

**Portrait**

Stine Bosse: Keep the Nordic region a sweet spot

**News**

Conflict over part time labour stops Swedish trains

**Editorial**

Look to Iceland

**News**

The Nordic model: From Reykjavik to Paris

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# Newsletter from the Nordic Labour Journal 5/2014

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Theme: Iceland back on an even keel



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## **Contents**

Look to Iceland .....	3
Unemployment soon back to normal after eruptive increase .....	4
The guardian of welfare during Iceland's crisis .....	6
Iceland a step closer to equal pay .....	9
Harpa in Reykjavik: Iceland's symbol of recovery	12
Stine Bosse: Keep the Nordic region a sweet spot	14
The Nordic model: From Reykjavik to Paris .....	17
Conflict over part time labour stops Swedish trains .....	20
Iceland initiates a Nordic welfare watch .....	22

# Look to Iceland

“Look how well the Icelanders have recovered from the crisis, “ says Christian Kastrop, Director at the OECD. And we will; our theme this time is Iceland’s transformation since the crisis hit in 2008. We also follow the report on the Nordic model, first launched in Reykjavik, to the OECD’s Paris headquarters.

EDITORIAL

17.06.2014

BY BERIT KVAM

Five years on the Nordic Labour Journal can now tell the incredible story which no Icelander can forget; what it felt like when they suddenly woke up to the news that their country was bust, the shock which followed and the questions which arose: are there people in the streets, are the busses running, will I get to work, does my job even exist? What now? It was dramatic from day one, says Lara Björnsdóttir who set up the Welfare Watch to make sure no children went hungry and to prevent anyone from becoming social outsiders. The Welfare Watch is now being turned into a Nordic project.

Director Gissur Petursson at the Directorate of Labour was part of the whole thing. He had hardly seen unemployment in Iceland before and now he almost drowned in daily record figures. Youths were the worst hit. He and Hrafnhildur Tómasdóttir tell the NLJ how they helped activate people and found them jobs.

“People have had it tough, and systems have become less generous, but even if they don’t get back to old levels, people will reach an acceptable social level.” Christian Kastrop is impressed by the Icelanders. The NLJ met him in Paris at the seminar ‘Growth, employment and welfare, Nordic experiences and perspectives’ where the report ‘The Nordic Model - challenged but capable of reform’ was presented.

Iceland is the very symbol of what can be achieved when everyone works together. That’s also when you see how unjust it is that some get better wages, better jobs and are preferred because they have the right sex. As things are looking up, many want change. Thorsteinn Víglundsson who heads Iceland’s employers’ organisation SA, believes the crisis might have helped increase focus on gender equality. He’s a proponent of certificates for equal pay and for getting more women into top leadership positions.

Progress is visible through the emergence of new companies and high innovation levels. New products have been created in cooperation with the traditional fisheries sector, perhaps

inspiring others. What still literally takes the prize for innovation and architecture is Harpa, the concert house welcoming visitors with a display of the northern light. The NLJ has taken a look at Iceland. Not a bad idea.



Unemployment figures reached eight percent in the wake of the 2008 crisis, according to Statistics Iceland

## Unemployment soon back to normal after eruptive increase

Anyone who's stood frozen-fingered waiting for the Icelandic Strokkur geysir to erupt with its boiling water can imagine what it felt like at Iceland's Directorate of Labour when unemployment figures started emerging after the 2008 crisis.

THEME

17.06.2014

TEXT AND PHOTO: BJÖRN LINDAHL

"Unemployment rose especially among the young and reached 16 percent. That's why our first measures targeted this group," says Gissur Pétursson, Director General for the Directorate of Labour, or Vinnumálastofnun as it is called in Icelandic.

Together with head of division Hrafnhildur Tómasdóttir he describes the current state of Iceland's labour market for the Nordic Labour Journal. And not without a certain degree of pride:

"We perceive ourselves to be one of the institutions which have helped reduce unemployment," he says.



In the beginning those who were developing measures to limit unemployment were fumbling. Never before had so many jobs disappeared so fast.

“We started a programme called ‘active youth’. To begin with this was activation for the sake of it, not because we believed it would help the unemployed get jobs. Those who failed to participate lost their unemployment benefit,” says Hrafnhildur Tómasdóttir.

But soon the decision was made to put major resources into training jobseekers. Iceland has long been struggling with a high number of early school leavers.

“The aim was to reduce the number of youths without further secondary education from 30 to 10 percent,” says Hrafnhildur Tómasdóttir.

One in ten of all jobseekers started studying and were given unemployment benefit while in education. This meant a new group emerged next to those who financed their studies with student loans or by working part time: salaried students.

“I am surprised it didn’t cause more of a stir. We were skating on thin ice,” comments Gissur Pétursson.

Other measures specially targeted at the long term unemployed were also brought in, but those who chose to study were the happiest.

If you walk down Laugavegur, one of Reykjavik’s busiest shopping streets, it is hard to imagine that Iceland has been through a crisis. An edition of Morgunblaðið lies on one of the many cafe tables. The top story is that the sale of luxury cars has risen by 43 percent on last year. Nearby, a group of youths celebrating their graduation are cruising in hired limousines.



