the gap between ideals and realities

The quality of the social dialogue between management and unions varies significantly – from a hostile relation or "no relation" to, at the other end, very close cooperation in some cases. A plausible hypothesis would be that subsidiaries with Norwegian top managers have a better social dialogue than the ones with Brazilian managers. We cannot, however, see any such pattern at all. In fact, both the subsidiaries which we have highlighted in this report as positive examples of social dialogue and human relations, have had Brazilian top managers all along.

As previously noted, there are mostly good relations between all the companies in question and the trade unions. Generally, there are also fairly good wages and social benefits, even very good benefits within some of them. But we had at least expected to find elements of the Norwegian model, with elected union representatives within the companies or some formal cooperation or consultation bodies, in which the management and elected representatives of the workers could meet. This is the basis of the dialogue within companies in Norway, and both the employers and the unions in Norway are very proud of this, telling the world that this is a competitive advantage in the global economy.

One obvious explanation for this lack is of course that companies adjust to the Brazilian way of doing things, also in respect to industrial relations, as they adjust to the Indian way when established in India. This could indicate that the Norwegian model is not deeply anchored within the companies as a general model for industrial relations. Some of the managers who we interviewed, also point to the short period of democracy in Brazil, to a greater social divide, to generally less education among workers and to a lack of trust between the parties as reasons. To supplement these stated reasons we would add the totally different structure of the Brazilian unions compared to Norwegian unions as part of the explanation of the absence of formal cooperation structures within the companies. Brazilian unions have no body at the company level with which the management can cooperate, so a dialogue with unions will then be with external representatives of the union at the local geographical level, who in many cases deal with a lot of companies. This makes developing trust and a mutual feeling of community more difficult, in contrast to the Norwegian situation where the relation at this level has been developed over many years between parties *within* each company. Besides trust, participation also requires a certain closeness to the operations within the company to be able to be a proactive and competent partner and opponent to the management.

Cultural change, even if desired by all parties, is a stupendous task. Still, we think it should be possible to develop social dialogue within the single companies in a way that will benefit both the workers/trade unions and management. To be able to achieve this, two "truths" must be acknowledged: Participation must be learned, and such learning and building of trust requires the establishment of actors and institutional arenas within the companies. And, immediate results cannot be expected, which means that the companies must be willing to undertake long-term investments in the development of the trade unions, in-house trade union representatives, co-operation bodies (e.g. works councils) and common projects that can contribute to learning and knowledge of each others intentions and interests. In this way, confidence between the parties may be developed gradually, and after some time, give results. As Brazilian unions don't have workplace branches today, such projects within the companies requires close cooperation with the local unions, as well, to succeed.

The situation of an almost non-existent cooperation between the unions in different plants of the same company is a challenge to developing a social dialogue at the company level. We think all parties would gain from improved communication and cooperation between the unions. The unions will gain strength and competence, and the management will experience a more relevant counterpart that speaks with one voice. To be able to change this fragmented situation, both the management and the unions must contribute.

Part 6: Conclusion and recommendation

This report aims first and foremost to provide an overview of industrial relations in the two countries, and to offer an impression of relations and perceptions within Norwegian companies operating in Brazil. As such, we hope it will serve to furnish some basic knowledge and experiences that will facilitate the startup of a "Forum for social dialogue". As concluding remarks, we would like to point out those issues which we think should be taken into account in the further process. We also wish to share some thoughts on what could be done in terms of concrete actions.

The two countries are very different in most ways, as pointed out in part one. The historical background is important to bear in mind when trying to explain the large cultural, social and political differences which form the backdrop for the discrepancies in industrial relations.

Norway has had a long peaceful period leading to a society with small social differences, a well-educated population and high employment.

Brazil, in contrast, has had a much more complex modern history with around twenty years of military rule, followed by a redemocratization process which, up to the present, hasn't led to the overcoming of substantial social problems, great inequalities and a large informal sector. Nonetheless, there was an awakening of civil society and grassroots movements, leading to the implementation of new social policies and the structuring of tripartite State bodies.

