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**“For Renewal, Restructuring, and Growth”: A History of the
New *Arbeidslinje*, 1985-1995**

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Preface

This thesis has a long pre-history. I became interested in questions of historical and contemporary political economy as an undergraduate student of sociology and history. I was fortunate enough to have teachers who were deeply concerned with both empirical rigor and practical questions of economic and social justice—and who tended to emphasize the materialist and structuralist approaches that I still believe are an essential foundation for making sense of political and economic life. I would like to think that something of what I learned a decade ago is reflected in this thesis.

Scandinavian social democracy came up occasionally in discussions of the route to a more just society in my classes, piquing my curiosity, but I did not intend to write a thesis on Scandinavian political economy when I arrived in Norway in 2021. Coming out of the coronavirus pandemic and the Trump years, which only underlined the deep problems in American politics and society, I was mainly happy to have left the United States, having been drawn to Norway after visiting prior to the pandemic. But when it came time to settle on a thesis topic, nagging questions about the political economy of the society I was living in—and about the continuing possibilities for economic justice in an age of rising inequality—drew my attention. The history of the *arbeidslinje* is too complex to offer clear and easy answers, but it does, I believe, enrich understanding.

I would like to thank my supervisors, Einar Lie and Kim Christian Priemel, for their support and exceptional guidance throughout the process of developing, researching, and writing this thesis. I would also like to thank my classmates in the MITRA program for helpful comments when this project was at an early stage. Helge Waaler, archivist in *Kommunal- og distriktsdepartementet*, searched the Labor Ministry archives for relevant material (long story) and arranged for me to come view it in central Oslo. I would not have been able to do the research necessary to complete this project without the ability to read Norwegian, so I thank my instructors in the university's Department of Linguistics and Scandinavian Studies. My parents' contribution to this project has been substantial. The support and encouragement of Lucia through the ups and downs of grappling with this thesis has been indispensable.

Chapter 1

Historicizing the New *Arbeidslinje*: An Introduction

In her first speech as leader of Norway's Socialist Left Party (SV) in March 2023, Kirsti Bergstø attacked the country's "largest parties," charging that "for many years [they] have been more concerned about people receiving a little too much in welfare benefits than about people living in poverty."¹ She challenged the Labor Party-led government of Jonas Gahr Støre to "join us and increase benefit levels. Join us and scrap the failed *arbeidslinje*," referring to the country's prevailing, work-centered approach to unemployment policy.² In a time of rapid inflation and rising interest rates, however—and with popular support for his government sagging—the prime minister was coming under pressure to raise benefit levels and abandon the *arbeidslinje* not only from the more radical parties to the left of Labor (AP), but also from increasingly vocal and numerous dissenters within the party itself. Earlier in the year, the party's candidate for mayor in Oslo, Rina Mariann Hansen, had called the *arbeidslinje* a "terrible concept" (*fryktelig begrep*), before arguing in April that benefits were "so low that people cannot manage on them," with more and more people who were already receiving disability benefits (*uføretrygd* or *arbeidsavklaringspenger*) forced to apply for emergency cash assistance (*økonomisk sosialhjelp*) in order to survive.³ Dissent was hardly limited to Oslo: *Aftenposten* predicted a rebellion over benefit levels (*trygdeopprør*) at the party's national meeting in May, having calculated that 274 of the 300 delegates would come from county party organizations (*fylkeslag*) that supported a general increase in social security benefits.⁴

While Støre ultimately yielded to his party and increased benefit levels in the 2023 budget, he was unapologetic in his defense of the overarching policy approach that had led to party rebellion in the first place—the *arbeidslinje*—calling it "a pretty proud concept, a friend

¹ Milana Knezevic and Lisbeth Skei, "Bergstø utfordrer Støre i første partiledertale: – Vrak arbeidslinja," *NRK Norge*, March 19, 2023. <https://www.nrk.no/norge/her-er-bergstos-forste-tale-som-svs-partileder-1.16343558> (accessed 16 June 2023). All translations are the author's unless otherwise noted.

² Ibid.

³ Kristian Skårdalsmo and Mats Rønning, "Støre møter internt Ap-opprør: Åpner for å øke ytelser," *NRK Norge*, April 13, 2023. https://www.nrk.no/norge/store-moter-internt-ap-oppror_-apner-for-a-oke-ytelser-1.16370111 (accessed June 16, 2023).

⁴ Kjetil Magne Sørenes and Sigrid Gausen, "Ap-ledelsen blir møtt med trygdeopprør. Stort flertall vil presse satsene opp," *Aftenposten*, April 1, 2023. <https://www.aftenposten.no/norge/politikk/i/y6VwjA/ap-ledelsen-blir-moett-med-trygdeopproer-stort-flertall-vil-presse-satsene-opp> (accessed June 16, 2023).

and not an opponent” in an interview with NRK in April.⁵ At the national party meeting, he went further, arguing that “the *arbeidslinje* is there to give people security, community, and opportunities. So to say it in a slightly different way than [Prime Minister] Gro [Harlem Brundtland]: do not mess [*ikke kødd*] with the *arbeidslinje*.”⁶ Despite significant internal dissent, support for the *arbeidslinje* remains strong among the AP leadership, more than thirty years after it became government policy under Brundtland, as Støre’s admonition, harsher in Norwegian than in English, illustrates. And it remains central to Norwegian social policy, garnering support from all the major parties, bourgeois and otherwise.

