200,000 jobs threatened by Norway oil industry crisis

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The plunge in the price of oil since 2014 has exposed the full extent of the Norwegian economy's dependence on oil and gas. In response, the Norwegian bourgeoisie, like ruling elites worldwide, are seeking to roll back the social position of the working class.

Norwegian capital is seeking to create a "life after oil" by developing existing industries and financial services. However, such a solution to its problems is a pipe dream.

In 2014, 1,904,000 barrels of oil per day (BPD) were extracted from Norwegian oil fields and Karl Eirik Schjoett, director general of Norwegian Oil and Gas Association stressed, "It is impossible to replace oil". He pointed out that "before the oil industry the GDP per inhabitant of Norway was 40 percent lower than that of Sweden. Now it is 65 percent higher. That is down to oil."

A recent estimate calculated that GDP per man-year in the oil and gas industry amounts to 10 million kroner. In the fishing industry, GDP is 1.7 million kroner per man-year and in shipping 1.3 million. The GDP in industry as a whole is only 0.9 million kroner per man-year and in agriculture and forestry a mere 0.5 million per man-year.

Schjoett showed one of the sectors considered the "new oil industry"—fishing—recorded a record export of just 75 billion kroner ($8 billion) in 2015. The oil and gas industries exported 450 billion kroner ($49 billion).

The ruling elite of Norway now insists that relatively high wages in the oil industry are slashed as the spearhead of a cut in wages for all workers. As far back as August 2012, at the height of the oil boom, Steinar Stroem, a Norwegian professor of economics at the University of Turin, opined in an interview with *Stavanger Aftenblad*, "A lower salary level in the oil and gas industry can help other industries outside the oil industry which will be needed when the oil runs out. This means that employees receive a smaller share of the wealth but it will be better for society as a whole."

Stroem's call to rob the working class has become the common position of the financial elite and their ideologues following the crash in oil prices. Typical is an article which appeared in Canada's *National Post* (October 2014), "World's best paid oil-workers expose Norway to crude price crash."

Norway, the article stated, had the oil industry's highest labour costs with the average offshore worker's earning $179,000 in 2013: "Norway has already been coping with 13 years of production declines from its ageing North Sea oil fields and reduced revenues will imperil further developments to replace oil."

Statoil, the state-owned oil company which controls 60 percent of the total production on the Norwegian continental shelf, has lost more than 20 percent of its value in the past year. It has had to borrow and sell assets to cover dividend payments so three new projects it was leading were already deemed to be at risk.

The *National Post* bemoaned the " high wage culture" in the offshore industry, which "meant that workers earned almost twice as much as in the neighbouring UK."

Sten Lier Larsen, head of the Norwegian Federation of Industry, stated, "We've incurred a general cost level on the Norwegian shelf that can prove very dangerous. We have extremely higher wages than others."

A Reuters article earlier that year headlined, " End of Oil Boom Threatens Norway's Welfare Model," baldly stated that the end of the oil boom had "exposed an economy unprepared for life after oil and threatened the viability of the world's most generous welfare model."

The article warned, "High spending within the sector has pushed up wages to unsustainable levels not just for oil and gas but for all sectors and that is now acting as a drag on further energy investment. Norwegian firms outside oil have struggled to pick up the slack in what has been for at least a decade almost a single track economy."

In 2015, the crisis deepened with the price of oil in the winter hovering around $30 a barrel. For the first time the Norwegian government was forced to dip into its Sovereign Wealth Fund, now valued at $860 billion, to balance the state budget.

In November last year, the English language *Nordic Page* reported that the consulting agencies, Menon Business Economics and DNV, had forecast in a report, commissioned by a cooperative organization for the oil industry, that up to 200,000 full-time jobs may disappear in Norway because of the downturn. By January 2016, according to the investors' journal *Zero Hedge*, every Norwegian oil field was operating at a loss. At present, according to the Research Institute at Stavanger, there are 330,000 jobs related to the petroleum industry in Norway. In early 2015, unemployment rose to above 4 percent (high by Norwegian standards) and prospects are bleak.

Continuing losses on the state oil fund are serving to drive cuts to the government's budget. Earlier this year, the Conservatives/Progress Party coalition set up a productivity commission headed by Joern Rattsoe, professor of economics at the Norwegian University of Science and Technology, to investigate how the Norwegian economy could be "remodeled". The commission affirmed that the Norwegian mainland economy (excluding oil, gas and shipping) had grown at an annual average of 3 percent between 1996 and 2005, but from 2006 average annual growth was a mere 0.8 percent.

The message delivered was clear, and is one familiar to workers throughout Europe. All growth in the Norwegian economy could be throttled by a steep rise in the number of pensioners, lower oil prices and a "swollen public sector." What was needed was "creative destruction" in the public sector, it advised.

The government and corporations are working hand in glove with the trade unions to reduce workers' wages and living standards. Joern Eggum, president of the United Federation of Trade unions (Fellesforbundet), the largest trade union in the private sector, and Stein Lier Larsen, head of the Norwegian Federation of Industry, are agreed that any wage increases to be negotiated between the trade unions and employers should be low.

Larson summed up the aim of the ruling elite, telling *Stavanger Aftenblad* on January 28, "If jobs are to be saved we must reach a wage settlement of a kind not seen since the 1930s."

He warned, "There is only one figure that fits in the year's wage settlement and that is nil."

The consumer price index rose by 0.6 percent in January and household debt, at more than 200 percent of annual disposable income, is one of the highest in Europe.

The government/employers/trade union alliance is already well underway, with central wage settlements in recent years lower than previously. At last month's conference of the Confederation of Norwegian Enterprise, its director, Kristin Skogen Lund, broke with tradition and invited Norwegian trade union federation head, Gert Kristiansen, onto the stage. Kristiansen stated, "We agree that we must face the challenges together."

Speaking to the *Dagsavisen* newspaper, Kristiansen emphasized, "We have never been part of trying to negotiate our members out of their jobs, and we don't do that this year either," adding that she preferred to describe lower wage demands as "collective common sense."