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“Where have all the parties gone?”

**Tripartite programmes for
enterprise development and
innovation facing a brutal
world of work.**

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1. Value Creation 2010

The author is working as a researcher on a national tripartite programme for enterprise development and innovation called Value Creation 2010 (VC2010), Hafting, (2005); (2004a); (2004b); (2003); (2002a); (2002b). The over-all aim of the programme is to elicit the potentials of innovation within companies, networks of enterprises and development coalitions in a region, Programme memo, and (2001). Employee participation within the company is an important stated means for fulfilling the goal of the programme. VC2010 is scheduled to run from 2001 to 2010 and the bulk of the money is granted by the State. The annual budget at the national level amounts to 30 million NOK (in 2003), equivalent to 4 670 000 US dollars. The formation of regional partnerships is strongly emphasised in VC2010 implying a co-operation between actors as public development agencies, regional offices of employers and employees, and labour market agencies, Gustavsen (2004).

2. Tripartite enterprise development and innovation

The focus in the present presentation is on the national, institutional framework of tripartite business development and its potentials in the future. VC2010 is a recent example of a tripartite programme for enterprise development. Labour, management and the State co-operate on improving work conditions, efficiency and innovation in the private business sector of the economy. There are two major interest organisations in the private sector called The Confederation of Labour (LO), representing the employees and The Confederation of Industry and Trade (NHO), representing the employers of the business enterprise.

Tripartite enterprise development has a long tradition in Norway and dates back to the early years after World War II. Business management and trade unions of the company were working together on conducting experiments on work organisation, Gustavsen (1998); Gustavsen (2004). The introduction of autonomous work groups was quite widespread aimed at increasing employee

participation and efficiency. The projects were based on socio-technical design balancing the psychological needs of employees and technical needs of the machinery. Theory had a prominent role in the experiments and the goal was to improve theory by testing hypotheses in a practical setting, Hummelvoll (2003); Hafting, (2005). The researcher was defined as an expert and had to convince employees of the usefulness of the project. The employees assisted the researcher to carry out the experiments in the enterprise. The way in which the projects were organised caused problems for diffusing work-related experience and knowledge within and between companies. The long-term effects of the experiments usually turned out to be rare and the participation of employees limited. The prevalent hierarchical principles of organisation were a significant obstacle having innovations diffused to the upper echelons of the business firm, Gustavsen and Hunnius (1981). The State provided financial support to the action research projects in this period.

The role of the researcher has changed to a consultant on organising development processes in the company. The employees and management are responsible for the topics of the projects, for example, organisation development, enhancement of competence, and the psycho-social work environment. The researcher has to establish a dialogue between the practitioners and scholars. The next task is the network of companies counting from four to twenty companies discussing general topics of common concern. The final step is the setting up of the regional development coalition. This body has a broader aim than the enterprise network discussing political, economic and social aspects of innovation pertaining to the region, Hafting (2002b). National tripartite programmes for enterprise development and innovation as Enterprise 2000 (ED 2000) and VC2010 have facilitated the diffusion of work-related experience and knowledge in action. The researcher has to relate to and solve problems with many people in working life referred to as 'the third task of the College'. The programmes are broad in the sense that more than 100 researchers and practitioners have participated and they are long-term (6 - 10 years). In VC2010 there are 11 main projects scattered all over Norway in which researchers and practitioners are working together on a long-term basis.

The co-operation between the parties of working life and the State is an established and integrated part of industrial relations in Norway, Gustavsen, (2001a); Hafting, (2004a); Munkeby (2000). It is derived from the heydays of Social Democratic majority rule marked by close ties between the labour movement and the Labour Party. The basis is trust and co-operation between the parties and the State and is closely related to the development of the Welfare State, Kildal and Kuhnle (2005); Hatland, Kuhnle and Romøren, (2001). The parties of working life have been assigned a broad political role in providing infra-structure, education, health care covered by the State far beyond improving

material benefits of their members. Tripartite programmes for enterprise development are based on a high union density (60 per cent as an average), the Agreement on Co-operation and Development between the parties and long-term funding by the State, Gustavsen, (2001); Hafting, (2004a).

3. Future of tripartite enterprise development

In the present paper the prospects of tripartite programmes of enterprise development and innovation are addressed. Tripartite enterprise development is unique to Norway making it possible to do comparisons with other industrialised countries. The comparisons can yield interesting knowledge of the role of social institutions in innovation. This also pertains to the potentials of learning from tri-partite enterprise development in emergent market economies of Post-Communism. The research questions in the paper address the national, institutional framework of tripartite enterprise development embracing the influence of a global economy, the parties of working life and the Welfare State.