Another sign that things are returning back to normal is the return of strike action. College teachers went on strike for three weeks in April and on 17 June more than 90 percent of all pre-schools will close if there is no new wage agreement.

6 - 8,000 Icelanders moved abroad during the crisis, and social benefit payments rose from 700 million Icelandic kronor in 2008 to four billion Icelandic kronor.

“But now both the fisheries and the aluminium industry are doing well - and anything else would have been strange since the Icelandic krona was devalued by 50 percent,” says Gissur Pétursson.

As a result, several of the labour market measures are being wound down, like offering summer jobs for young people. Unemployment is forecast to drop to 3.2 - 3.5 percent during the month of June.

The OECD’s latest prognosis forecasts that Iceland will have returned to normal next year:

“Economic growth was considerably more robust than expected in 2013, reflecting strong exports and buoyant tourist spending. Significant employment gains and policy decisions to reduce household debt will stimulate private consumption and further fuel the recovery in 2014. As a result, unused production capacity will disappear in the course of 2015.”



Men in suits were largely blamed for the Icelandic crisis. Children, however, did not suffer. They got more time and attention from parents than before. This Reykjavik sculpture was made by Magnús Tómasson.

## The guardian of welfare during Iceland's crisis

Five and a half years after the Icelandic economy collapsed, we now know children were doing better during the crisis than before, even though the opposite had been feared. This is according to the Welfare Watch, a body set up soon after the crisis hit which brought many good forces together to protect Icelanders' welfare.

THEME

17.06.2014

TEXT: GUNHILD WALLIN, FOTO: BJÖRN LINDAHL

The 6th of October 2008 will forever be imprinted in Icelanders' memory. That was the day the economy collapsed and unemployment jumped from near zero to 12 percent overnight.

“The whole of society was in chaos, and there was a feeling of anger, wonder, surprise and sorrow. We had lost everything - our prestige at home and abroad. We believed we were part of the Nordic family and that they, as families do, would help us out even though we had made mistakes. Instead we were treated as naughty children who should take responsibility

for our own actions,” says Lara Björnsdóttir, who at the time was the departmental head at the Ministry of Social Affairs, now called the Ministry of Welfare.



She remembers how she one day after the 6th of October drove her car to work in central Reykjavik. She was listening to her car stereo and the descriptions of and reactions to the chaos unleashed by the economic crisis. In the middle of all this she noticed a building site where two joiners were still at work. It was liberating - a symbol of forward-looking action in a society where everyone was expecting the worst and where old charitable organisations suddenly saw new opportunities and almost competed to be the most helpful.

“We went to work, children went to school, but there was a frantic atmosphere and we didn’t quite know what to do. There was fear in society and the media stoked the fire. Many measures were quickly brought in and the Welfare Watch was one.”

The Welfare Watch was established in February 2009 with the aim of protecting the welfare of especially children and other vulnerable groups. The Welfare Watch was set up to be a non-political focus group which would gather information on the finance crisis’ impact on families and individuals. It would map the measures which were put in place to soften the blow and document how well they worked. Using this knowledge, the Welfare Watch would also present proposals to relevant government ministers and the government.

### **An important task in a difficult situation**

Lara Björnsdóttir was given the job of setting up and leading the Welfare Watch, and although her workload soared during this time it felt as if the minister had read her mind. Having spent many years as head of social services, she knew that the effects of a crisis could manifest themselves much later. It was important to immediately identify and protect the most vulnerable in society. Just how to construct the organisation and who to involve was somewhat less clear, however. And how would you go about protecting welfare while many public services were being forced to save and cut? This would also have to happen to the backdrop of a politically very unstable situation - between October 2009 and March 2014 Iceland has had four different governments.

Lara Björnsdóttir set up a steering group and invited members from many different social sectors. There were representatives from employers and trade unions, six different government ministries, the Red Cross and other charities. Reykjavik municipality and the state church were also invited. In time, the group grew to include 20 people, and from February 2009 to December 2013 93 meetings were held. Eight sub-committees are responsible for different sectors, for instance children.

“Already at our first meeting we agreed that children were a priority group. If they aren’t doing well, there is no future. We also want to protect the weakest in society, those who were doing worst before the crisis hit,” says Lara Björnsdóttir.

### **The hunt for knowledge**

The idea was to cooperate across different sectors and groups and to gather as much knowledge as possible and to look where you believed knowledge could be found. All ideas should be based on facts and knowledge and sometimes universities and researchers were brought in to help.

“We wanted to create a consensus in society for the need to protect people’s welfare, and to explain that this was a joint responsibility - not just that of the authorities. The method was key. We arrived at what we could agree on to take as proposals to the government minister. If one proposal led to disagreement, it was put aside and could certainly be picked up by an organisation or unit, but not in the name of the steering group,” says Lara Björnsdóttir.

### **A hot meal every day**

It was important to establish social indications for how people in Iceland were affected by the crisis years. Economic facts were not, however, the best tool to understand what was happening and which measures needed to be introduced. Several reports were presented, including one about the number of child protection cases, women in crisis and about the municipal services available to children and their families. The steering group was not there to implement but to come up with suggestions. One of them was to send out an open letter to municipalities requiring them to serve a hot school meal to all children every day, which was already happening in pre-schools.

“We were simply afraid the children would starve,” says Lara Björnsdóttir.

