

Brexit from a Nordic perspective: Labour market and social organisation

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This paper is dealing with important aspects of Brexit and the Trade and Cooperation Agreement (TCA) in a Nordic context. We summarise the main findings in a report from the Norwegian Federation of Trade Unions (LO)¹ presented in May 2022. In this insight we concentrate on possible relevance for the Norwegian debate on European Economic Area (EEA), of which Norway has been a member since 1993.

The LO congress, taking place every fourth year, has over time been an important scene for the compromise in Norway: being part of the internal market; with the exception of the customs union, agriculture and fisheries.² This has provided open access to the European market without joining European Union (EU) as a member state.

In our analysis we take the perspective that the labour market stands out as the most important one to our societies among the four ‘market freedoms’ for: goods, services, capital and labour. In the literature on variety of market economies, labour market organisation is often focused on as the most obvious division, grouping Nordic societies as the ‘coordinated economies’. They are regarded as significantly different from the other two main types of market economies: the liberal market economies and the more mixed ones in Continental Europe.³

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In advanced economies around two thirds of net value added are paid as labour costs. This demonstrates work organisation as vital for the national economy in terms of jobs and living standards and as decisive in whether countries succeed economically or not.

According to the EEA agreement organising the labour market should primarily be a national responsibility. The supranational mechanisms come into play through minimum standards aiming to prevent a race to the bottom and by coordinating cross-border issues related to the open flow of services and workers. Here, tension between the consideration of national governance and the consideration of ‘free movement’ easily arise, as is the case for several EU/EEA rules in general.

We regard the two, 'markets' or policy areas, labour and public service, at the centre of what politics are about in the formation of society. Both were intended as lying outside the scope of supranational organisation when the EEA agreement was established. From the Norwegian side there have been some frustrations, when EU case law and management have turned out to be more interfering in national policy than foreseen. And that's why they are of key relevance to a Nordic perspective on Brexit in the LO. Open cross border markets for goods and capital is regarded as being of special importance to our small economies. But it was not intended that participating in the Internal market should alter the economic and social model.

The article is structured as follows:

- I. A brief look at 'Brexit Economics'
- II. A more extensive look at the Labour Market

PART I: BRIEFLY ON BREXIT ECONOMIC EFFECTS

1. Norway and Europe in brief

The EEA agreement is considerably more extensive than the TCA agreement the British now have with both the EU and in broad terms similar with Norway. In addition to the EEA agreement, Norway has entered into two trade agreements with individual countries and 30 trade agreements with a total of 41 countries through the European Free Trade Association (EFTA). As a result of Brexit Norway has passed the United Kingdom in terms of institutionalised European economic integration.

The EU has long worked on partnerships with nations in the East and the South, in the direction of Asia and Africa, respectively. This includes Ukraine and its neighbouring nations.⁴ We have lately been painfully reminded of the interdependence

of trade, food production, and energy in European and global economics and foreign policy.

Even the trade agreement that Norway established with the UK in the summer of 2021 will now be the most significant of its numerous trade agreements with nations outside the EU.⁵ Economic ties with what have been Norway's largest trading partner for several years are altered by Brexit in the same way that the EU-UK's relationship is.

At the same time, it will deepen the already big difference between the UK model and the Nordic Model in terms of the labour market and economic governance. Well known is the story of a bigger, and for the taxpayers more expensive, welfare state in Norway. Our state organised social security system leaves much less room for financial markets and market-based insurance than in UK. This means an important difference both in terms of income distribution and the balance of power in economy and society.

Less commonly known is that coordination of labour markets is in itself perhaps the most important contributor to more equal societies in Scandinavia than in most other countries.

It works through two channels. The most direct one is making wages more equal. The other is providing a scene for a more consensus-based economic policy in general. The social partners 'help' government controlling inflation and other macroeconomic imbalances. At the same time, they are provided with more impact on the policy mix. In Norway the relevant economic experts have over time expressed their agreement on the positive potentials of this model, and we see increasing support for this in the Organization for Economic Co-operation and Development (OECD), see more on this in section 13.

When succeeding it has an impact on productivity, the balance of power in the economy at both micro and macro level, as well as on income distribution. In the long run it may help the solidity of public finances where the Nordics are coming out quite well as roughly indicated in the chart below. With Finland at plus 64 per cent of Gross Domestic Product (GDP) in contrast to Greece at minus 180.

The most striking economic figures for the labour market defining the Nordic model is the much higher union density, the highest in the world with all Nordics in the range of 50-80 per cent against most other countries in the range of only 10-25 per cent.

For many countries unionisation is declining while it remains more stable in the Nordics. But it is not only the number of unionised workers that matters. It is the coordination of power through collective bargaining that is the Nordic ‘asset’, while the UK has a much more local power based bargaining system. And historically even with much more division according to different professions. Both may mean increased wage dispersion and less labour power.

The common features of the Nordic countries are also reflected in the fact that the same name Landsorganisasjonen (LO) is given to the trade union confederations

in all three Scandinavian (Denmark, Norway and Sweden) countries. The trade union confederations were all established 125 years ago.

The other two Nordics, Finland and Iceland, have a slightly different and less ‘formally organised Social-democratic history’. However, there are distinct similarities between Finland and Sweden on the one hand, and Iceland and Denmark on the other. Norway is an outlier among the five, with a lower unionisation rate at around “only” 50 per cent. This “lower” level is traditionally explained by more benefits (pension, sick pay and unemployment) being linked to universal state systems instead of being linked to trade union membership.

The (federal) LO level has throughout history had more bargaining power or mandate from the national unions to establish collective agreements on behalf of them all. In most other countries collective bargaining has taken place on a ‘lower’ lever; either through national branch unions or unions at the enterprise level.

Even if this federal mechanism has been on a decline internationally LO Norway (LO N) still carries out collective bargaining for the business sector as a whole at least every second year. When

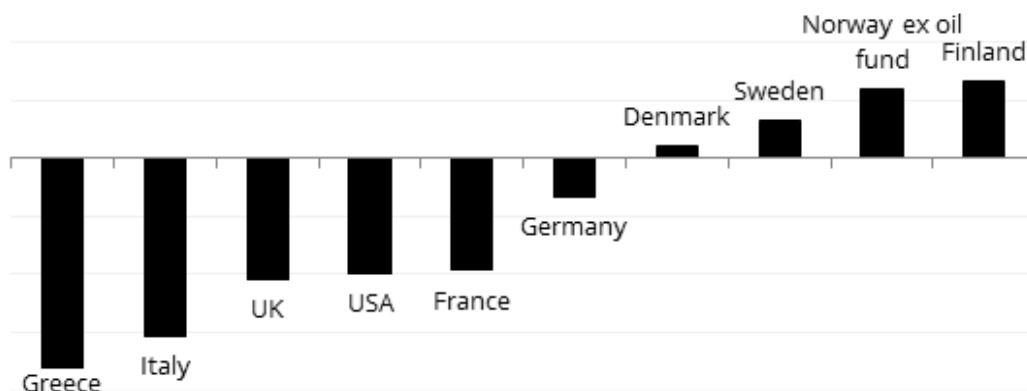


Figure 1: General government financial net worth as per cent of GDP 2020, OECD Database⁶

bargaining is not taking place at the federal level, most agreements at the branch level are still coordinated across the economy. They are negotiated more or less at the same time and covering the same term of two years of duration.

