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Labour market Conditions in Norway 2002

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Labour market conditions in Norway - 2002¹

Norway has a small open economy with a population of 4.53 million people and a workforce of approx. 2.4 million. Following a period of strong expansion from 1993 to 1998, growth in the Norwegian economy has been more moderate during the past three years. However, despite the slowdown, the economy is still characterised by high capacity utilisation, and with a shortage of labour in many sectors.

Norway is a member of the European Economic Area – EEA, but not a member of the European Union. Thus, with a few exceptions, Norway has free access to the EU internal market. In 2000 about 60 percent of Norwegian exports and 40 percent of imports were with countries in the EU/EEA. Their main trading partners are Sweden, Germany, the United Kingdom, and the US. Norway is a major oil and gas producer (offshore), these accounts for approximately 20 percent of total national revenues. Economic production increased by 7 per cent from 1999 to 2000, while the value of oil and gas production increased by 78.6 percent.² Productivity growth in the mainland economy through the 90's has ranged from 4,2 percent in 1991 down to 2,1 percent by 2001 (Central Bureau of Statistics, Fafo). Norway has nevertheless a diversified economy. About two-thirds of the economy is in the service sector, including hospitals, schools, housing, banking and insurance, transport and communications and public administration. Petroleum-related activities, including crude oil and gas production, made up 23 per cent, while manufacturing accounted for about 9 per cent of GDP in 2000.

Level of productivity NOK/manhour USD=7,5 NOK

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Mainland-Norway	209.0	216.0	223.8	229.9	242.3	249.7	261.9	277.5	291.3	314.7	333.8
Manufacturing	197.0	204.5	214.5	221.3	241.9	242.4	252.1	265.9	286.9	298.1	294.6
Construction	149.0	157.1	157.4	185.2	203.4	208.8	218.9	231.6	231.3	250.6	271.4
Business services etc.	176.3	179.0	191.2	195.1	207.2	216.9	231.0	241.0	248.9	277.4	290.9
Wholesale and retail trade etc.	238.5	243.1	253.6	262.5	272.9	283.7	301.0	321.7	348.5	371.7	402.8
General government	167.3	172.5	175.5	181.5	191.0	200.1	210.2	225.2	237.3	254.2	275.4

Productivity growth rates (percentage change from previous year)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Mainland-Norway	4.2	2.2	2.3	2.4	2.8	2.7	2.2	1.5	2.2	2.9	2.1
Manufacturing	0.2	1.8	-0.4	0.0	1.1	1.8	-0.6	-2.0	3.7	0.8	0.8
Construction	4.5	5.3	1.4	12.9	0.3	-4.0	-2.1	-1.7	-7.2	1.2	0.5
Business services etc.	0.3	-0.9	1.4	0.4	0.3	-0.1	1.5	1.2	2.6	1.7	3.5
Wholesale and retail trade etc.	0.0	4.6	5.9	6.1	6.4	10.3	10.0	6.2	3.0	2.9	4.9
General government	4.1	0.8	0.2	1.1	1.1	0.9	1.1	1.0	0.9	1.3	0.9

Source: Statistics Norway (SSB), Fafo

¹ We have relied to a large extent on data and information from the Norwegian Central Bureau of Statistics. See their web pages which also have well developed information in English: <http://www.ssb.no>

² The statistics and information in this paragraph is from The Norwegian labour Market, Ministry of Labour and Public Administration, 2000

Like in many other European countries, we see a trend towards the service sector becoming more important both in terms of output and employment during the past 10 years. During the last three decades employment in the service sector has increased from 62 per cent of total employment to 73.4 per cent (1999). The service sector has increased at the expense of the primary commodities sector and the manufacturing sector. The public sector accounts for about 40 per cent of service employment.

In recent months, growth internationally has slowed down considerably. In addition, the terrorist attacks on the US on 11 September have increased the risk of a more pronounced international setback. Reduced growth internationally has contributed to a decline in Norwegian exports in recent months. A more pronounced downturn internationally is expected to result in weaker growth in the export-oriented industries and other industries exposed to international competition. This may have a spill-over effect on domestic demand and activity. Yet, even if world economic growth turns out to be weaker than assumed, the risk of a pronounced downturn in Norway remains limited. Norway has a strong economy with a GDP of about NOK 1, 511 billion in 2001, putting it in the top tier internationally in terms of GDP per capita and living conditions.