- Why bother about tripartite enterprise development and innovation when facing prosperity, affluence and abundance derived from the oil revenues into an unforeseeable future?
- How does the relative development of business sectors in Norway influence the recruitment of members to the interest organisations of employees and employers?
- How does ownership of large international corporations in Norway influence the practice of tripartite enterprise development and innovation?
- What is the potential of learning from tripartite enterprise development in emerging market economies?
- Do these trends imply that the institutional framework of enterprise development and innovation in Norway will become obsolete in the future?

4. Exploring piecemeal change and survival

The idea is to present two scenarios anticipating how tri-partite enterprise development and innovation will look like. The scenarios will be based on the changes in and interplay between the social institutions representing the economy, labour, management and the State.

The purpose of the paper is to explore these relationships by using images of the future, and tentatively compare with emerging market economies of Post-Communism. The assertion of the paper is that tripartite enterprise development and innovation in Norway will flourish and survive to 2040. Norway will benefit from inconceivable large oil revenues and gas thirty-five years ahead. Because of the wealth generated by oil, the State will have various options for public governance in general, Nørve et al., (2005) and in the

innovation policy in particular. Secondly, the paper is based on the thesis of path dependencies of social institutions, Esping-Andersen (1999), Stinchcombe (1965). Once social institutions have been established and consolidated, strong driving forces in society are required to have them changed and over-thrown. A similar argument is discussed specifically related to the institutional framework of industrial relations in Norway, Quale and Øverland, (2001). The history of the institutions of industrial relations supports the claim of piecemeal change and survival based on their original characteristics and values.

5. Scenarios of survival and decline

Norway is lagging behind in terms of creating new products, services and forms of organisation compared to the majority of OECD-countries, Moen, (2002). This pertains to technological and economic development of the economy aimed at launching new products on global markets.

The first question is why should Norway devote more time, energy and money on innovation? Why is it necessary? Having the prospects of oil revenues in mind, it is fully conceivable that we need not, Nørve et al., (2005). People prefer being rich and lazy rather than poor and innovative. The State can redistribute the riches from the oil revenues thirty years ahead while the production system of manufacture will be reduced.

In a recently published report it is discussed a scenario of increased oil revenues and the impact on the political agenda, Nørve et al., (2005). It is presumed that the price of raw oil as an average will amount to 50 US dollars a barrel (about 400 litres). The reason for the increase is a higher demand for oil in Asia, there are fewer oil reserves left and OPEC will keep the price higher than previously.

Oil revenues are a problem of plenty which has been debated frequently by politicians. The Petroleum Fund of the Norwegian State has invested the major part of the revenues abroad since the beginning of the 1990-ies, Moen (2002). The Ministry of Finance has put on the breaks because main-stream economists fear that the economy will be overheated. Prudence in public spending is the current mantra in the remote offices of the Ministry. If a high oil price will come true in the future, the politicians will pay more attention to the problem of plenty by suggesting popular proposals. The Petroleum Fund will be filled up faster than expected and the present rule of spending 4 percent from the Fund each year may be changed. The researchers envisage in the scenario that the flow of money to the State will increase between 100 to 170 billion NOK (between 15 and 25 billion US dollars) more than the estimates of The Ministry of Finance each year in the period 2006 – 2030. Last spring the Storting (the Parliament) discussed furiously a reform of the pension system and scheduled cut-backs in the provisions in the future. According to the research group, the debate on

reducing pensions has a wrong focus and is wasted time. The flow of money will enable the State to fulfil the present obligations of pensions in the future, and all the promises of the politicians can be realised. After that the State will have 1000 billion NOK (150 billion US dollars) left on the bank account abroad. Rather than discussing subtleties of pensions and other reductions in public spending, the politicians should discuss major issues as should Norway become a financier as the Arabic states or should she develop new industry.

The prospects of traditional manufacturing in Norway are unfavourable because of high wages and taxes. There has been the last ten years a substantial reduction in places of work in manufacturing either by moving the business abroad with lower wages or the business has been closed down. High oil revenues and public spending will reinforce this trend in the future.

Tri-partite enterprise development is closely related to these changes in the economy. The typical participant in ED2000 and VC2010 is the manufacturing company while industries as high-tech and service are far less represented. The economy in Norway is too much directed towards producing raw materials as oil, fish and aluminium, Moen (2002). Politicians are concerned of Norway 'having a living' after the oil has come to an end in forty years, Programme memo (2002). Business should pay more attention to innovation by introducing new products, services and forms of organisation based on knowledge. The transition to a knowledge economy should be facilitated by the fact that 'intellectual labour' is cheap in Norway compared to other industrialised countries.