This coordinated system, not only on collective bargaining but even economic and social policy-making in broader terms, is illustrated by the fact that LO N has about 20 times the capacity (staff per member) of their British colleague Trade Union Congress (TCU) for policy management and research. Unlike many other countries the political orientation of the Scandinavian LOs has been more distinctly Social-democratic since before World War II, avoiding trade union competition based on either religious or more traditional left wing political rivalisation.⁷

To simplify: trade unions may exercise some discipline on nominal wage growth and in return have more equity, distributional economic policy and a better balance of power both in labour relations and politics.

2. About working out the report

The background for and focus of this report on Brexit was to address topics from the Brexit process related to two important LO goals of both *achieving the best market access to Europe and the best working conditions in Europe*.

The topics in the Brexit report are:

- The main change in EU-UK economic relations.
- Consequences of the TCA for trade and the economy
- Labour market consequences
- Impact on social policy and public services

Many countries have experienced that globalisation has given ‘overall’ economic advantages, but that the problems of fair distribution have intensified when the issue of distribution has not been significantly and critically followed up. That it is why particular emphasis in the report is given to the last two of the four bullet points above.

A similar type of concern or worry has probably also been a driver for Brexit. Even other institutionalised forms of internationalisation have in recent decades been slowed down by resistance to globalisation. This has been most directly expressed in the service sector’s challenges with Trade in Services Agreement (TiSA) and Transatlantic Trade and Investment Partnership (TTIP).⁸ That is why we concentrate on how labour markets and the state’s role in the economy and society can be affected in a more internationalised economy.

The report was also intended to cover what can be said about the economic consequences so far in the Brexit process. In a separate chapter the report explains which consequences supranationally governing trade rules and trade costs can lead to in economic terms. Such explanations and insights are vital as the national use of the room for manoeuvre (‘wobble room’ or autonomy) can become more important. The message for learning is that several types of ‘EEA problems’ in Norway can be avoided or better dealt with, if strengthened political attention and quality assurance were exercised.

The analysis is based on the sources indicated in the text and our general knowledge of EEA, labour, and economic policy. A particularly important British source has been the website *UK in a changing Europe*, which as far as we know provides a more complete overview than

any other website in the UK on Internal market issues.

3. Main findings about Brexit

It is too early to draw definite conclusions about the long-term effects of Brexit. One reason for this is that it takes time to have full effect of relevant aspects. Another reason is that it coincided with the Covid-19 pandemic and the war in Ukraine. Nevertheless, there seems to be little controversy in the UK that Brexit resulted in a substantial weakening of UK trade and economy.

The negative economic effects have been expected for some time. Ever since the 2016 referendum, weakened investments due to the uncertainty became apparent. The subsequent exit from the EU's common market led to significantly increased trading costs.

Those who claimed that it would result in positive net gains, based it on anticipated new trade agreements. This seems not to have materialised.

The lack of preparation within British politics seems to have increased the problems of establishing an agreement with the EU and later also its implementation. The UK has repeatedly been granted or taken postponements in the implementation of border controls. For Norway, it is of particular interest how the negotiations about energy, including overseas connections and the European Union Agency for the Cooperation of Energy Regulators (ACER), are solved. Even more so in the light of the energy crisis in most countries.

Even if Northern Ireland is of limited economic significance to the UK as a whole, it gives relevant dimensions on trade. The trade regime that applies there,

may in Norway be regarded as continued 'quasi-EEA membership'.

A report by the UK government, emphasised the wide range of benefits of Brexit.⁹ In its conclusion, the Government states that Brexit 'will give us the best platform to capitalise on our regulatory freedoms for the long term. We now have the freedom to be the best regulated economy in the world and to make policy choices that are designed for the UK, bringing growth and opportunity across the nation, in all sectors of the economy, and enhancing our security and global partnerships'.

However, in the roughly 100-page document, there is no assessment or discussion of economic developments in the country after Brexit. If the government believed that Brexit had provided an economic advantage for the country, it should have been highlighted in the report or in other government documents. Instead, the report highlights future opportunities that they believe the country has without analysing how this will affect jobs, the economy, or prosperity.

The political attempts to exploit 'the freedom from' the EU were by Government intended to be used to establish more free market economic agreements than those of the EU. Like the ideas of 'freeports', it could also contribute to a social downward spiral or race to the bottom.

Much of Norwegian criticism of the EU-EEA economic system uses the term liberalistic to label it. The finding of the report is that the British government's project probably points more in that direction than the political focal point of the EU-EEA system does.

By May 2022, we were able to summarise the following:

- Brexit is a large project, which even explains the delays.
- The strategy of compensating declines in trade with the EU through new trade agreements with other non-EU countries seems to fail.
- The ‘liberation’ from EU supremacy has by the time of the report not found practical expression in much active business policy or anything that seems to be improving society.
- Labour shortages in parts of the economy have been the issue given most attention. Reintroducing control over migration from EU countries outside Ireland was regarded as a way to curb some low-wage pressures in the labour market, but this effect may be counteracted by a new, more employer-dominated regulatory regime. Long-term, the UK will now be able to control both labour supply and the balance in the labour market to a larger degree themselves.
- Otherwise, labour concerns that appear in the Nordic context have been absent in the Brexit debate, which illustrates the UK’s stark difference to the Nordic type of society and working life. Even a substantial right to strike is still lacking in a system where coordinating mechanisms in the formation of wage and policy (tripartite cooperation) are otherwise minimal when compared to a Nordic scale. Actually, before Brexit, the labour market was referred to by the government as an area to liberalise.¹⁰
- Norway’s new trade agreement with the UK is consistent with the EU’s but will have less effect in Norway because our exports are dominated by oil and gas. Seafood is perhaps what is causing the greatest concern so far.

The ‘internal market impact scepticism’ in Norway is based on an assumed widening gap effect. Because of the different starting point of Brexit, it is likely that just leaving EU will make the UK even more unequal in terms of distribution of income and power. The most important mechanism for social balance in an economy - which we have claimed to be the labour market - points to an already skewed balance of power being reinforced rather than slowed down after Brexit.

One of the most crucial lessons to be drawn from Brexit is the significant number of surprises that became apparent during the process. The problems related to exiting the Internal Market have obviously been greatly underestimated. In addition, there are added costs of establishing and operating a large number of major trade agreements with third countries, which were previously handled by the EU with a likely greater bargaining clout.