The political situation in Norway is relatively stable and based on a parliamentary system and traditions as well as deep-rooted consultative mechanisms with civil society and social partners. The parliamentary election on September 2001 was won by the Conservative- and the Christian Democratic parties who established a coalition government, taking over from the labour party that had governed as a minority government during the previous few months. It is the general opinion that economic growth and stability during the past decades has been achieved to a large extent by means of tripartite social dialogue as well as collective bargaining. Means used are tripartite social pacts between the government, employers and trade unions, collective bargaining at national, industry and local levels as well as tools such as productivity agreements, workplace participation and well established industrial relations.

2001 was a year with mid-term settlements in terms of collective bargaining. The main settlement takes place every other year and means that two-year agreements are signed in most areas. A revision of the agreements entered into during the main settlement period takes place in years with mid-term settlements. This explains some of the major changes in the statistics from year to year.³ Only about 600 workdays were lost in connection with labour disputes in 2001, compared with as many as 497,000 workdays being lost in disputes in 2000. Hotels and restaurants were most affected in 2001 with just over 83 per cent of all workdays lost. As a rule, years with mid-term settlements, such as 2001, have fewer work stoppages than years with main settlements.

³ See Central Bureau of Statistics http://www.ssb.no/english/subjects/06/04/arbkonfl_en/

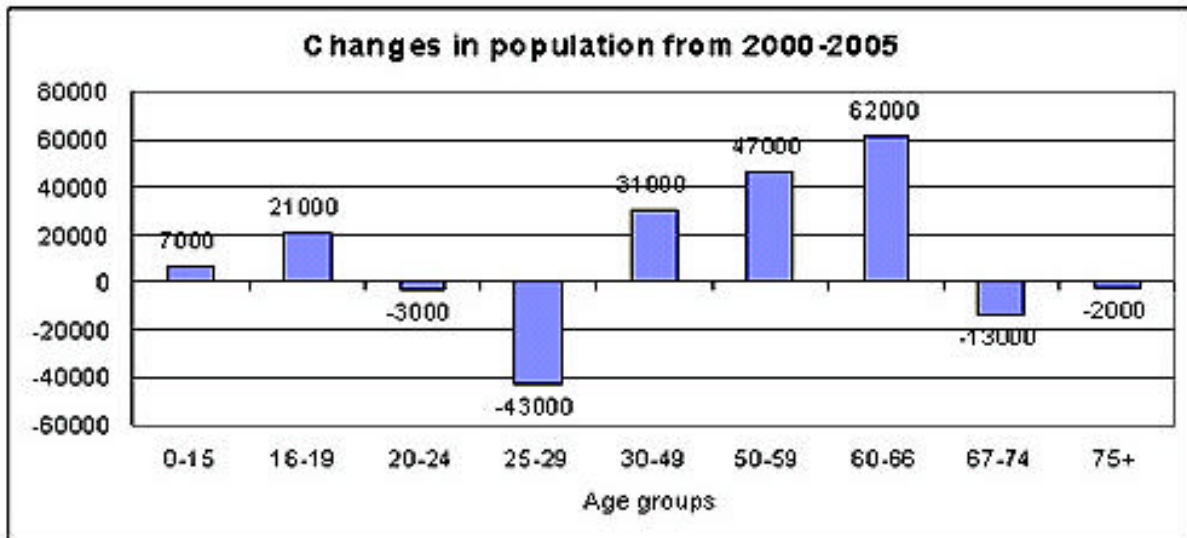
Economic growth (GDP) and population growth⁴

	Real GDP growth (% change)	Population growth rate (% change)	Real GDP growth per capita (% change)
1990	2.0	0.3	1.6
1991	3.1	0.4	2.7
1992	3.3	0.6	2.6
1993	2.7	0.6	2.2
1994	5.5	0.6	4.9
1995	3.8	0.5	3.3
1996	4.9	0.5	4.4
1997	4.7	0.5	4.1
1998	2.4	0.6	1.8
1999	2.7	0.6	0.4
2000	1.9	0.7	1.6
2001	1.2		