The municipalities were also requested to keep an eye on children’s living conditions and were encouraged to introduce various preventative measures. The steering group also presented several proposals to the Icelandic parliament, including special economic support for poor families with children and priority treatment for young people outside of the labour market. In one of the most deprived areas, Reykjanes outside of Reykjavik, a project leader was appointed. The Welfare Watch also took an active part in identifying and de-

veloping the social indicators. One surprising result after the first year was that there were no indications that children were worse off - quite the opposite.

“Children in Iceland actually had it better after the crisis hit. Most parents would work shorter hours and be more attuned to the child’s welfare. So not everything has been bad, many have been rethinking their situations, and in the steering group we always tried to identify the positives. People tended to blame everything on the crisis, but there has always been poverty and psychological problems,” says Lara Björnsdottir.

### **Everyone must help**

She says nearly everything the steering group did, all the gathering of knowledge and all the reports, has largely been cost free. One example is the Welfare Watch’s logo – a grand lighthouse and one of society’s most important symbols of safety. Before the economic crisis they would probably have hired a designer at considerable cost. Now they designed their logo themselves.

“We got people to work together, across all sectors. The government or the municipalities cannot lift a society alone. Everyone must help,” says Lara Björnsdottir.

She calls the 6th of October 2008 an important day - not a day to celebrate, but a day something happened which it is important to remember.



The Ölgerdin brewery was the tenth Icelandic company to get a certificate to prove they have a gender neutral pay policy.  
Photo: Ölgerdin

## Iceland a step closer to equal pay

A new voluntary equal pay standard is bringing Iceland one step closer to equal pay and cements Iceland's leadership when it comes to gender equality.

THEME

17.06.2014

TEXT: MARIE PREISLER, PHOTO: BJÖRN LINDAHL

In the past year 20 major companies in Iceland have been awarded certificates showing they give their male and female employees equal pay for equal work, and many more companies will follow. That's what Thorsteinn Víglundsson hopes for and believes. He is the Director General for the Confederation of Icelandic Employers (SA).

"There is still a pay gap between men and women, and the new standard can become a powerful tool to achieve equal pay for equal work, and I hope and expect that a large proportion of our 2,000 member businesses will want to get the certification," says Thorsteinn Víglundsson.

Icelandic women earned on average 19.9 percent less than their male colleagues in 2013, according to Eurostat's study 'Gender pay gap in unadjusted form'. But only a small part of this pay gap - less than eight percent - is unexplained, according to 2010 figures from Statistics Iceland.

The equal pay standard is the first of its kind, developed by the partners in the private labour market. In 2008 they agreed to create a new, common pay standard, using ISO standards as a model. The standard was developed in 2012 by a working group and financed by the partners and the Icelandic Ministry of Welfare, with the participation of sev-

eral other parties. The finished standard was published by Icelandic Standards, the country's national standards body. Iceland's gender equality law refers to the standard, and the Ministry of Welfare has drawn up a mandate to cover certification firms wishing to issue certificates.

The standard is an offer to businesses that want to document the extent of their dedication to equal pay. And this will be of advantage to many businesses, thinks Thorsteinn Víglundsson.

**No to compulsory measures**

The partners have worked together to define the standards for equal pay which companies must meet in order to take part in the programme and get certification. Participation is voluntary, but Thorsteinn Víglundsson expects the programme will be widely picked up, especially among the larger SA member businesses:

“If this is to be successful we need many big companies to take part. My definition of success would be to get more than half of the 3 - 400 biggest companies to join, and I think this is realistic.”



He believes there are major ethical as well as business advantages to be had for companies which can document that their employees get completely gender neutral performance related pay. A company's competitiveness is strengthened when skills are rewarded. A company must also be able to explain and stand up for its pay structure to a much higher extent than before, and certification is an efficient way of showing transparency and fairness, he thinks.

“Certification is a clear competitive advantage for businesses that want to recruit the best qualified labour. We see that companies which have chosen to take part in the programme actively market their certification in job ads.”

A company wishing to take part in the certification programme must be willing to disclose a wide range of wage in-

formation to a certification body, which will check and confirm that the company is practicing equal pay - measured by the standards for equal pay agreed by organisations and authorities.



For now this audit is being carried out only by one certification firm, BSI á Íslandi. Iceland's largest trade union, VR (the commercial and office workers' union) initiated a cooperation with BSI and 'cold started' the programme, but the aim is for the partners and authorities to develop a joint logo to be used as proof of certification, and to allow an independent third party to administer the task.

The 20 or so companies which have been certified so far include food retailers and a major consultancy house. Thorsteinn Víglundsson wants to encourage the social partners in the other Nordic countries to copy the concept.

“I would very much like to see the programme extended to the other Nordic countries. The use of equal pay standards is being discussed both within the EU and globally, and if the other Nordic countries joined the programme it would improve its quality and impact a lot.”

**Quotas not enough**

He recognises that a broader take-up might take time, because companies are not obliged to participate. But for SA it is essential that the programme is voluntary. SA decided to object to the introduction of female boardroom quotas in Iceland exactly because it was not a voluntary measure. The quotas came into force on 1 September 2013 despite protests from business, and Thorsteinn Víglundsson admits the obligatory quota system has had an effect. But he considers volun-

tary agreements as a more sustainable way to achieve gender equality.

