Norway: unions close down general strike against inequality

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Trade union leaders in Norway have called off a general strike directed against growing inequality. On Wednesday, May 3, 84,600 members of the Norwegian Confederation of Trade Unions (LO) in private industry, struck, bringing hotels, ferries, most of country's daily newspapers and the construction industry to a halt. The strike followed a 64.6 percent rejection of a 3.5 percent pay rise across all sections of private industry, which involved a mere 0.75 kroner hourly increase (about 9 US cents) and one extra week's holiday by 2002. The offer, agreed between the LO and the employers federation the NHO, was to last for three years instead of the usual two.

The strike was due to be joined this week by workers in airlines, bus companies, haulage, state alcohol shops, service stations, pharmaceuticals, meat production, bakeries and more newspapers

The trade unions had issued exemptions to key industries and 90 out of 140 applications for exemptions were granted, particularly in oil and related areas. But auto production across Europe faced rapid closure. Within days of the strike commencing, Saab of Sweden, owned by General Motors, ceased production and German-based BMW was in danger of losing all car production within days, as bumpers for its models come from the Norwegian Raufoss company.

The marginally increased offer from the NHO, deemed sufficient to close down the dispute, raises this year's pay increase to around 1.5 kroner (18 US cents) an hour, one kroner next year, and concedes an extra four days holiday, two this year and two next year. The lowest paid workers will get an extra two kroner an hour. Workers will be balloted on the offer later in May, around the time when 650,000 public sector workers are due to either accept a comparable pay agreement or launch another strike.

The scale of the dispute appears to have caught the government, union leaders and industry by surprise. As late as April this year, the LO reported that its 18 member unions were not expecting any problems in delivering another all-industry agreement on pay and conditions—the so-called "solidarity alternative”. One leader, Kjell Bjørndalen, president of the Norwegian United Federation of Trade Unions, part of the LO boasted, "opposition to this settlement is peanuts compared to what we faced in 1996."

As the ballot grew closer, the LO belatedly realised that workers were likely to reject the offer and took out full-page adverts in all the leading newspapers encouraging acceptance. LO leader Yngve Hågensen held a two-hour press conference, citing "strategic" reasons for the increase in the duration of the new pay agreement from two to three years. His efforts were generally ridiculed.

Underlying the rejection is the growing inequality in Norwegian society, a reflection of changes in Norway's economy that are in many ways just beginning. For many years, wage levels have been set according to "Basic Agreements" between government, industry and the trade unions. The first such agreement was in 1935, after a general strike in 1931. As in the other Scandinavian countries, this agreement later acted as a platform for the post-war integration of the trade unions into the state structures. The trade union bureaucracy, industry and state collaborated for increased profitability, social peace and to place certain limits on social inequality. Norwegian industry imported US assembly-line technology and was able to steal a competitive march on its rivals. Concessions made to the working class included a considerable welfare state and decent public services.

The discovery of oil in the late 1960s provided an enormous boost to the Norwegian economy, creating large profits, and the continued expansion of public sector employment. Some of the oil revenues were diverted into a "petroleum fund," a sort of national nest egg to provide for welfare payments well into the twenty-first century. Today, Norway exports 19.9 billion kroner worth of oil and 3 billion kroner of gas, compared with other exports worth only 18.6 billion.

This bounty has provided the Norwegian economy with a considerable buffer against the worst effects of recession. But for business the dependence on oil ties them too closely to variations in the world oil price. This is presently around $30 per barrel, but only a year ago was as low as $10. Nevertheless, following the recession in the late 1980s and early 90s, in which unemployment reached around 5 percent, far less than in neighbouring Sweden and Finland, subsequent “basic agreements” between industry and the unions emphasised the need for Norwegian wage increases to be lower than those of their rivals. According to the Norwegian government, “In the 1994-1997 Long Term Programme, the solidarity alternative was presented as *an overall strategy designed to reduce unemployment*. A main element of this strategy was that the rise in wages should be lower in Norway than in trading partner countries while the exchange rate remained stable, so that cost competitiveness would improve" (emphasis in the original).

Living standards for workers remain relatively good, and comparable with the best in Europe. Average pay is around 250,000 kroner per annum (US$33,000). Also, the wage disparity between unskilled manual workers and academics is relatively low, testifying to a deeply rooted culture of equality in the working class.

While workers have been restricted to pay increases around the inflation level, much publicity has recently been given to the 29 million kroner pension scheme and "golden parachute" kindly donated to Harald Norvik, CEO of the state-owned oil company Statoil. Other Statoil directors have received similar packages, as have the directors of Norsk Hydro. The head of the construction concern TNC Kvaerner would receive 169 million kroner should he retire tomorrow. Industrial analysts expect directors' pay to continue increasing, despite the fact that it has gone up 45 percent in the last three years.

The trade unions fully accept this. Yvgne Hågensen sits on the Statoil board and had personally approved Norvik's pay increase. Hågensen, who will receive a 7 million kroner pension when he retires from the LO, also sits on the board of Norge Bank, the central bank. Some recent statements from the bank are quite illuminating. On March 17, just as the new Labour government of Jens Stoltenberg took office, the head of Norge Bank stated, "The economy needs creative destruction to develop. The tendency may have been for the Norwegian authorities to provide various type of support to businesses and industries that have existed for some time."

Elsewhere, the bank explains that Norway has not developed an IT and telecommunications industry comparable to those of its Scandinavian neighbours. What this means is that the Norwegian government is looking for a means to divert resources from social spending to more profitable activities, a perspective fully shared by the trade unions.

After the strike vote, all the "social partners" made token statements criticising corporate pay-outs. Hågensen spoke at a May Day demonstration scattered with protests against corporate greed, denouncing pay-outs for which he was personally responsible. Prime Minister Stoltenberg insisted, "Moderation must apply to everyone, and a lack of moderation has made a demanding situation all the more difficult." Stoltenberg was also reported to be considering guidelines for management pay, similar to Swedish rules limiting "golden parachutes" to twice annual earnings. Norvik even offered to hand back a portion of his pay-out.

Their hope is that by making some expressions of remorse and small concessions they can push through the present wage round, allowing two years of industrial peace, during which time the attacks on social spending can be speeded up. Immediately after the strike was concluded, Stoltenberg promised "billions" of kroner worth of budget cuts.