The labour force

Labour supply will be an important factor for economic growth in the Norwegian economy. The labour supply depends first and foremost on demographic developments in Norway, which experiences the same challenge, as many other European countries with an ageing population. Labour force participation is now historically high, with 77.7 percent of men and 69.2 percent of women participating in the workforce.. It is not likely that the labour force will grow further unless we see the government allowing for increased labour immigration. Given unchanged labour force participation for the different age groups in the population and current immigration policies, the Central Bureau of Statistics predicts an annual labour force growth of 0.6-0.7 percent during the next few years. From a yearly average inflow of 21,000 person to the labour force in the 1990s, it is likely that the labour force will show a yearly increase of about 10,000 persons over the coming decade (Ministry of Labour and Public Administration 2002). The ageing of the population is illustrated in the figure below, which shows the projected change in the population in 2005 compared with 2000 (ibid). The inflow of younger persons to the labour force is negative while the number of persons in age groups above 50 years increases in the coming five-year period.

⁴ Annual percentage change in volume (The Central Bureau of Statistics of Norway - national account data). 1999 & 2000 figures revised in 2002.



Adjusting for early retirement and work disability, the overall picture is that labour force growth will be in the range of 0.3-0.4 percent. Economic growth for the Norwegian mainland economy is thus estimated at 1.5 percent in 2001, 1.5 percent in 2002, and 2.0 percent in 2003. This is somewhat lower than the growth of the last 20 years, which has been 2 - 2.25 percent.

The labour force participation rate (amongst age 16 – 74 years) is high and has grown by 5 percentage points since 1993, to 73.3 percent in 2001.⁵ Norway has been able to maintain a relatively low level of unemployment and a moderate rate of inflation through the 1990's. In the third quarter of 2001 the unemployment rate was 3.6 percent and the average rate of inflation was 2.4 percent in September 2001. Prices have been falling over the past year (the 12 month rate in September was -2.4 percent). The national bank is adjusting the monetary policy towards a target rate of inflation that over time will be 2.5 percent.

Unemployment

The Norwegian labour market mirrors the good economic performance through the 1990s. In 2000, Norway had an unemployment rate of 3.4 per cent and a labour force participation rate of 73.4 per cent in the age group 16-74. The labour force participation rate in Norway is among the highest in OECD countries. The labour force participation rate among women and elderly workers is especially high in Norway compared with most other countries.

From 1993 to 1999, employment increased by a total of almost 250,000 persons. At the same time, the unemployment rate fell by 3 percent. Labour force participation rates increased from 69.2 per cent in 1990 to 73.4 per cent in 2000. In 2000, the labour force participation rate was 78 per cent for men and 69 per cent for women. While there was a 10 per cent growth in the labour force participation rate

⁵ The Ministry of Finance – St.meld. 1 (2001–2002) the National budget 2002.

for women in the period from 1990 to 2000, the growth for men was 2.5 per cent. Over the past two years, growth in the labour force participation rate has levelled off.

Unemployment 1990-2001 (percent)⁶

Year	Overall	Men	Women
1990	5.2	5.6	4.8
1991	5.5	5.9	5.0
1992	5.9	6.5	5.1
1993	6.0	6.6	5.2
1994	5.4	6.0	4.7
1995	4.9	5.2	4.6
1996	4.8	4.8	4.9
1997	4.0	3.9	4.2
1998	3.2	3.2	3.3
1999	3.2	3.4	3.0
2000	3.4	3.6	3.2
2001	3.6	3.7	3.4
2002 (2 quarter)	4	not available	not available

The long-term unemployment rate (more than 12 months) has been reduced from a rate of 25 percent in 1994 to 5 percent in 2001. This is to a large extent due to an active labour market policy, which aims at facilitating structural adjustments, reducing adjustment costs and maintaining the unemployed persons contact with the labour market, thus increasing their employability. The rate of long-term unemployment of more than 6 months did, however, increase to 20 percent in 2001 from 16 percent the previous year. The rate of involuntary part time employment (people in part-time employment seeking more work) increased slightly the first four years in the 90's, but declined from 4 percent in 1995 to 2.9 percent in 2000. There were 70,000 underemployed in the second quarter 2002, i.e. part-time employed seeking more work. As a percentage of all part-time employed, this corresponds to 11.7 per cent, compared with 11.4 per cent the same quarter 2001 (Central Bureau of Statistics). Due to the pressure in the labour market and the need for more workers, the rate of involuntary part time employment will most likely stay low.