Research Question and Literature Review

This thesis investigates the origins of the *arbeidslinje*, primarily focusing on the period of roughly seven years immediately prior to its introduction in 1992. How and why did official thinking on labor market and unemployment policy evolve in Norway in the years leading up to the *arbeidslinje*’s introduction? How did the content of labor market and unemployment policy—what would become known as the *arbeidslinje*—change in the conceptualizations of policymakers? Why was the *arbeidslinje* introduced?

For such an important and controversial element of social policy, which has otherwise attracted considerable scholarly attention, the *arbeidslinje*’s origins are remarkably obscure. There is no detailed historical account of its development in the 1980s and 1990s, nor any but the briefest examination of why policymakers embraced it. This is not to say that the *arbeidslinje*’s historical and transnational roots have been neglected entirely. Nanna Kildal, as well as Aksel Hatland and Steinar Stjernø, trace the evolution of Norwegian conceptions of the relationship between work and social security since the 1930s, relating these changes to and describing shifts in social policy.⁷ Anders Mollander and Lars Inge Terum explain that “the background [for the *arbeidslinje*’s adoption] was political concern about the growth of social security program utilization, especially the use of long-term disability insurance [*uføretrygd*]. Too many working-

⁵ Skårdalsmo and Rønning, “Støre møter internt Ap-opprør.”

⁶ Skårdalsmo and Rønning, “Støre om fattigdom,” *NRK Norge*, May 10, 2023. https://www.nrk.no/norge/store-om-fattigdom_-_bostotte-har-vaert-treffsikkert-1.16404191 (accessed June 16, 2023).

⁷ Kildal, “Fra arbeidsetos til insentiver og velferdskontrakter,” in *Arbeidslinja: Arbeidsmotivasjon og velferdsstaten*, ed. Steinar Stjernø and Einar Øverbye (Oslo: Universitetsforlaget, 2012); Hatland and Stjernø, “Arbeidslinja – velferdspolitikkenes nye mantra,” in *Den nye velferdsstatens historie: Ekspansjon og omdanning etter 1966* (Oslo: Gyldendal, 2020).

age people stood outside of the labor market, and social security outlays had grown too much and threatened the welfare state's economic sustainability."⁸ They observe that, at the time, many industrialized countries were facing similar problems and responding in similar ways—with activation requirements for the able-bodied unemployed—while Hatland and Stjernø note the particular influence of American and British Third Way thinking in Norway.⁹ In contrast to other industrialized countries, however, Norway's adoption of the *arbeidslinje* reflected “financial concern for future generations, i.e., future challenges,” rather than fiscal or macroeconomic crisis, according to Kildal.¹⁰

All of these elements played a role in the *arbeidslinje*'s adoption, but detailed accounts of the policy's development characteristically begin either with the public debate on and eventual authorization of work requirements for *økonomisk sosialhjelp* recipients in 1991, or with the publication of the government white papers that made the *arbeidslinje* official policy (the 1992 *Attføringsmelding* and the 1995 *Velferdsmelding*), neglecting the decade prior to these events almost entirely.¹¹ Explanations for the embrace of the *arbeidslinje* are therefore drawn from the late stages of the policy's development—from the details of the work requirement debate or from the text of the two white papers. Even apart from the ahistorical nature of this approach, it rests upon sources of evidence with significant limitations. The white papers in particular focus largely on the technical details of the relevant welfare programs. Although they do explain why the *arbeidslinje* was adopted, they do so briefly and at a high level of abstraction, such that it is difficult to discern the broader but historically-specific economic context or the government's labor market policy goals as they relate to this context. Only because the secondary literature begins with a narrow conception of social policy—as “the traditional terrain of social amelioration,” to quote Gøsta Esping-Andersen—are these sources deemed adequate on their own to explain the *arbeidslinje*'s adoption.¹²

⁸ Anders Molander and Lars Inge Terum, “Aktivering,” in *Trygd i aktiveringens tid*, ed. Ann-Helén Bay et al. (Oslo: Gyldendal, 2019), 85.

⁹ *Ibid.*; Hatland and Stjernø, “Arbeidslinja – velferdspolitikken nye mantra,” 176-177.

¹⁰ Kildal, *Workfare Tendencies in Scandinavian Welfare Policies* (Geneva: ILO, 2001), 13.

¹¹ The debate on work requirements for *økonomisk sosialhjelp* recipients included the fall 1991 *Snillisme* debate but began earlier—with a proposal from Norway's conservative party, Høyre, in parliament in the spring of 1991, or arguably with the publication of a report by the Oslo government (*byrådet*) on the city's long-term development in 1990. See Ivar Lødemel, *Pisken i arbeidslinja: Om iverksettninga av arbeid for sosialhjelp* (Oslo: FAFO, 1997), 24-27.