Two areas of concern have been discussed to avoid negative consequences of globalisation: the labour market and the public sector. To secure better democratic control and quality assurance, politics should focus on these aspects. For example, there is now a new agreement on services with a somewhat diffuse connection to the previous WTO¹¹ processes. There is reason to doubt whether politicians and other public actors have much insight into these processes.

When operating a Nordic labour market model within EEA, the LO has experienced this particularly strong both through the definition of market in EU law (‘economic activity’ in law terms) and state aid policy and the effects this has had on the public service sector at both state and on the local government level.

In both these areas, Norway and the UK have experienced EU law as unwanted supranational interferences from Brussels. We compared lessons from promoting national autonomy. Is it perhaps the ability of national politics to cope with internationalisation that is the problem, rather than the EEA or other agreements in itself?

When it comes to the UK labour market, our findings confirm that national policy is the main challenge, more so than the EEA. Because labour market considerations have been such a low priority in UK politics both before and after the Brexit negotiations, an employer-dominated power balance has long been established and that is likely to dominate even after Brexit. It seems clear that Brexit, rather than the EU, is the more liberalistic project.

The role of the state is the second main dividing line in politics and social organisation. State aid rules¹² can limit what the state engages in and how it spends its money. The procurement rules may limit cooperation between the public and the private sector in addition to public actors' cooperation at different levels among themselves.

Our review indicates that the motive behind Brexit seems to be frustration with supranationality, to some extent like what we see in Norway. However, what Norway in recent years has experienced negatively from EEA cooperation seems to have had little impact in the British case, namely pressure for privatisation and interventions in the municipal services sector. Our experience is that the UK itself has often been a proponent for pushing EU regulation along those lines. Nevertheless, state aid regulation and public procurement pre-Brexit had been examples of areas where the British aimed

to restore national control and 'liberate themselves from Brussels'.

We point out that the most concrete deviation in the future from EU rules may be the reintroduction of tax-free trade and developing 'freeports' as well as more selective industrial subsidies. The first could easily be interpreted as being economic free zones with low to no tax, but also full or partial exceptions to other rules and obligations. The EU is already struggling to close established loopholes amongst others related to taxation. It fears such mechanisms can be potential elements in a "race to the bottom", undermining social aspects for competitive cross border markets.

4. New borders; new agreements provide insignificant compensation¹³

The outcome of the 2016 Brexit referendum came as a surprise even to the governing party. Years of negotiations began, but the conclusion was postponed until 2020. Even then, the agreement contained important transitional arrangements. Many topics will be the subject of clarification even after the agreement should be implemented.

From a political perspective, the TCA solution for Northern Ireland is of particular importance. It includes a special scheme for trade in goods, where this part of the UK 'remains' part of the EEA. This means a continuation of supranational EU authority in relation to, among other things, subsidy control or state aid. Although this only accounts for a minor share of the total UK economy, it embraces both legal and political principles that are important far beyond this.

We mention that an important element of Brexit from a British government perspective was an increased emphasis on economic cooperation with countries

outside the EU-EEA area. One should establish ‘deep trade agreements’ with other countries beyond what the EU had achieved. The United States as the largest trading partner would be a key candidate.

This element of the external economic plan after Brexit was anticipated to compensate for the disadvantages of Brexit. We count 70 agreements that the UK has entered which, according to the government, only had the ambition to ‘reproduce and provide continuity’¹⁴ with the agreements that expired post-Brexit. That far, only two new agreements have been established – with Australia and New Zealand, respectively. Formally, there is also a new agreement with Japan, but it is a close copy of the EU-Japan trade agreement, and what the UK would have received as a continued EU member. Understood this way, it does not compensate for any of the losses caused by Brexit.

Our reading of the large body of material on Brexit still leaves much unclear.

The main contradiction between the parties in the negotiations on the TCA was that the British were not allowed to retain full access to the Internal Market (as Norway has in the EEA, excluding fisheries and agriculture) without accepting continued EU authority over commodity standards, competition rules, state aid and public procurement.

When it comes to trade in goods Northern Ireland’s status is that of a ‘quasi member’ of the EEA. Thus, Northern Ireland’s cross-border economic activity is still subject to EU authority for, among other things, product harmonisation and state aid. Northern Ireland will therefore intentionally have the British system for goods that ‘remain there’, but not for goods exported to Ireland where EU regulations apply.

The legal system in the Protocol can hardly be enforced without physical boundaries and a ‘normal’ degree of law obedience.

5. A new map of economic integration in Europe

The EU’s Internal market is the dominating scene for economic cooperation and a basis for both politics and impact on society in many countries. The EU does not only cooperate with the EEA and the UK. There is a great number of trade agreements all over the world. They even include economic partnership in the direction of both Africa and Asia.

A simplified picture of the new situation from 2021, may be a ranking of countries according to their integration with the surrounding Europe. On this ranking the UK takes several downward steps (Table 1).

Table 1: Levels of economic integration

Pre Brexit	Post Brexit
1. EU 19 (Euro)	1. EU 20
2. EU 9 (Non-Euro)	2. EU 7
3. EEA (EU 28 + 3)	3. EEA (27 + 3)
4. Switzerland	4. Switzerland
5. Turkey	5. UK
6. EU candidate countries ¹⁾	6. Turkey
7. EU eastern cooperation countries ²⁾ (EAP)	7. EU candidate countries
	8. EU eastern cooperation countries

1) Albania, Serbia, Montenegro, North Macedonia, Moldova.

2) Higher levels of integration for Georgia, Moldova and Ukraine, lower for Armenia and Azerbaijan

6. Differentiated exceptions from the 'pure market economy'

Within the Nordic version of market economies, unions are regarded as a crucial element, giving workers the right to price (wages) cooperation at a rather high level of coordination. In effect, it is acting as a rather strong price cartel mechanism.

On the business side it is rather the opposite; coordinating prices is banned as a basic rule in most national competition laws. The role of competition and markets can be regarded as a permanent issue in economic policy, both for national regulations and not least in the light of globalisation. It may be a requirement for entry to specific markets and even international institutions like EU, World Trade Organisation (WTO) or TiSA.

Even if labour markets in general are 'shielded from pure market economy' in most democratic countries, there are big variations even among European countries. In some countries, and much of basic economic theory, labour markets are regarded like markets for goods. In economic policy the aim of labour markets is to provide jobs and income, and at the same time 'maximise' use of labour as the most important input for the economy.

In liberal market economies labour markets are organised closer to the market of goods, with less regulation than in coordinated markets. The right to organise exists but is exposed to more restrictions and control from government on the use of coordinating power.

7. Even the role of the state is different

Many EU-countries are different from the Nordic Model on how public services and social security are organised. The role of solidaristic institutions is in general more extensive in Europe than

in the US, but with huge cross-country differences. In particular, the mix of state and non-profit institutions is different. When economies and societies are more economically integrated, potential spill-over effects in a more common market situation may increase. And not least, the exercise of a common system becomes rather demanding when it is left to legal mechanisms.