The decline in places of work in manufacture, individualisation and flexibility in working life has an impact on recruiting members to the trade unions. They have not as many members as earlier in the private sector of the economy. Young employees are less frequent a member of a union compared with older colleagues. People with higher education are members in other confederations than The Norwegian Confederation of Labour (LO). An increasing proportion of the work force, especially women, is working part time. The individualisation and flexibility of working life implies that employees prefer tailor-made working conditions and wages. Tri-partite enterprise development is based on a high union density facilitating the diffusion of knowledge and learning to many people. When the number of members of the trade unions is reduced, the impact of learning and diffusion of innovations will be diminished.

Tri-partite enterprise development programmes as ED2000 and VC2010 have faced the problems of globalisation. Trans-national corporations located have purchased and merged companies in Norway. The new owners do not favour the involvement of trade unions and the State, and projects have been closed. They

do not consider the need for tripartite enterprise development because the corporation has got in the headquarter their own R&D department. When the economy turns more global, it is likely that ownership abroad will increase and inhibit tri-partite enterprise development based on the model of industrial relations in Norway.

The role of trade unions and business owners under Social Democratic rule was far more than negotiating wages and other material benefits. They played a vital political role in the development of the Welfare State based on economic growth and affluence, Munkeby (2000). The involvement of trade unions in tri-partite enterprise development serves as an example for securing prosperity in the future. This is only one, among many examples, ranging from sickness benefits, collective pensions, vocational training to reforms in education. Neo-Liberal principles have been introduced in the policy of the Welfare State. The State is no longer the sole provider of social benefits from the cradle to the grave. Parties on the right wing have suggested introducing three days of absence without any payment. Disability pensions are more frequently endorsed by having them combined with part time jobs.

6. Discussion

The methodological problems concerning the use of images of the future in social research are well known. We do not have ‘data’ of the future to rely on and a pitfall is to extrapolate – prolong existing empirical trends. The usefulness of scenarios is according to my view to train the mind for a variety of contingencies. We do not claim that the price of a barrel of oil will remain 50 US dollars or more and the equivalent revenues to 2040. But if so, what then? We do not claim that the path-dependency of the social institutions of industrial relations in Norway will be invariably sustained to 2040. But if they do somehow, what then? As the business structure of the economy gradually will change with a declining production system of manufacture, will other actors most likely than labour and management in the private sector play a more prominent role. It is conceivable that the public sector will have more emphasise in tripartite development programmes, Kalliola and Nakari, (1999). When the State is assigned the role of redistributing the riches of oil many years ahead, this main task has to be organised efficiently. Labour and management in the public sector will have a stronger say in the programmes than previously. On the other hand, we do know that the prices of crude oil on the world market fluctuate considerably. This is the nightmare of all top corporate executives of oil companies. We have had extreme low oil prices in 1985 and 1989/99, Nørve et al., (2005). The demand for oil 40 years ahead may be reduced because of technological development of alternatives to the combusting engine in motor cars, demands from environmentalists and the state of the world economy. High prices of oil can lead to reduced demand for products and services and lay offs

of workers. The influence of ownership by foreign or Norwegian corporations on tripartite enterprise development is not clear-cut. The Norwegian company Hydro Polymer, which is a division of Hydro ASA, is a showcase for tripartite enterprise development and innovation. On the other hand, there are examples of corporations operating in Norway having policies contradicting with the principles of tripartite enterprise development. In the Anglo-American world the practice of Human Resource Management (HRM) is much more widespread than employee participation based on the principles of industrial democracy. HRM is a concern between the employer and individual employee rather than the collective of unionised workers. I will refrain from presenting powerfully assertions on the value of use of tripartite enterprise development and innovation in emerging market economies of Post-Communism. My provisional assertion is in general that the learning value is conditioned on strong trade unions and proactive business management at the level of the enterprise, network of enterprises, regional development coalitions and the institutional framework of the nation and nations. Enterprise development and innovation will have poor conditions confronted with trade union officials as soft-liners and reactive management practice at all levels of analysis and action.

7. Conclusions and implications

The *raison-d'être* of tripartite enterprise development and innovation is the role of the State, labour and management as the provider of welfare based on economic growth and development. The co-operation between large, national confederations of employees, employers and the State will ease the diffusion of knowledge, experience and planned change of working life. A large part of employers, employees, researchers and people employed in development agencies in Norway are simultaneously involved in the endeavour of changing structures and processes in the economy. Enterprise development and innovation are firmly rooted in the social institutions of industrial relations and will withstand political pressure, threats, changes and a revolution.

Appendices 1. Model 1 of institutional framework of tripartite enterprise development and innovation

The parties of working life:
Private business owners

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Global economy ----- TEDI ----- The welfare state

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The parties of working life: Employees

(Model 1)

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