⁶ See http://www.ssb.no/english/subjects/06/01/aku_en/

Long term unemployment and underemployment⁷

Year	Involuntary part-time (% of total labour force)	Long-term unemployment (> 12 month. % of unemployed)
1990	3.2	17.0
1991	3.4	18.0
1992	3.8	21.0
1993	4.2	23.0
1994	3.9	25.0
1995	4.0	23.0
1996	3.8	14.0
1997	3.7	12.0
1998	3.4	8.0
1999	3.0	7.0
2000	2.9	5.0
2001	2.9	5.0
2002. first quarter	3.1	7.0
2002. 2 quarter	2.9	7.0

In spite of low unemployment and high labour force participation, certain trends in the labour market give grounds for concern. This includes the large number of people leaving the labour force to receive disability pensions or make use of early retirement schemes, a high level of absence from work due to illness, a high unemployment rate for immigrant groups and the increasing need for a more skilled and competent workforce.

Gender and the labour market

While Norway has one of the highest female labour force participation rate internationally (69%), it also has a relatively high proportion of women being employed in part time work. In the second quarter of 2002, 44 percent of the employed females had a part-time job compared with 11 percent among males.⁸ The trend is continuing. While the labour force participation rate increased slightly among women in 2002, the growth largely reflects an increase in part-time work. Furthermore, a large proportion of women works in the service sector, and in particular in the health and education sectors.

Within the OECD area, labour markets are more segregated by gender in Scandinavia than anywhere else. Almost half of the employed women in Scandinavia work for female dominated sectors such as health, education, and private services, compared to 20 percent in the remaining parts of the OECD area.⁹ 67 percent of employees in the public sector are women.¹⁰

⁷ Central Bureau of Statistics Norway, Labour Force Sample Surveys

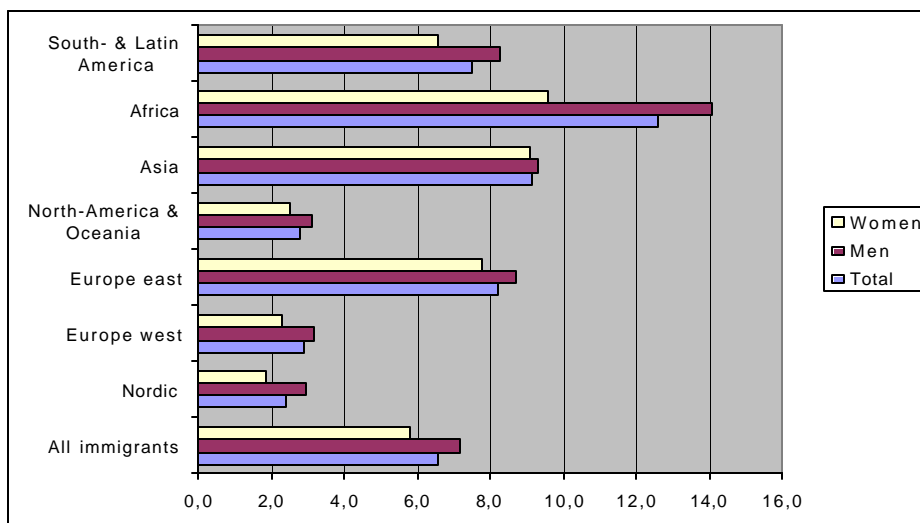
⁸ See data from the Central Bureau of Statistics (2002) http://www.ssb.no/english/subjects/06/01/aku_en/

⁹ Raaum, N.C. & M. Wårum 2002 *Det kjønnsdelte arbeidsmarked* (The Gender segregated labour market). Forthcoming. Fagbokforlaget.