Many rules in the EU were established for a quite different economic situation.¹⁵ Application and realities may have changed over time and are being adjusted through case law and different levels of governance.

Figures on employment structure indicate the big change. At present about 80 per cent of jobs in Norway and other advanced economies are in service producing units, compared to only half of that share back in the 1950s. The big employers in addition to sales, transport and financial services are education and health.

Those jobs are important policy responsibilities, but their governance differs a lot in terms of financing, organising and other aspects. In the Nordics the public sector dominates, counting for about 30 percent of total employment.

PART II: THE LABOUR MARKET AS THE MAIN ISSUE - AND BASICALLY SHIELDED FROM EEA HARMONISATION

8. The UK from a Nordic perspective

After the war, Labour and the British trade union movement, led by the TUC held a strong position in British politics and working life and built the modern welfare state, especially the British health service. However, TUC did not have a mandate to gather the trade union movement for strong coordination at the federal level, as

Nordic national organisations had already had since pre World War II. The right to strike never developed like the one in the Nordic model, cf. later discussion.

As opposed to the UK, Norway was subject to foreign rule for more than 500 years. Norwegian social development was slow during this period. However, literacy had come a long way as early as of the 19th century, which helped to democratise the political arena. The nobility was initially less prominent in Norway, and had its position further weakened in the 20th century. Extensive work with unionisation and labour struggles in the 1920s and 1930s ended with the Basic Agreement of 1935. An organised working life, active business development and the expansion of the welfare state characterised the post-war period.

The coordination of wage formation was consolidated through the above-mentioned important class compromises as well as strong institutional measures designed by the Government. Examples of this are the joint committee among social partners and other groups in the agriculture and fisheries fields, which has been headed by the prime minister since the 1950s¹⁶, a compulsory use of mediation institutions and, the establishment of the joint Technical Committee for Income Settlements (TBU).

9. Some economic comparisons

GDP per capita is a key measure of living standards where the United States is often used as a benchmark.

In 1870, Norway and the UK were approximately at the same distance from the United States, but on opposite sides, as can be seen in Table 2. By the turn of the century, the United States had bypassed Britain. 70 years later, Norway did the same, and in the year 2000, Norway passed the United States. The UK's GDP per capita has approximately been 70-75 per cent of the United States during the last 50 years.

Norway has had a relatively high proportion of people employed, especially in the age group 55-64 years. In general, the employment rate has been higher in Norway than in the UK. The fact that this gap has been closed over the past ten years is partly due to a sharp increase in the number of self-employed people in the UK. They earn less and work more than the average worker, often in service industries, and their income is still lower than at the start of the financial crisis. Many are 'falsely self-employed'.

The income protection system is often not enough to prevent them from falling below the poverty line in the event of unemployment.¹⁷ Their role as a reserve workforce has weakened workers' bargaining position and contributed to

Table 2: 'Standard of living' (GDP per capita, in purchasing parities)

	1870	1913	1950	1975	2000	2019
USA	100	100	100	100	100	100
UK	130	93	72	70	73	75
Norway	59	47	57	73	102	105

Source: OECD Stat (2021), Angus Maddison

pushing down wages.¹⁸ Statistically, the proportion of self-employed is twice as high in the UK as in Norway.¹⁹

On average, Norwegian employees earn significantly more than British employees, despite Norwegians working considerably less, i.e., 150 fewer hours a year.

Table 3: Employment rate (proportion employed in the population aged 15-64)

	1995	2020
USA	73	67
UK	68	75
Norway	72	75

Source: OECD Data Base (2021)

At the same time, the proportion of low wage earners²⁰ is lower in Norway. In Norway, 1 in 10 were considered low-wage earners in 2019.²¹ About 1 in 5 are considered low-wage earners in the UK. This share fell until 1980 but has risen noticeably since.

10. Wage formation, collective agreements and other institutions

The main outcomes in the economy and labour market are, among economists in Norway and even foreign observers, linked to the high degree of coordinated wage formation. A high union density and a high coverage of nationwide collective agreements make this possible. The front runner, i.e., industry exposed to international competition, negotiates an agreement first and sets the framework for the wage settlement in general.

Social partners negotiate, based on the calculation of key economic factors such as inflation, cost and productivity, carried out by the tripartite Technical Calculation Committee for Income Settlements. The

social partners in practice negotiate both the development of a wage floor as well as a norm for national wage development. The model seems rather sustainable because wages are more equal and more competitive than in a decentralised system.

In the UK, wage formation is both more decentralised and more individualised. Social partners operate mainly at company level. In addition, the Low Pay Commission (LPC) develops proposals for the level of a national minimum wage. The LPC was established in 1997 and consists of three each independent experts, employee and employer representatives. LPC's proposals are treated politically. The state then sets the minimum wage.

The British model must thus be seen in light of a low degree of unionisation and other coordination. A state minimum wage will therefore be necessary to secure the wage at the lowest level of the wage distribution.

Active labour market policy is a key part of both the Norwegian and Nordic models. The UK, on the other hand, has always been less engaged²² in this respect.

Many workers have also found themselves forced to take low-wage jobs or become self-employed, with both the freedom and insecurity that follow with it. Social mobility²³ has stagnated, and the labour market has become more polarised.

In 1980, the union density was 58 per cent in Norway and 52 per cent in the UK. Over the next 20 years, the British share of trade unions fell sharply and far more than in Norway. By 2019, half of Norwegian workers were still unionised, while this was only one in four in the UK.

The low level of unionisation contributes to low collective agreement coverage. Around eight out of 10 British workers and seven

out of 10 Norwegian workers were covered by collective agreements in 1980. By 2017, this only applied to one in four British workers, while the proportion of covered Norwegian workers remained virtually unchanged.

Both Norway and the UK have had exceptionally high levels of labour immigration since 2004. Immigrants from the EU to the UK work primarily in retail, the health and social care sector, industry, accommodation and catering. A similar pattern exists in Norway. Increased supply of cheap labour has contributed to a downward pressure on wages in both countries. The lowered wage conditions may also have contributed to displacing domestic employment.

The Norwegian General Application Act came into force in 1994 but was only used actively after EU enlargement towards Eastern Europe in 2004. The purpose was to prevent social dumping. See separate section on this later.