While industrial relations in Norway today are marked by few conflicts and close cooperation between the unions, employers' organisations and the state, the situation in Brazil is more marked by confrontations and unions which focus on securing their rights. The Norwegian unions and employers' associations have broader support and a stronger social position than their Brazilian counterparts, even though Brazil, in the Latin American region, is regarded as having a more structured civil society. Regarding the trade union movement, we face a form of hybrid pattern, with some unions accustomed to collective bargaining at different levels, whereas in others the corporatist model prevails, bearing with it a lack of representativeness.

If we compare the two countries in relation to the characteristics of the Norwegian model (see page 13) we could summarise the differences as in table 6.1.

Table 6.1

	Norway	Brazil
Welfare	Universal tax-based welfare arrangements and a large public sector	Only half of the employed population registered with the social security. Unsufficient public social policies. New cash-transfer programmes aimed at the poor.
Employment	High employment, both among men and women	Large unregulated informal sector. Quite large unemploy-ment, especially among youth, women and blacks
Wages	Small wage differences and large social mobility	Large wage differences, also between sectors and regions. Very small social mobility.
Collective actors	Strong collective actors	Relatively strong collective actors, but trade union movement is very fragmented
Wage bargaining	Both centrally coordinated wage formation and local bargaining at company level	No coordination at central level. Bargaining generally focused at district and/or company level
Cooperation and co-determiation	Close cooperation between the Government, employers' associations and trade unions at national level. Strong co-determination and participation at company level. Representation at the Board of Directors	Cooperation between the Government, employers' associations and trade unions in some public policies at national level. Cooperation between companies and trade unions at district level varies a lot. No co-determination at company level.

During this project we discovered crucial differences between the two models of labour relations. One of the differences is the lack of union organisation and dialogue at the company level in Brazil. This cannot be changed, however, just by allowing representation at the company level in Brazil. It must be embedded within a whole set of institutions and coherent set of practices. Therefore we think that the Norwegian experience should be studied by the Brazilian social partners, as it represents a coherent model where the national, sectoral and the company levels of industrial organization interact with one another.

In Norway, the cornerstones of the unions are the workplace branches and shop stewards. This means that the company management, as well as department and site managements, have union counterparts who know the company well and to some degree have the same interests, which is a main condition for cooperation. We think this largely explains why involvement in company activities and processes has become a central part of Norwegian union activities, while being quite limited within Brazilian unions. We think that presence of union organisations at the company level is a necessary precondition for effective development of formal bodies like works councils and of extensive cooperation between shop stewards, union representatives and management at all levels within the companies.

The workplace branches secure communication between union representatives and the union members, and, not the least, secure a democratic control of union representatives at the company level. Without some kind of workplace organization, union representatives tend to end up in a vacuum and risk either becoming co-opted or losing touch with the views of the members. At the same time, union organisation at the company level must be tied into the overall trade union structure.

The discrepant union structures between the two countries explain partly why the industrial relations within Norwegian companies operating in Brazil don't seem to be essentially different from other companies in Brazil. With the exception that Norwegian companies seem to emphasize good human relations and decent working conditions, we find few traces of the "Norwegian model" within these companies, as described in part 5. Even if management wants to develop a good dialogue at the company level through cooperation bodies and elected representatives, such an attempt might not be viable as these works councils and shop stewards would have very weak ties to the union structure. But we will not rule out that in some cases the trade unions structure may be seen as an excuse to not apply a "Norwegian model", even if in Norway involvement and cooperation is regarded as a benefit to both the management and the employees.

We think it would be fruitful to continue and deepen the relations between the Norwegian and Brazilian parties in order to develop the dialogue and exchange experiences. In order to deepen the understanding of, and the conditions for, the different national models, several issues related to industrial relations in the two countries should be explored and described further. We also think it would be fruitful to start concrete projects in Brazil to gain experiences on how dialogue at the company level could be developed. Otherwise, the process could be in danger of resulting in nothing but empty words. Such projects are most likely to succeed in Norwegian owned companies as they have a link to a culture of social dialogue, and should imply establishing a formal structure for dialogue on issues other than wages, benefits and HSE.