“Female quotas have had an effect, even though many companies are still not adhering to them, but boardroom gender quotas are not a goal per se. We also need far more women in leadership positions, and there are no quotas for that. That’s why it’s far more important that companies themselves see that they are best served by offering equal pay and equal gender representation in leadership positions and in boardrooms.”

Iceland’s gender quotas were inspired by the Norwegian system, but are more wide ranging. In companies with more than 50 employees either sex must be represented by no less than 40 percent. While the Norwegian rules only apply to public limited companies, the Icelandic system applies to all listed and limited companies employing more than 50 people, as well as to boards with only three or more board members (compared to five or more in Norway).



Iceland takes the lead in other gender initiatives. The Icelandic government has just presented a white paper which could improve the world’s most radical parental leave even further by 2016: an extension of parental leave to five months for each parent and two months to share. The proposed legislation has not yet been approved in parliament.

Workplace gender equality is one of the issues high on Iceland’s list of priorities during the country’s 2014 presidency of the Nordic Council of Ministers.



## Harpa in Reykjavik: Iceland's symbol of recovery

Despite being so heavily hit by the crisis, Icelanders continued construction of the new music house Harpa in Reykjavik - the only building project which kept going during the crisis. And as Iceland is bouncing back, the award-winning building Harpa has become the symbol of Iceland's economic recovery.

### THEME

17.06.2014

TEXT AND FOTO: GUÐRÚN HELGA SIGURÐARDÓTTIR, PHOTO: NIC LEHOUX

Harpa's history goes way back. Icelanders started dreaming about building a good music house as early as in 1881, but other projects were ahead in the queue, for instance the national theatre and the founding of Iceland's symphony orchestra. The music house didn't become a serious proposition until much later.

### **The only project**

Music enthusiasts agreed on the construction of the concert and opera house in 1983, but had to wait until the 1990s before the state of Iceland and the city of Reykjavik decided to take part in this project. An empty plot for the new building was found by the harbour in Reykjavik city centre.

The construction of Harpa started in 2007, but stopped in October 2008 when Iceland's economy collapsed. In March 2009 - after a debate over whether the much talked about construction should continue - the building work started again. Harpa became the only construction project in existence in Iceland for several years after the crash.

So for many it was a long-awaited moment when the building formally opened in August 2011 and the 'dancing lights' on the building's facade were lit for the very first time. Now Icelanders and foreign visitors flock to Harpa when there is something interesting on the programme or for a conference.

### **Award-winning architecture**

In 2013 the building won the European Union's award for contemporary architecture, the so-called Mies van der Rohe award, for its outstanding architecture with the glass facade which seeks inspiration from Icelandic nature. The facade is made up from many smaller glass and steel elements and similar mirror elements are found in the ceiling. The artist's idea was to move the basalt blocks which are found in several places in Icelandic nature closer to the citizens. The glass facade is inspired by naturally occurring pillow basalt.

The artist then plays with the light which comes on during Iceland's dark winter months and is projected onto the building's facade. It creates a magical light show reminiscent of the northern lights or the beautiful light and colours reflected in the sky at different times of year when the weather changes.

### **Huge losses**

But Harpa has not been easy for Icelanders. The building cost 18.6 billion Icelandic kronor (€120m). The operation lost more than a million Icelandic kronor every hour in 2012, nearly €6,500. The reason? The property tax became higher than predicted, the operation overshot its budget and takings were lower than predicted. Tax payers have paid the bill.

It became so expensive that in the summer of 2013 the possibility of closing Harpa down was debated. The CEO of deCODE Genetics in Iceland, Kári Stefánsson, told the Icelandic public broadcaster RÚV that Iceland could not afford Harpa while the university hospital Landspítalinn was seriously struggling financially. Harpa's chairman, Haraldur Flosi Tryggvason, looked into the possibility of closing Harpa.

But Harpa's Managing Director, Halldór Guðmundsson, said it would hardly benefit tax payers at all if Harpa was closed. What was needed was time and patience. The running of the house can become profitable. The number of conferences is increasing and provides a lot of income, not only for Harpa but also for the national economy.



## Stine Bosse: Keep the Nordic region a sweet spot

The Nordic region is a privileged sweet spot, and should remain one. But it means fully embracing the EU says Danish Stine Bosse, named one of the world's most powerful businesswomen many times over.

PORTRAIT

17.06.2014

TEXT: MARIE PREISLER, PHOTO: UFFE WENG

When Stine Bosse raises her voice, the worlds of business and politics at home and abroad pay close attention. She is a powerful businesswoman and also a well-known defender of showing political and economic prudence in order to create a better and safer world. In this interview she raises her voice to sound a warning to Nordic citizens and politicians.

“The Nordic region is a sweet spot. You don't need to travel far in Europe to see how incredibly lucky we are. But this predicament cannot be taken for granted, it is a result of an open and agile economy and a deep engagement with Europe and the UN. If we forget that, the sweet spot could quickly disappear,” she says.

Stine Bosse's words are aimed at political parties in both Denmark and other Nordic countries which are currently moving away from European cooperation. In Denmark she sees this tendency especially among the opposition parties The Red-Green Alliance and the Danish People's Party. They are at opposite ends of the political spectre but both are taking aim at the EU's cornerstones.