The scheme has contributed to increased wages for employees at the bottom of the wage ladder and reduced distortions of competition.²⁴ In this sense, it has worked as intended, even though social

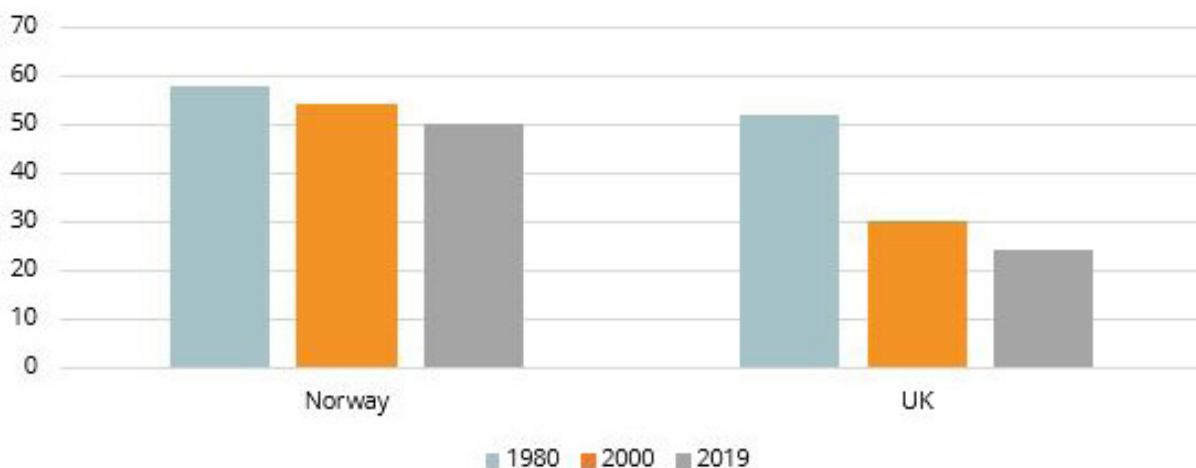
dumping is still taking place. The general application usually only involves the establishment of the minimum wage in a collective agreement. The UK, with its low collective agreement coverage, has had a state national minimum wage since 1998. The British minimum hourly wage of approximately 14 dollars (adjusted for purchasing power), is significantly below the collective agreement minimum wage in several industries in Norway, lying between 17.5-22.5 dollars.

11. Public services and social security

The welfare state is an important pillar of the Norwegian model. Free education, public health services, and income security in the event of disability and other emergencies are described as a Nordic or social- democratic welfare state. These redistributive schemes related to job security have contributed to smoother adjustments to new technology and globalisation.

Public expenditure as a share of GDP is often used as a measure of the size of a welfare state. In the last 25 years, public expenditure has accounted for a significantly larger share of GDP in Norway than in the UK. The British spend more on

Figure 2: Union Density, per cent of workers



defence as well as peace and public order, while Norway usually spends more on social security and social benefits, health (especially nursing and care), education (especially kindergartens) and culture.

While universal schemes characterise Norwegian social security, the British are more needs-based. At the same time, the British labour market is characterised by greater wage dispersion. Although the British tax and welfare system significantly reduces inequality, inequality is still considerably higher in the UK than in Norway.

12. What is new in the Labour market with Brexit

Initially, we pointed out that a prominent change with Brexit is the end of the open movement of labour towards other EEA countries (including Norway) excluding Ireland.

Unrestricted labour mobility continues only between Great Britain and Ireland, based on the historic agreement of 1922.²⁵ This means that except for its former 'colony' Ireland, the UK can practice a regime of immigration regulation vis-à-vis EEA countries more as it had before the EU's internal market was established. And what the UK has had in recent times vis-à-vis third countries. This is also similar to the Norwegian system of regulations before the EEA agreement entered into force in 1993.

However, this 'withdrawal' from the EU and EEA community does not mean that the British labour market will develop completely independently of the EU. TCA itself declares not to weaken working conditions as an 'element in the competitive economy' between the two parties. The agreement contains sections specifying that social standards must be maintained.²⁶ The main idea is that

lowered working standards should not be used as a measure to strengthen the competitive position of British companies. Such measures may be met with commercial 'countermeasures'.

It is nevertheless an important feature in the TCA that rules and control mechanisms are less directly subject to EU supervision, and that any control is based on a combination of national mechanisms and the use of two-party dispute resolution and expert panels.²⁷ How much authority and importance this new administration actually gets will depend on how the political prioritisation of labour standards and what type of authority is responsible for enforcement. So far, it is not easy to determine what EU membership has meant for the state of British working life. However, the British TUC was a clear opponent of Brexit and generally welcomed the EU's 'minimum regulations'

The EU has generally been more worker-friendly and less employer-oriented than the UK. This has also been expressed through formal and informal reservations made by British authorities regarding supranational rules.

13. The main mechanism after Brexit is still a liberalist model

Previous mentioned literature has established that coordinated market economies appear more successful than liberal market economies in terms of state finances, foreign balance and distribution.

In research and even within the OECD and EU there is often the mentioning of three types of market economies:

- Coordinated markets economies including the Nordics and frequently Netherlands, Germany and Austria

- Liberal or less coordinated economies, with most frequently reference to US and UK but even Ireland and perhaps some 'new' eastern EU-countries
- Other continental, often EU-countries in the south; with more state but even varieties of coordination more based on non-profit institutions

The Nordic region's favourable position in an international context is most often credited to a broader and more universal welfare state. An even clearer Nordic distinctiveness is, as previously described, a combination of Nordic working life having been more organised and that this has led to a coordination of interests and actors that have characterised the economy and society more than anywhere else in the world. A comprehensive description of Nordic distinctiveness, including from a European context, is given in the comprehensive SAMAK project NordMod.²⁸

14. A different kind of right to strike

In the LO report it is claimed that the lack of power to coordinate is quite distinctly expressed by the fact that the right to strike in the UK is deficient. This may sound paradoxical since Britain was historically the hearth of the collective agreement. However, the level of conflict and scepticism towards legislation prevented the form of compromise between labour and capital that was achieved in the Nordic countries.

As a result, rules giving primacy to collective agreements were not developed as a right and could be overruled by individual contracts between employee and employer. Collective agreements simply did not have sufficient legal force for efficient coordination.

From a legal point of view, no 'positive' right to strike has to the same extent been developed. The right to strike is limited to protection of trade unions against claims for damages and punishment. Even this mechanism has been weakened during the last forty to fifty years through attacks on the trade union movement, combined with various interventions in the trade unions' decision-making powers.

As early as 1971, Edward Heath's Conservative government decided to weaken the economic protection of striking trade union members. But after the government was forced to resign three years later following a conflict with the powerful Miners' Union (NUM), Labour reversed the legislative changes. Margaret Thatcher was however successful in imposing further, stringent limitations on the trade union movement's freedom of action when the Conservatives regained power in 1979. The first restrictions on immunity from liability were introduced as early as 1980, with new restrictions adopted in 1982 and 1984. These were further constrained after the last major mining strike in 1984-85, which ended in complete defeat for NUM, with new laws in 1988, 1989 and 1990.

The amendments made it almost impossible to use sympathy strikes, put in place strict requirements for written votes on strikes, the unions' right to elect shop stewards, and made it easier to fire striking workers. It also made both shop stewards and trade unions liable for damages. An employer has since been able to go to court and demand an immediate ban on strikes, which became increasingly common throughout the 1990s.²⁹ The companies, on the other hand, have no obligations to negotiate with the trade unions, and since collective agreements are not legally binding, they have little normative effect

on individual employment conditions. With such systems, it was not easy to establish industrial peace or other mechanisms meant to foster compromise.