At this point of the process we will not elaborate on the content and process of a potential project (but we will be happy to contribute if so wished), as such a project must be developed through a dialogue between the social partners. We will, however, point to some conditions that are important to take into consideration, provided that the social partners find our proposal interesting:

- There should be projects in more than one company to get more experiences, and to avoid a breakdown of the whole project if the process fails in one company for some reason.
- There must be continuous and quality communication between the actors at the company level and their organisations
- There must be a steering committee with representatives from the social partners at the central level which is in charge, and that can collect and discuss the experiences regularly
- The district body of the union and employers' organisation which is related to each company must be involved. This is especially important on the union side as there are no formal links between union representatives and the district body of the union in today's structure. The social partners at the district level could participate in steering committees for the each company project.
- The project should be accompanied by training and meetings where union representatives and the management of the companies in Norway participate.
- The project should be followed by both Brazilian and Norwegian industrial relations researchers who take part in the process. The role of these researchers would be to collect and analyze the experiences both underway and in the end, and to contribute with suggestions.

Ideally we also think it could be wise to prioritize projects within sectors where Norwegian companies have gained the most ground and are thus important in the Brazilian context, as pilot projects within these sectors could have a greater impact than projects undertaken in sectors where Norwegian companies are not as well known. These sectors are oil and gas, chemical and maritime transportation sectors, as described in part 4.

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Annex:
Comparison of collective agreements of 6 multinational companies

	Siemens	Telefónica	Alunorte	Petrobrás	Electrolux	Kraft Foods
Trade Unions' Freedom	- Trade Union: availability of notice boards for the Trade Unions within their working environment; Access to the company's facilities by the Trade Union's representatives; - Information Access Rights: access to information relating to SST by the Trade Union; - Right to Trade Union: Right to campaign for the Trade Union twice a year; - Monthly Trade Union Fee: 1%;	- Trade Union: Giving time off work to employees for managing the Trade Union's entity;	- Trade Union: giving time off work to 2 Trade Union employees; - Right to legal defence: the employee has the right to legal defence in case of misconduct accusations with a Trade Union member present; - PLR Commission: made up of employees and one Trade Union representative; - Monthly relations with dismissed and employed employees; - Monthly Trade Union Fee:1,5%; - Trade Union Contribution: 3%; - Trade Union: giving time off work to 2 Trade Union employees; -Support Contribution: 6%, of the workers which are not members and will agree with the discount; - Permanent Commission: solving eventual misunderstandings in relation to ACT;		- Trade Union: Time off work for 3 Trade Union representatives; -availability of notice boards for the Trade Unions within their working environment; - Fund for Professional Development: discount of 1% over the employee's salary; - Right to Trade Union: Right to campaign for the Trade Union twice a year; - Monthly Trade Union Fee:1% -Information Access Right: Access to information about changes in the organisation, location and technological changes as well as financial state in case of bankruptcy;	- Trade Union: availability of notice boards for the Trade Unions within their working environment; -Renegotiation: In case of economic difficulties, the company may renegotiate clauses in ACT with the Trade Union;