Lately the two parties joined forces to try to make the government stop the payment of child benefits to children of citizens from other EU countries - which would be in breach of the EU principle of freedom of movement. If this kind of attitude is spread to encompass a majority of citizens, things are not looking good for the Nordic welfare model, she warns.

"I am convinced that we in the Nordics will run into serious trouble if we stop considering ourselves as part of Europe. We are not alike in everything across Europe, but that doesn't mean we should close the shutters and think we can manage on our own while the others look after themselves. I would be very worried about the kind of world this would create and that it would be the end of the Nordic region as a sweet spot," she says.

### **Life balance**

Stine Bosse is a woman who speaks her mind without holding back. That skill, combined with her deep insight and experience from top management, made her Denmark's highest ranking female CEO for several years running, and in 2009 and 2010 she was among the Financial Times' top 25 most influential female businesswomen.

At the time she was CEO at the Tryg insurance company, a position she unexpectedly left in 2011 to spend more time with her family - two daughters and four grandchildren - and to spend more time on company boards. Both goals have been met, says Stine Bosse:

"So far my career has always zoomed along at top speed, and for decades my working week has been more than 60 hours, but balance is a keyword for me, and to achieve balance across my life I had to change tack."

She explains how she really longed to spend more time with her grandchildren. Today she spends a whole day a week with her eldest grandchildren and she also sees her daughters and good friends much more often than she used to.

She has also accepted a post as an adjunct professor at the Copenhagen Business School, and she has joined the boards of even more companies. Lately she was made boardroom director at The Royal Danish Theatre. The role makes Stine Bosse both happy and humble:

"Being the boardroom director for Denmark's national stage is a kind of public service which it is almost your duty to accept if you are lucky enough to be asked. I also feel very hum-

bled by the task, because I don't bring any deep insight into culture. But I do know a lot about leadership."

She reckons 80 percent of the leadership role at The Royal Danish Theatre is the same as any other leadership role. Another 10 percent is similar while the remaining 10 percent is definitely different.

### **It's about daring**

To dare is a motto for Stine Bosse, as she explains in the biography "It's about daring". And stepping away from her top leadership career is so far the bravest thing she has done in her professional life, she says without hesitating:

"Quitting my job at Tryg is without doubt the bravest thing I have done. My other professional choices are nothing in comparison. So far my career has been a long list of exciting offers which I have accepted. Now it is me who have chosen a completely different life. And in order to choose that life I had to abandon top leadership," she says.

She feels it is very important that the Nordic countries protect the welfare state, and she has expressed anger that there is not more political courage to carry out economic reforms. The welfare state needs reform in order to survive, says Stine Bosse.

"Nobody can be angry all of the time, but it does make me angry that the politicians didn't listen when I and the rest of the Welfare commission ten years ago called for tax reforms which would increase property taxes. Address the big issues rather than reducing the Nordic Region to a small, closed-off area where other EU citizens can't get child benefits," says Stine Bosse.

### **Social responsibility for companies too**

Companies also carry big social responsibility, thinks Stine Bosse. Recently she was quoted as saying that it is not OK for companies which make large profits to lay off several hundred people. This was interpreted in several media to mean that Stine Bosse did not acknowledge companies' right to maximise their revenues.

"I was really taken to task and I was misunderstood, because obviously companies must make money. But I still think companies to a large degree share a responsibility for the welfare state. It is obvious for small, local companies that they would not have had any customers without taking this responsibility seriously. But some large companies need reminding that they are responsible for more than their bottom line and need to think very carefully before they fire too many people."

### **No to politics - so far**

There has been talk about a political career several times. It is generally accepted that Stine Bosse has potential as a politician. But so far she has shied away from the opportunity, and will continue to do so for a few more years, she says.

“My political opinions are shaped by my experience from business, but I have chosen not to enter politics several times and for several reasons. Partly because I would like to live into old age, and right now my boardroom work and personal life remain priorities which I want to focus on. But I will not rule out that things might look different in five years’ time.”

She can’t explain why she has been named one of Europe’s most powerful women for several years running, nor can she say how you get there. But she hopes that many other women will achieve the same.

“I never quite understood why I was named. Presumably because of the combination of my business career and that I dare have an opinion about how society should work. My gender probably has played a part too, because i was quite alone as a female in top leadership. Hopefully there will be many more women to come.”



Seminar on Nordic models at the OECD, (from left) James Beard, Christophe André, Christian Kastrop (all OECD), Vesa Vihriälä and Tarmo Valkonen (ETLA)

## The Nordic model: From Reykjavik to Paris

“The Nordic countries need to stay on course. They will be an example to other countries, a reference point, particularly when it comes to the harmony between growth and really good social standards,” says Christian Kastrop, newly appointed Director for the Policy Studies Branch at the OECD’s economy department.

### NEWS

17.06.2014

TEXT AND PHOTO: BERIT KVAM

It is not often OECD economists are invited to an internal seminar on the Nordic Model. It happened on 11 June in Paris and was called ‘Growth, employment and welfare, Nordic experiences and perspectives’. The background was the Norwell report ‘The Nordic Model - challenged but capable of reform’, which was launched in Reykjavik on 22 May.