The absence of a developed right to strike also weakens the basis for socially constructive collective negotiations. In the 1970s, Labour tried an approach of more political and social reconciliation with the trade union movement but did not succeed. The UK became one of the most pronounced high-inflation countries in Europe. This was exploited by conservative governments even before Thatcher. Later, Labour governments never completely cleared away interventions that make Britain still a special deviant from the ILO's core convention on the right to organise.

The social partners thus never established the coordinating power that Nordic labour markets were able to establish with more parallels in continental Europe.

Despite inequality also increasing in the Nordic countries, we are achieving a lot through what economics professor Kalle Moene has called the 'equality multiplier'. It can be summarised in the following way³⁰:

'The solidarity collective negotiations entail, first and foremost, a compression of the wage differences between companies, between industries and between employees with different qualifications and occupations. Small wage differences increase, on the one hand, the political support for universal welfare schemes that offer social insurance that the majority benefit from. On the other hand, the

welfare state strengthens the negotiating position of weak groups in the labour market.'

15. The most crucial balance of power is about humans

Social improvements have, as previously mentioned, been promoted both through wage formation and tripartite cooperation directly and through the fact that the welfare state has a political mobilising effect and raises minimum levels in the income distribution.

We therefore concentrate here on the system for dismissal protection and employment. It is fundamental for the balance of power between working parties. It affects both the distribution of value added in the economy and the influence on and in the jobs.

A key starting point in Norwegian labour law, as in many other countries, is to consider the employer as the strongest party. The employer not only has power over the actual decision of employment, but also controls production and investments. This is the reason why all employments in Norway should in principle be 'permanent' – in the sense indefinite – unless there is a valid reason for termination. The basis for dismissals and termination of employment, the processes related to it, and the resolution of any conflicts constitute what we call the protection against dismissal for employees. It is important for the balance of power at the enterprise level but is also part of the power base at a broader collective level.

Table 4: Ranking of 17 OECD countries by degree of job security in 2019

Norway	no. 3
Germany	no. 9
UK	no. 16
USA	no. 17

The fact that workers in Norway are better off here than in most places in the world is a common feature in many academic studies. The ranking of the overall indicators for job security is given in table 4. The difference in ranking of the UK in relation to, among others, Norway, can also indicate the prospects for British working life in its new economic reality after Brexit.

The database for this ranking has been developed over a long period of time in the literature and has been extensively documented in the OECD. The extensive attention it has regularly been given in one of the organisation's permanent main documents, Employment Outlook, reflects the excessive interest that deregulation of the labour market were given around year 2000.

Even if the trend of change went in the same direction in most high-income countries for some years, there are still important gaps across countries when it comes to level of employment protection. This reflects politics and social organisation. We extend this point by looking at a particular part of the labour market system: that of hiring workers.

16. Hiring-out of labour - a well-known challenge in Norway

So far, we have tried to explain differences in the social model between countries by characterizing the UK's labour market system as an important part of their economy and society. The aggregate OECD indicator for employment protection includes many aspects of what can be called society's most important relationship: that between those who buy labour and those who make their labour available to others. It is not just about the salary, but also about power relations and processes related to the distribution of risk in a changing society.

The UK was a major exponent of minimal labour market regulation in this area. The country acted as a driving force for deregulation in Europe as well. They left the EEA in a situation where the mood for re-regulation was on its way up again – at least in Norway. The degree of contrast to the rest of Europe is thus a relevant background for assessing further developments.

The change in Norway took place from the year 2000. Hiring-out of labour was generally liberalised for all professions, with some important exceptions.

In 2013, Norway implemented the EU Temporary Agency Directive, despite the trade union movement fearing that this would open for even more use of temporary employment. However, the directive also provided for the possibility of introducing prohibitions and restrictions on hiring if justified by general considerations, such as the need to ensure a well-functioning labour market and prevent abuse.

Since then, the liberalised hiring of labour has been one of the major issues of debate in Norwegian labour policy, and the trade union movement has fought both in the courtrooms and in the legislative assemblies, on behalf of members who were without the protection the law should give them, including unjustified dismissals and discrimination. In 2019, the first round of restrictions came into force. From 1 January 2019, only companies that had a collective agreement with a trade union with a right of nomination (trade union with at least 10,000 members) could enter into an agreement on temporary hiring.

The new Norwegian Government coalition agreement from 2021, the Hurdal platform, states that the scope and role of the staffing industry must be limited.

The follow up proposals are part of a larger package of measures that will promote full time jobs, build on the two-party relationship between employees and employers, ensure Norwegian pay and working conditions, counteract growing inequality, strengthen employees' rights, and promote an organised working life and enhanced tripartite cooperation.

17. Britain as a front runner

The hiring and lending of labour is the part of the labour market policy that has been the most disputed over a long period of time in Norway. Today, this problematisation is particularly linked to the role of the 'temporary work agencies (TWA) industry'.

Historically the use of temporary work agencies in many countries has been regarded as an undesirable form of employment in the labour market. Therefore, it was largely forbidden in many European countries, in Norway until around the year 2000. The background must have been that the relationship between employer and employee is one of the most important things in a civilised society.

This may also have been the reason why one of the first International Labour Organization (ILO) conventions had strict regulation of private employment agencies and leasing of workers. The unclear relationship between the temporary employee and the company hiring them could be considered much more complicated compared to ordinary two-part contracts. It involves three parties instead of just two: Not only the employee, and one employer but two types of employers. First the formal one that pays and signs the contract. Then the one that really makes use of the worker as labour input.

When not prohibited, it was subject to government regulations that were stricter than those of ordinary two-party relationships. It has not easily adapted to the party logic in 'ordinary' working life. The unionisation degree is low and thus to a small extent covered by collective agreements. Three contributing factors challenging labour standards have been:

- The expansion of the service sector
- The companies' complicated three-party relationships
- The service sector's 'overuse' of short-term labour

Table 5 illustrates how temporary work agencies are regulated quite differently across countries. There are several components in this ranking:

- Restrictions by industries and professions
- Restrictions on the number of rental periods
- Limitations on the total duration of the periods
- Qualification and reporting/control requirements for TWAs
- Requirements for equal treatment between hired and regular employees

The UK has always had one of Europe's least regulated regimes for temporary employment and labour in general. In contrast to Norway, the UK did not have a public monopoly on employment agencies.

The European Commission initially filed a directive proposal in 1982. In 2002, a new proposal emanated from the Commission, but only in 2008 was an agreement reached. Four to five years later it was introduced in Norway.