Immigration and labour market participation

In general, immigrants have more problems finding a job than persons born in Norway. In 1999, immigrants to Norway had a registered unemployment rate of 6.8 per cent, compared with a registered unemployment rate of 2.7 per cent for the population as a whole. However, there are large variations in unemployment rates between the different immigrant groups. The unemployment situation for immigrants coming from western world-countries is about the same as for Norwegians in general. Immigrants from Africa had in 1999 the highest unemployment rate of 13.3 per cent. While renewed efforts to improve their labour market situation were called for already at that stage, registered unemployment is still highest for immigrants from Africa at just about 15 percent in august 2001. The lowest level of unemployment among non-western immigrant we find among South- and Latin American immigrants at about 9 percent. For all groups we can see a decreasing unemployment tendency from 2000 to 2001.

Unemployment amongst immigrants (first generation immigrants)¹¹



Wage levels and distribution

Norway has no legal minimum wage, but has a variety of minimum wage rates set through collective agreements. The engineering sector for example sets the minimum wage to be NOK 97.64 per hour for skilled workers and NOK 88.60 for unskilled workers.¹²

¹⁰ Labour Force Survey 2001, Central Bureau of statistics, analysis by K. Neergaard, Fafo.

¹¹ Registered data by A-Etat (Directorate of Labour) - unemployed immigrants as percentage of the respective immigrant workforce (The Central Bureau of Statistics of Norway - AKU (SSB) & The Department of Labour).

¹² The Engineering Industry Agreement 2000-2002 between The Federation of Manufacturing Industries and the United Federation of Trade Unions

Average earnings¹³

	Manufacturing¹⁵	Private sector¹⁴	Public sector	
			State	Municipal employment
1990	81.6	78.8	81.0	81.8
1991	85.5	83.1	84.9	86.3
1992	88.1	86.2	88.6	88.8
1993	90.2	89.2	90.9	91.0
1994	92.8	92.4	92.9	93.2
1995	96.0	95.9	95.8	95.9
1996	100.0	100.0	100.0	100.0
1997	103.7	104.7	104.3	103.9
1998	109.5	111.8	111.0	110.0
1999	114.7	117.1	116.2	115.5
2000	119.8	122.6	121.4	120.2
Average real wage (2000) (NOK)	NOK 253.900	NOK 352.600	NOK 284.400	NOK 250.400

Norway has generally been known as one of the most egalitarian countries in the world with small wealth and income gaps. The Gini coefficient¹⁶ has been about 0.25 since the beginning of 1990.

Income distribution (quintiles, household income distribution after tax)¹⁷

	1990	1992	1994	1996	1998	1999
Top	32,7	33,4	34,5	35,1	34,9	35,2
Fourth	22.9	23.0	22.8	22.3	22.2	22.1
Middle	19.0	18.9	18.7	18.5	18.3	18.4
Second	15.4	15.1	14.8	14.8	14.8	14.7
Lowest	10.0	9.7	9.1	9.3	9.7	9.6

Working conditions

The normal working week is 37.5 working hours with the maximum "legal" working week being 48 hours.¹⁸ Yet, looking at averages in 2002, the working week is 34.6 hours with men having an average working week of 37.8 hours compared with 30.8 for women (reflecting the large numbers in part-time employment).

¹³ Index 1996=100 (The Ministry of Labour and Administration NOU 2001: 26 "About the wage negotiations").

¹⁴ White colour in the main manufacturing branches (NHO/LO)

¹⁵ Blue colour in the main manufacturing branches (NHO/LO)

¹⁶ The Gini index is a measure to assess the degree of inequality that exists amongst individuals or households in an economy. The Gini varies from zero to 100; 100=absolute inequality, 0=absolute equality.