The Nordic model is not as unique as it used to be, says the Norwell report. Other countries have a well developed welfare system, like for instance Germany. Christian Kastrop, who chaired the seminar, used to be the Deputy Secretary-General for policy development at the German Ministry of Finance. When it comes to values, Germany and the Nordic countries aren’t that far apart, he says.

“The difference between Germany and the Nordic countries is the high degree of trust which people have to politicians

and institutions. Germans have little trust in the state,” he points out.

“There is a further dimension too: building trust in a small country is related to the fact that people know each other. It is my experience from travelling in the Nordic countries that when people from different spheres like government, politics, business and trade unions meet, they know each other.

“This is not only trust in the system. People also know who they can trust. In Germany the whole thing is more of a large anonymous entity. This is one major advantage which the smaller countries enjoy.”

Trust is an important dimension. Another dimension typical to the Nordic countries is that they have a culture of failure, says Christian Kastrop.

### **Culture of failure**

“Yes, I would say this is an issue which is undervalued. The Nordic countries are very good at adapting if they do something wrong. If they make a mistake, they write a report. Often an independent finance policy commission will give recommendations which can improve policies. So you are able to say, hey, we have made a mistake, we need to change this.

“Other countries don’t do this. Some don’t even want to have a report on the measures which have been initiated because it could show that I made a mistake, and I don’t want that, I want the power, I don’t want to be exposed to the public. So there is also a culture of failure. The Nordic countries are very capable of dealing with their mistakes. We have done it wrong, we make a change.

“In Germany you would say, no, no, we did nothing wrong, it is simply a bad report, we didn’t do anything wrong. This is a major difference.”

### **Inclusive growth**

In this economists’ stronghold the vision of inclusive growth is now being promoted. It was a key point during the OECD Secretary-General’s speech in Montreal on 9 June:

“The world is calling for change, for solutions where growth is more inclusive, where the gap between rich and poor is narrowing and where the growth dividend is shared in a fairer way,” said Angel Gurría when he promoted ‘All on board for inclusive growth’.

“This is a new, wider approach to the economic challenges where you focus not only on growth but also on other dimensions of welfare and resiliency and sustainability of the economy,” says Tuomas Sukselainen, economist counsellor to Finland’s permanent delegation to the OECD, and a member of the committee which reviews the bi-annual country reports for the OECD member states drafted by the OECD Secretariat.

### **Increased focus on the Nordic region**

Tuomas Sukselainen was the organiser, together with counsellors from other Nordic countries’ delegations and the OECD secretariat, for the EDRC seminar where the Nordic model was presented and discussed. EDRC, The Economic and Development Review Committee, is the core of the OECD’s peer pressure mechanism and has members from all of the 34 member states as well as the EU.

The EDRC’s role is to review and accept the economic surveys on economic trends and policies in the individual OECD countries and their key partners which measure achievements and give policy recommendations. The background for the seminar this time was the comprehensive Norwell report ‘The Nordic Model, challenged but capable of reform’, prepared jointly by the Research Institute of the Finnish Economy, ETLA, and economists from universities and institutes in

the other Nordic countries, on commission from the Nordic Council of Ministers.

Now people here are aware of this material, summed up Tuomas Sukselainen. The report has been an incentive to study the Nordic model in depth and to use this as a reference point when the OECD develops other countries’ country reports.

The debate around the Nordic model can also help bridge gaps internally, thinks Tuomas Sukselainen, because the seminar gathered people from several directorates of the OECD’s Secretariat. Advisors from many non-Nordic national delegations also participated and learned more about the Nordic model.

### **The Nordic region is a model**

*Is the Nordic model an example for other countries to follow?*

“I think yes, says Christian Kastrop. The Nordic countries are still an example, with certain reservations of course. You cannot use the Nordic model as an example for everything. But when it comes to a well balance approach to a market based economy while also delivering a high social standard, I think they really are a very good example. And after the crisis it is even more interesting because the Nordic countries have to change too, and I think we can learn a lot from the Nordics and their process of change. It also has a lot to do with how you deal with change and with mistakes.”

### **Worrying inequalities**

*There are growing inequalities in the Nordic countries too; how do you view that?*

“From my point of view, being responsible for policy studies, I think there is a very broad area where growth and social inclusion is really in harmony. I don’t believe that you have to cut your social expenditure to create growth. I think it is more a matter of doing it in an intelligent way. I am pretty sure the Nordics will be very careful not to lower their equality level.

“I cannot imagine that the general consensus of the Nordic society is lost. Of course there may be some temporary exaggerations if the financial stability is under pressure, but I believe this will be quickly corrected. I think it would be completely wrong to lower the equality.”

*Is the low level of inequality also the reason why the Nordic countries are forerunners?*

“Yes, and I think that is the entire strategy of the OECD, it is all about inclusive growth. Growth is a means, not a goal. We want to live, we want wellbeing, we want to have social security, we want a decent job. You want to have a decent income to cater for your family. Growth and social security is absolutely two sides of the same coin.”

*Is increasing inequalities worrisome?*

"There is no one answer for all countries at all times. Of course corrections and calibrations are sometimes necessary, tailoring them to the challenges and changes, doing more here and less there, making and keeping social systems efficient and effective. But I would be worried if inequalities increased beyond a certain level."