Table 5: Most regulated vs least regulated

Ranked among 19 OECD countries. Temporary work agencies (TWAs)

	1980s	1990s	2006
Norway	12	11	15
Germany	13	12	12
UK	1	1	1
USA	1	1	1

Source: OECD Employment Outlook 1999 and Database 2006

This illustrates how much debate there has been regarding rules governing the hiring and leasing of labour. On a European level, efforts have been made to simultaneously advance two ideas: enhancing the rights of employees and, as a counterbalance, accepting the place of temporary work agencies in the common labour market and their inclusion of the principle of free movement of (staffing) services.

In the UK, the government consistently worked against rights of hired-out employees. Tony Blair, among others, opposed the EU's push for the ILO convention on private employment agencies, which was never approved. The rationale behind this was the opposite of the opposition in Norway. He thought the directive would make it challenging for employers to be flexible. When an exception was made in 2008, the UK became the first country to implement the directive. This exception relaxed the employer's duties to treat newly hired workers equally with other employees within the same business.

It can be said that the UK has consistently supported liberalisation and opposed trade union positions. Their stance on the regulation of temporary employment is consistent with their more general position on labour market models.

Norway has played the opposite role. It was one of the nations that clung to regulations the longest and took a long time to implement EEA regulations. It was also known for its scepticism and resistance to the increased flow of services and labour, which turned out to be a significant issue, especially in relation to the EU's eastward expansion. To regulate the industry and its ambiguous implications and varieties, much has been done at the national level. Further work has been done linked to the wider aspect of migrant labour in certain industries and its connection to public procurement.

18. New migration regime

As previously mentioned, a new type of regulation of cross-border migration is an important change post-Brexit. We concentrate on labour, although the change also covers other types of movement of people. The change through TCA can be divided into two important elements:

- A new regime for cross-border movement of labour. Open borders only vis-à-vis Ireland.
- A new British national system for migration previously covered by common EEA rules

The integration and mutual cross border influence of national labour markets is a combination of the openness itself via market forces and the regulatory measures towards the cross-border movements.

The effect of labour immigration on the labour market largely depends on whether labour immigrants compete with local workers or complement them. Is competence replaced or added? Labour immigration can have two conflicting consequences for the Norwegian model. On the one hand, it can lead to more productivity-enhancing innovation and new creations as a result of new ideas and approaches. It complements the skills available on the labour market and contributes to higher production and employment. On the other hand, it can put pressure on current pay and working conditions.

Immigrant workers also have a greater risk of being deceived and abused by their employer (in the form of wage theft, etc.) because of, among other things, a lack of knowledge of Norwegian language and a low degree of unionisation. Low labour costs can give short-term competitive advantages to one company and thereby weaken the position of the serious, innovative firms.

Following the 2004 Eastern enlargement, Norway experienced unusually high levels of immigration. The number of immigrants from EU countries in Eastern Europe living in Norway increased from about 15 000 to about 200,000 people in 2021. Seven out of 10 people came for work. They frequently work in areas where a significant portion of Norwegians with low incomes are employed. This has boosted competition for these positions and reduced employment in lower social classes relative to the middle class. Other research has established that labour

immigration has had a negative impact on wages.³¹

In the same period, immigration from EU countries in Eastern Europe to the UK has also been strong. This immigrant group went from numbering 167,000 in 2004 to over 1.8 million people in 2016. The group therefore made up approximately three per cent of the British population, and almost three and a half per cent of the Norwegian population.

Free movement from the EU to the UK stopped on 1 January 2021. To qualify for the new points-based system, an immigrant worker must be sponsored by his employer and earn at least Norwegian Krone (NOK) 243,000 per year. A doctorate or other credentials improve the score.

Because Norway will effectively be subject to the same changes as the TCA between the UK and the EU, the new regime in the UK also has a Norwegian component.

19. The law route vs the collective bargaining route—a combination in most countries

From the Nordic countries, we are well aware of the discussion of different alternative methods to regulate labour: through legislation or nationwide collective agreements. The Nordic countries have generally given a relatively large role to the 'agreements'. In Norway, as a telling expression of the strong political support of collective agreements, the parliament recently decided a doubling of the tax deduction for trade union fees.

This has taken place under the assumption that a broadly organised labour market is important for social governance and democracy. Some differences between Nordic nations include the ratio of legislation compared to collective bargaining. Denmark is arguably the more

purely 'collective agreement-governed' country.³² Denmark relies less on less regulation through law than its Nordic neighbours.

With a statutory minimum wage, the UK, on the other hand, has a different governmental presence in the actual wage setting. The question of statutory minimum wages is also a hot topic in the EU-EEA, cf. the long-running debate on the EU's minimum wage directive.

Regulation of essential terms and conditions of employment is part of the process of setting wages in a country. Working hours are possibly the item that is most closely related to salary. Most pay is determined by how much time you put in and the agreed pay per hour. Moreover, historical precedent shows that approximately half of Norway's improvement in the standard of living has been due to fewer working hours per day or longer vacations and other leisure time.³³

There are various factors that can be mentioned in a comparison between Norway and UK, but possibly also the EEA otherwise:

- Compared to many other nations, the UK system offers less vacation and leisure time.
- When there is little organisation and contractual protection, one is more at the mercy of the law. In Norway, the collective bargaining on this subject has frequently taken precedence over legislation. In countries where labour is poorly organised, it may be the other way around.

Looking at figures for annually agreed working hours, show that the UK and US, have given employees least leisure time and most work (Table 6).

The OECD also generates summaries of the regulatory frameworks. They consistently show that the UK has weaker regulations in favour of workers.

Table 6: Actual working hours on an annual basis on average.

OECD Data Base, numbers 2019	
Norway	1740
Germany	1783
UK	1903
USA	2008

20. Trade union's need for government support even in Norway

Norway and the Nordic nations have until recently 'managed' quite successfully without statutory wage regulation. In Norway, however, an act on the General Application of Collective Agreements was adopted by the Parliament in 1993 in conjunction with the creation of the EEA agreement and the opening of the labour market.

It signalled the beginning of a new era in the regulation of Norwegian working life, which didn't have tangible consequences until enlargement of the EEA to Eastern Europe ten years later.

After 2004, this has been adopted in several industries, and has been combined with the authorities adopting several action plans against social dumping and work-related crime with a number of measures to constrict the enforcement of labour rules (e.g., joint and several liability, ID cards, approval schemes, etc.), as well as requirements for collective bargaining terms, permanent employees and apprentices in public procurement.

In the first years after enlargement, such measures were often very controversial

– when representatives of the employers and right-wing politicians believed that freedom to work for lower wages offered opportunities for ‘social jumping’ and was to the benefit of all parties. Eventually, most people realised also on the employer and civil side that ‘social dumping’ contributes to an unfortunate distortion of competition in favour of unorganised companies and is destructive to the Norwegian model. There has thus been less controversy about the necessity of regulations and the need for powerful enforcement measures, but a debate over the means of action remains.