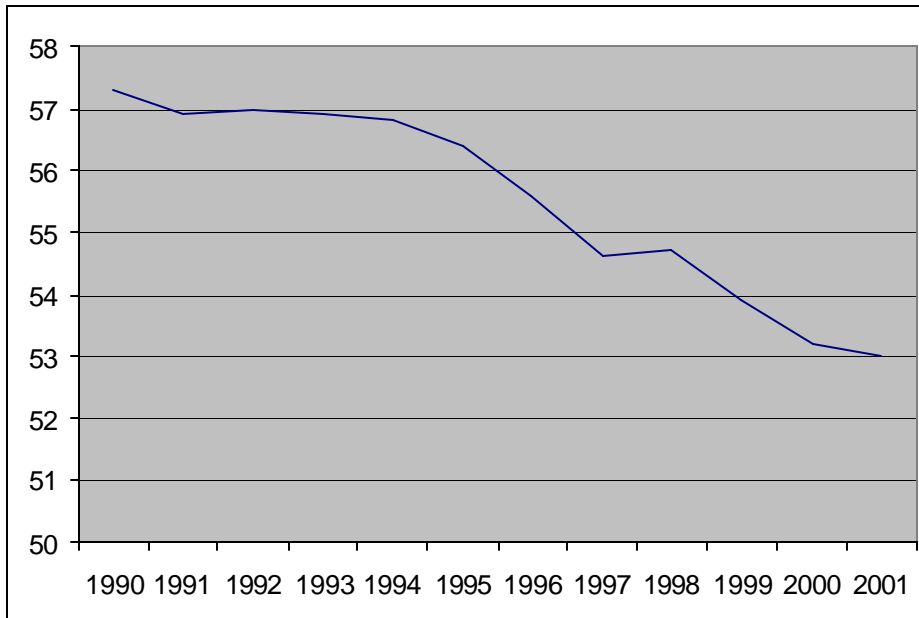
¹⁷ Central Bureau of Statistics Norway, The income and property survey. Jon Epland og Mads Ivar Kirkeberg *Inntekt, skatt og overføringer* 2001

¹⁸ The Working Environment Act §47- maximum 9 hours a day, by written agreement maximum 48 hrs/wk. The normal working week is set through collective agreements.

Union density rates

Union density rates have shown a modest, but steady decline during the past decade.

Union density rates (1990 - 2001)¹⁹



The Norwegian Confederation of Trade Unions (LO), the main trade union body in the country, has also for a long time been losing ground vis-à-vis the other trade union confederations. With a union density rate of 53 percent in Norway in 2001, LO organises 29 percent of all employees, with others organising the remaining 24 percent. The immediate goal of LO is to recruit more members from the private services sector where union density rates are low. The union density rate amongst public sector employees is high, but dominated by the other trade union confederations: Norway's Confederation of Vocational Unions (YS)²⁰ and the Federation of Norwegian Professional Associations (Akademikerne).²¹

¹⁹ Torgeir Aarvaag Stokke, Fafo, Institute for Applied Social Science. The 2001 figures are estimated on the basis of surveys (Labour Force Survey, Fafo) and are hence attached with some insecurity. The previous figures are based on union registers.

²⁰ YS consists of 200 000 employees in service-providing jobs, from all areas of society. A majority of the YS' members are public employees.

²¹ The Federation of Norwegian Professional Associations (Akademikerne) targets recruitment first and foremost amongst professionals with a higher education. Akademikerne has 15 member organisations, with a total of some 122,000 members.

Union density rates, percentages, LO and other federations, 2001²²

	Union density, total	LO	Others	Unknown
Private sector (excluding primary sectors)	53	41	11	1
Private services	33	18	14	1
Public service	81	36	44	1
Total	54	29	24	1

In conclusion

One of the major challenges to the Norwegian labour market today is the shortage of labour in several sectors of the economy. Especially the health sector, construction and some industrial branches are facing problems recruiting qualified personnel. In the decade to come, one of the major challenges facing the Norwegian labour market is the demographic change with an ageing of the workforce. From a yearly average inflow of 21,000 person to the labour force in the 1990s, it is likely that the labour force will show a yearly increase of about 10,000 persons over the coming decade. At the same time, the demand for manpower within the health sector will increase as a consequence of the ageing of the population.

²² Thanks to K. Neergaard at Fafo for analysis