*Is any Nordic country doing better than the others?*

"This is very difficult to say. In a sense they all have different problems and they try to cope. Finland is dealing with one single big corporate that has gone down. There is a specific problem there. Norway is a very special case because of the huge income from oil, which they try to keep very intelligently for the future.

"Sweden and Denmark are probably more alike, while Iceland is also a very special case. The way Iceland is trying to get back from the crisis is very good. They were in a very deep hole, and some of the generosity of the system has been lowered, but I am pretty sure that when they come out of that hole they will probably not reach the same level as before but they will keep a decent social level."

### **Ageing and public cost**

Tarmo Valkonen, Research Director at the Research Institute of the Finnish Economy, ETLA, says that an ageing population is not a problem in itself, like people have been saying.

What can be a challenge to public services and a burden on the welfare state is technological progress in the health sector which can lead to an increasing demand for services from the public sector.

"I think we probably exaggerate this a little bit. People living longer is a good thing, and if we link the pension system a bit more to life expectancy, age is not an issue. I think the pension systems in a lot of countries have been going in the right direction. We must also remember that because of improved health many wish to work a bit longer. We need to look at age as an opportunity, not a problem."

The OECD is the best bank for comparative data. But the measuring parameters can represent a problem.

"Measuring will never be right for everybody. Whenever you measure there will always be somebody who complains. The point of measuring things, for instance in Pisa, is for me not a question of whether the figure is right for Sweden or for Norway or for Finland. What is important in doing measuring is that people and politicians become aware that there might be a problem to discuss. So when the OECD is producing a measurement or a figure I would not say this is the right figure.

"It is a possible figure, think about it. If it turns out there is a measurement problem and some issues are not measured in the right way, of course we can change that."

*What is the main message from the OECD to the Nordic countries?*

"To me, the main message would be that the Nordic countries are a point of orientation, especially for the harmony between growth and really good social standards."

# Conflict over part time labour stops Swedish trains

A train strike in southern Sweden has put renewed focus on how competition for public contracts affects the rights of the contractors' employees, and to which extent the procuring authority can interfere in their working and employment conditions.

NEWS

17.06.2014

TEXT: KERSTIN AHLBERG, EDITOR EU & ARBETSRÄTT

At 3 am on 2 July the trade union Seko stopped all Öresund trains operating between southern Sweden and Denmark, as well as the Snälltåget line between Malmö and Stockholm. The strike is still ongoing, and if Seko and the employer organisation Almega Spårtrafikföretagen fail to agree, industrial action will be extended to another line, Kustpilen.

At the core of the conflict is not a dispute over train personnel wages. It was spurred by an incident at one of Almega's member companies, Veolia Transport, which is running traffic on the three train lines on commission from regional authorities. In March Veolia told 254 full time train drivers and train managers they would be made redundant because there were not enough jobs. The reason was new operational conditions imposed by the new contract coming into effect from 2015, said Veolia. The employer actually did not want to reduce personnel with more than 94 employees. The remaining 160 would be offered to stay - if they accepted part time contracts. In local negotiations Seko tried to convince Veolia to reduce the use of zero-hour contracts instead, which would reduce the number of redundancies.

## Unions want limits on part time work

Parallel to the local talks Seko and Almega had a joint working group reviewing the entire central agreement for the railways. When talks at Veolia failed, Seko brought the issue into the discussion of the central agreement, and demanded the introduction of rules to limit the employers' power to use part time and zero-hour contracts. Almega says no out of principle, and that is where the parties stand at the moment.

Veolia's action can probably be explained by the fact that the company put in a tender which was too low in order to secure the contract for Öresundstågen, and now staff and travellers must pay the price in the shape of weaker employment conditions and worse service, writes Seko in its notice of industrial action. The media is challenging the politicians who were responsible for the procurement, and lawyers are asked

whether the procuring authorities can impose a limit to the number of part time and temporary contracts that service providers can use. Everyone remembers how the former Öresundstågen operator was forced to end its contract prematurely in 2011 because the company had accepted a procurement price which was so low that the operation ran with a loss.

## Working conditions under pressure

It is hard to know whether Seko's suspicions of Veolia putting in a 'too low' tender are correct. It is in any case a fact that competition for public contracts means increased pressure on working and employment conditions as more and more publicly financed activities are contracted out.

Swedish employers are for instance not obliged to apply collective agreements, and there are trades where employers who are bound by collective agreements feel it is not worth tendering for business because they reckon they don't stand a chance.

Another example are the recurring procurements of services like local bus operations, municipal waste disposal, local boat transport etc. which do not lead to a transfer of undertakings or businesses in the labour law sense. If a new supplier takes over the contract from the present one, employees can be forced to accept lower wages and reduced rights in general if they wish to keep their job with the new contractor.

## Fired with every new procurement

They might also have to accept losing their job every time the service is put out to tender, because their employer does not know whether the contract will stay with the company. In January the Swedish Labour Court ruled that nine workers employed to perform work under a service contract could be given notice of termination in the spring to allow their jobs to end on the same day that the contract would come to an end. In the autumn it transpired that the company would be given

a new contract, but the workers were already fired. And that was OK, according to the Labour Court. The crucial point was what the employer knew about the future when the workers were given notice of termination.