Decisions on general applications of collective agreement-based pay to all workers in the relevant branch are made by an independent administrative body, the Collective Agreements Board. This represents a more nuanced approach than a general legal minimum wage. The Act allows for generalisations of – in whole or in part – provisions in nationwide collective agreements where foreign workers receive worse pay and working conditions than Norwegian workers for equal work. It also intends to prevent distortion of competition to the disadvantage of companies following more descent standards.

A decision on general application will apply to everyone who performs work within the scope of the decision; both for organised and unorganised, Norwegian and foreign workers, including posted workers.

Although the general application of collective agreements normally is limited to wages, it can be seen in the context of the wider use of instruments we mentioned above. Above all, rules do not matter much if you do not have mechanisms for enforcement.

It is important to have relevant authorities and resources to use on enforcement. An important aspect of general application was that the Norwegian Labour Inspection Authority, received a strengthened mandate and mechanism for working with wages and working conditions.

To balance conflicting considerations in the expanded labour and service market, the EU has also introduced regulations at European level. Among the most important are:

- The posted workers directive of 1996
- The services directive of 2006
- The temporary agency directive of 2008
- The enforcement directive of 2014
- The revised enforcement directive of 2018

These directives partially overlap, partially complement each other, and cover many aspects of the economy and the labour market.

21. Improved directives

EU regulations are frequently balanced between a variety of interests and factors. The relationship between national regulations and consideration of open markets and international business establishment is a recurrent theme. The following EU principles specifically conflict with one another regarding labour: wage negotiations, collective labour law, and industrial action are outside the scope of the EU’s regulatory authority, but national rules and arrangements generally cannot violate the EU’s fundamental principle of free movement and non-discrimination. This is not a very precise delimitation. As a result, case law is crucial. It can change with time and place, and the actors’ arguments and analyses

affect the possible adaptations. This is a crucial component of what we mean by ‘room for manoeuvre’.

When implementing the Temporary Agency Directive in Norwegian law, it was assumed that the principle of equal treatment applied to posted workers who are hired out, cf. Prop. 74 L (2011-2012). This has been implemented in § 3 of the posting regulations, which state that §§ 14-12 to 14-15 of the Working Environment Act apply to posted workers.

When an employee is hired out for a limited period from a temporary work agency established in a member state of the EU/EEA to a firm established in another member state, both the posting directive and the temporary agency directive apply.

The posted workers directive was adopted in 1996 and has been implemented in Norwegian law through the Working Environment Act and the provision regulating posted workers. Posting of employees involves an employee being sent by his employer from one member state to another in connection with a temporary provision of services. The directive does not require the member states to introduce specific rules on working and employment conditions, but it does require that the rules on pay and working conditions that apply to the member state’s national workers must also be applied to posted workers. At the same time, the member states cannot apply other working and employment conditions than those listed in the directive.

After the so-called Laval Quartet, where the EU Court of Justice went far in placing market freedoms above labour rights, there has been some change. Recent case law from the EU Court of Justice and changes to the directive have provided a significantly expanded ‘room for manoeuvre’ in labour

protection. Case C-396/13 *Elektrobudowa* established, that as long as the wage provisions are available and clear, posted labour must be treated equally with domestic labour, based on minimum provisions within the core of the directive.

After a long process in the EU’s legislative bodies, a revision of the posted workers directive was adopted. An important change in the directive was a continuation of the *Elektrobudowa* decision and changed the definition of a salary in Article 3 (1) c) from ‘minimum rates of pay’ to a more extended term ‘remuneration’. The Commission commented on the proposal as follows when it was presented:

‘The proposal foresees that posted workers are subject to equal pay and working conditions as local workers.

From now on, all the rules on remuneration that are applied generally to local workers will also have to be granted to posted workers. Remuneration will not only include the minimum rates of pay, but also other elements such as bonuses or allowances where applicable³⁴

For the UK, the posted workers directive no longer applies. For new cases, the posted workers will be covered by the new migration regime and, among other things, fulfil a special points system.³⁵

The enforcement directive obliges the EEA states to provide sufficient information on which work and employment conditions apply to posted workers, and rules on enhanced cooperation between the authorities of member states. The directive also includes rules on which national control mechanisms can be introduced into national law.

22. Other measures that effect work

We previously mentioned more indirect anti-social-dumping policies. Examples of these include joint and several liability, ID cards, tax control, approval schemes, and procurement rules. The rules governing public procurement are among the most frequently discussed and crucial for fostering integrity.

A large area of the economy is transport. The ambition for a more integrated economy in the EEA would include a lot of transport, partly because transport itself can be cross-border, but also because increased trade will increase demand for transport services. We have extensive experience with shipping as a complicated labour market to regulate. Air, bus, rail and truck transport also have a lot of activity outside the borders of a home country and include operations under changing regimes for work, business and social regulation and control.

The vulnerability to social dumping and lack of integrity results from having very different income levels and standards between EEA member countries. The fact that borders are often crossed also makes both regulation and supervision more difficult. Who operates becomes unclear, and a lot of additional uncertainty arises as to which country has responsibility and the duty or right to regulate.

Cabotage in bus and truck transportation is a recent and compelling illustration of transnational regulatory issues. In 2017, the Commission presented a package of proposals for a number of regulatory changes for the transport industry (the Mobility Package). It was a long and demanding process and in many ways became a classic East/West conflict within EEA. The commission proposed an almost complete liberalisation of the cabotage rules, but also included among others a

requirement for drivers to travel home, a ban on weekly rest being taken in the vehicle, etcetera.

An extensive debate helped to produce a more positive outcome.

Among the changes the adopted directive contains, were on:

- Driving and rest time
- Cabotage restrictions and coverage by the posted workers directive, which means that drivers who drive for instance in Norway are entitled to a general salary.
- Vehicles must return to their home country every eight weeks.
- Measures against letterbox companies
- Requirements for the establishment of 24-hour rest areas with a certain standard.

Driving in third countries is still a gloomy chapter. It could, for example, be about Latvian cars that transport salmon from Norway to Spain, and which are still not covered by the Posting Directive. Consequently, they can also drive most of the distance at their home country's wage level.

Given how extreme the starting point was, the union summary was that they came much further in the right direction than expected.

Statistical annex

Average annual salary (in \$1,000, 'purchasing power adjusted')

	1995	2000	2005	2010	2015	2020
USA	48	55	58	61	64	69
UK	35	40	45	47	47	47
Norway	34	39	44	51	55	56

Source: OECD Stat (2021)

Productivity ('purchasing power-adjusted' dollars)

	1970	1980	1990	2000	2010	2019
USA	100	100	100	100	100	100
UK	66	76	81	90	84	85
Norway	62	83	91	121	128	121

Source: OECD Stat (2021)

Notes

1. Dominating Confederation of trade unions in Norway
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26. 'Not weaken or reduce, in a manner affecting trade or investment between the Parties, its labour and social levels of protection below the levels in place at the end of the transition period (...)'⁶⁰ and to 'continue to strive to increase their respective labour and social standards'. Art. 6.1 and 6.2
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