Policy of Benefits and Salary	- Readjustment: 2,75%; - Extra Hours: 60% (Monday to Saturday), 100% (Sundays and Bank Holidays.); - Emergency Calls: 60%; - Night Shifts: 37,14%; - Perusal Aditio-nal:30%; - PLR; - Transportation Vou-chers: follow CLT; - Meal Vouchers: R$11,30/day of work with 10% discount over the employee's salary; - Meal Vouchers: R$1750,00; - Child Care: R$93,00 per child until the age of 7; - Health Care: With discount of 5% over the employee's salary; - Life Insurance: Employees' contri-bution of 50% of the total insurance instalments;	- Readjustment: 3,2%; - PLR; - Additional Health and Safety: 40% for cable fitters and 20% for Network Assistants; - Perusal Additional:; - - Extra Hours: 50% (Monday to Saturday), 100% (Sundays and Bank Holidays); - Meal Vouchers: R$440,00 with a contribution of 12% over the employee's salary; - Health Care: with contribution of 1% over the employee's salary; - Life Insurance; - Child Care:80% (with a limit of R$200,00) from the monthly fee until the age of 7; - Special Needs Child Care; - Night Shifts: 20%; - Maternity: employ-ment stability until 150 after child's birth;	Readjustment: 5,4%; - Special Bonus: R$500,00; - Extra Hours: 50% (Monday to Friday), 70% (Saturdays and Emergency Calls) 100% (Sundays and Bank Holidays); - Emergency Calls: 3 hours holidays given for every hour worked; - Meal Vouchers: R$128,00; Transportation Vouchers: discount of 4% over the salary; - Health Care: 60% of the value paid by the company; - Education Support: 100% of monthly school fees during the 1st, 2nd and 3rd school years; - Support for School Supplies: R$130,00; - Maternity: employ-ments stability for 90 days after maternity leave; - Child Care: all charges paid for by the company until the child completes 3 years of age;	- Readjust-ment: confer-red based on the work position; - Special Bonus: 80% of the employee's salary; - Bonus: R$427,48 bonus for workers who achieve in their remote functioning area; - Meal Vouchers: R$381,26; - Health Care;	- Readjustment: 5%; - Extra Hours Until 40 hours - 40%, from 41 to 60 – 65%, above 60 – 80% (Monday to Saturday); 100% (Sundays and Bank Holidays); - Meal Vouchers: R$138,00; - Transportation Vouchers: fol-lowing CLT; - Child Care: payment of 10% of R$727,65 until the 1st year of the child; - Funeral Support: 1 nominal salary (R$727,65); - Night Shifts: 60%; - Perusal Additio-nal and Health and Safety; - Incapacity Be-nefit: 1 nominal salary(727,65); - Maternity: employment sta-bility;	Readjustment: 5%; - Special Bonus: 40% of basic salary; - Extra Hours: 50% (Monday to Saturday), 100% (Sundays and Bank Holidays.); Transportation Vouchers: disco-unt of 5% over the worker's salary; - Child Care: R$174,00 until the child is 6 years old; - Funeral Support: 4x the nominal salary of the employee; Night Shifts: 30%; - Support for buy-ing medication: 50% subsidiary for medication; - Health Insu-rance; - Maternity: employment stability for 6 months after the child's birth;
Health and Safety at Work	- CIPA* - Training: The employee will be advised on safety at work on his/her first day; - EPI**: the EPI will be provided; - CAT***: CAT presentation;		- CIPA*	- CIPA*	- CIPA* - EPI**: the EPI will be provided; - Environment Risks and Prevention: presentation on Specialised Sa-fety Engineering Services and First Aid at work.;	- EPI**: the EPI will be provided;

* CIPA (Comissão Interna de Prevenção de Acidentes) – Internal Commission for the Prevention of Accidents.

** EPI (Equipamento de Proteção Individual) – Equipment for Individual Protection.

*** CAT (Comunicação de Acidente de Trabalho) – Accident Communication at Work.

Sources: Collective agreements of working conditions at Telefonica, Alunorte, Petrobrás, Eletrolux, Kraft Foods and Siemens plants

Industrial bacalao?

The first goal of this report is to furnish the social partners in Norway and Brazil with basic knowledge about the patterns of industrial relations in the two countries. The report provides an insight into the labour market, the trade unions and employers' associations, the contents and structure of collective bargaining and the relations between the social partners at the national and the company level. While these patterns are very different in many respects, there are at the same time striking similarities, such as the fact that both countries have relatively strong trade unions and employers' associations.

The second goal is to look into labour relations within subsidiaries of Norwegian companies in Brazil. As there is an increasing number of Norwegian owned companies operating in Brazil, it is interesting to examine to which extent these companies bring with them Norwegian business culture partly or in its entirety. This examination is useful with a view to explore if, and how, attractive parts of Norwegian industrial relations can be introduced in Brazil, and to ascertain the main obstacles to such a transfer of good practice.

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