This new reality has increased the number of conflicts over principles and terms other than wages during negotiations, according to the National Mediation Office's annual reports.

That is also why there is now increased pressure on authorities to draw up tenders which prevent competition for public contracts having a detrimental effect on workers, and for the new legislation that will transpose the new EU directives on public procurements to make this possible. But far from everyone agrees that authorities should interfere in the terms of employment offered by a contractor. There is also disagreement on what EU law allows, even though the new directives are clearer than the old ones.

### **Consensus on collective agreements**

There is relative broad agreement in Sweden these days for authorities to be allowed to demand that suppliers follow certain conditions in Swedish national collective agreements, for instance when it comes to wages, as long as this is being done in the right way. Even the Swedish Competition Authority, traditionally most interested in talking about what is not allowed, is supportive of the idea.

Trade unions for workers in service sectors want authorities to demand that staff can stay if a procurement leads to a change of contractor, even if there is no transfer of undertaking in the sense of EU Directive 2001/23. The Competition Authority doubts that this will be in conformity with EU law, while the Swedish Municipal Workers' Union has carried out a judicial inquiry which came to the opposite conclusion.

However (going back to the original strike action), there is still no answer to the question whether Skånetrafiken could make it conditional for whoever would run the Öresundstågen line that they'd have to limit the number of part time and zero-hour contracts.



Guðrún Sigurjónsdóttir, deputy head of the health department at Iceland's Ministry of Welfare

## Iceland initiates a Nordic welfare watch

As part as its presidency of the Nordic Council of Ministers, Iceland has initiated a research project to look into the possibilities and interest for creating a Nordic welfare watch. Researchers in the Nordic countries will work together until 2016 to map how economic crisis influence welfare and how it can be made sustainable also during bad times.

NEWS

17.06.2014

TEXT: GUNHILD WALLIN, PHOTO: BJÖRN LINDAHL

In today's Iceland people know very well how seriously a country, its citizens and welfare system can be hit by an economic collapse. They now have comprehensive knowledge about how the crisis hit individual people and social groups, because in February 2009, only months after the cri-

sis hit, Iceland established the independent research group the Welfare Watch. They looked beyond economic indicators of the crisis, and developed a range of methods to also measure and understand the social indicators, i.e. the impact of

the economic collapse on a range of social factors - both visible and less obvious.

“The good thing was that we, by involving so many different groups and social areas in the Welfare Watch, quickly gained information about the state of our society and of the people, for instance from schools, trade unions and the health sector. These were people who you could say were close to the beating heart of society. The information wasn’t scientifically gathered, sure, but we were able to act based on what we learned and to investigate further,” says Guðrún Sigurjónsdóttir, deputy head at the Health Department at Iceland’s Ministry of Welfare.

### **International interest**

The experiences gathered through the Welfare Watch have been very positive. In the middle of the crisis there was a group with broad social reach, a strong engagement and a strong focus on reducing the social effects of the economic collapse. Having the support of government ministers also helped. The project has gained international attention and now the Icelandic government, as part of its presidency of the Nordic Council of Ministers, wants to initiate a research project which can form the basis for a Nordic welfare watch. It is a priority during the presidency and the aim is to use Nordic cooperation, research and knowledge exchange to strengthen the Nordic welfare model and make it sustainable also during an economic crisis.

To begin with the Icelandic Welfare Watch will be evaluated. Each country will also be given the chance to map their own welfare systems in terms of how well they work and what kind of contingency plans are in place in case of an economic crisis situation, as well as finding out which social indicators are available to measure welfare. The main focus will be on the social parts, as most countries already have systems for how the health sector should work in a crisis. The idea is also to investigate the visions of future challenges and crisis. Perhaps they are different to what we imagine, and demand new welfare strategies?

### **Economic crisis demand other strategies**

“In Iceland we are used to facing danger, but our preparedness has been focused on natural disasters. The social factor has not been part of crisis planning, but during the economic crisis we needed more cooperation than before both within social and health sectors,” says Guðrún Sigurjónsdóttir.

The work has started and is divided into three projects, each of which has its own steering group. There will also be interdisciplinary groups in each country which will be working with the different steering groups. Three representatives from each country will meet regularly in a joint, overarching steering group. The development of the social indicators will happen in close cooperation with the Nordic Committee on Social Security Statistics, Nososko, and the Nordic Medico-Statistical Committee, Nomesko, which recently met in Iceland with participants from each country.

“It is a new way of seeing which strings we need to pull so that we can understand the challenges ahead and develop tools which allow us to identify the early signs of a crisis,” says Guðrún Sigurjónsdóttir.

The project’s final stage will see the results from the various sub-projects being analysed. Are there reasons to create a joint Nordic welfare watch, and what do the future challenges and crisis look like for the Nordic countries looking forward? And how can interdisciplinary knowledge across the borders work in times of crisis?

The project is divided into four components. The final one should finish by the end of 2016. That’s when a decision will be made as to whether there is a need to create a Nordic welfare watch, built on solid research where the countries can exchange experiences and gather information in order to further develop their own welfare systems to be sustainable even during times of economic hardship. The aim of Iceland’s welfare watch was to create a system which could reduce the effects of health-related problems when society is hit by economic collapse - an experience well worth developing with Nordic neighbours.