¹² Esping-Andersen, *The Three Worlds of Welfare Capitalism*, (Cambridge, UK: Polity, 1990), 1.

Methodology and Sources

This study departs from the existing literature in deemphasizing these and other documents published by the Labor and Health Ministries in favor of the Finance Ministry's planning and budget documents, which deal with the economy as a whole and typically do not mention the *arbeidslinje*, at least not directly. This methodological choice follows from the theoretical conviction that welfare policy must be understood as part of the "state's larger role in managing and organizing the economy," in which "issues of employment, wages, and overall macroeconomic steering are considered integral components in the welfare state complex," as Esping-Andersen puts it.¹³ The *arbeidslinje*, in this view, must be explained as more than just a response to rising welfare program utilization, increasing pressure on state finances, demographic change, persistent long-term unemployment, the suffering of those locked out of the labor market, or the vague need to increase "value-creation" (*verdiskaping*)—all reasons mentioned in the two white papers and in the secondary literature.¹⁴ While policymakers' concerns about these problems were real, they do not add up to a systematic, historical explanation for the *arbeidslinje*'s adoption, which had deeper roots in the exigencies of Norwegian economic policy and the economic problems of the 1980s.

This study draws mainly upon expert reports (*Norges offentlige utredninger* – NOU reports) and government white papers (*Stortingsmeldinger*) issued by the Finance, Labor, and Health Ministries. While it would have been preferable to draw more heavily on unpublished archival materials, it took significantly more time and effort than expected to gain access to government archives. The only relevant papers held by the National Archive (*Riksarkivet*) were those of the old labor market agency (*Arbeidsdirektoratet*), which provided a useful view of labor market conditions on the ground in the 1980s, but did not add up to a larger explanation of the *arbeidslinje*'s origin. The Labor Ministry's papers from the period are still held by *Kommunal- og distriktsdepartementet* (roughly: Ministry for Municipalities and Rural Areas) and have not been cleared for public access, so it was impossible to search them firsthand. Any materials the ministry archivist deemed relevant required lengthy evaluation prior to release. The same applied to the Finance Ministry's papers. The Finance Ministry archivist could not find any

¹³ Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 1-2.

¹⁴ "Verdiskaping" appears in Kildal, "Fra arbeidsetos," 183; the same word is used in the *Attføringsmelding*, St.meld. nr. 39 (1991-1992), 21 and the *Velferdsmelding*, St.meld. nr. 35 (1994-1995), 11.

materials related to labor market policy in connection with the production of the relevant *National Budget* white papers, nor could he provide access to government memos (*Regjeringsnotater*) that may have discussed such policy.¹⁵

What is the *Arbeidslinje*? A Historicized Definition

Despite or perhaps because of its centrality to Norwegian social policy, defining the *arbeidslinje* (literally “work line”) is challenging, especially for historiographical purposes. The *arbeidslinje* first appeared as an outgrowth of Norwegian social democracy’s traditional approach to labor market policy, with an emphasis on facilitating job acquisition and retention through retraining, education, and rehabilitation. But it evolved in meaning in the following decades, becoming more controversial and less closely tied to the social democratic heritage (or at least its predominant features), making a single rigorous definition impossible to formulate. Showing that its meaning shifted over time is indeed one goal of this thesis.

There was no explicit break with Norwegian social democracy’s approach to labor market policy, unemployment, and social security when the *arbeidslinje*—or, more precisely, the new *arbeidslinje*—was adopted in the early 1990s, probably because it drew upon policy tools and ideological tendencies that could be traced back decades. Work was central to social democratic policy and ideology from an early date. Facing widespread unemployment during the Great Depression, the labor movement adopted “work for all” (*hele folket i arbeide*) as a slogan and demand, with the policy of high employment labeled the “positive *arbeidslinje*” that would increase production and fund care for those who could not work.¹⁶ In the 1945 election, six parties committed to a common program in which they declared that “all able-bodied [people] shall have the right and the duty to work.”¹⁷ This rhetorical connection of work to duty aside, however, policymakers were largely unconcerned about the work ethic of the population, emphasizing instead the state’s responsibility to provide meaningful work, to the point that Prime Minister Einar Gerhardsen’s ruling Labor Party guided a constitutional amendment through

¹⁵ In Norway, the *National Budget* is a white paper issued each year that explains and justifies government policy and associated expenditures.

¹⁶ Steinar Stjernø and Einar Øverbye, “Arbeidsmotivasjon, arbeidslinje og velferdsstat,” in *Arbeidslinja*, 18.

¹⁷ Kildal, “Fra arbeidsetos,” 179.

parliament in 1954 that committed the state to a policy of full employment.¹⁸ Work was seen as a duty, but in the aftermath of the Depression, its conceptualization as a right predominated in policymaking and ideology.¹⁹

This right to employment was closely tied to the universalistic entitlements of the postwar welfare state. The solidaristic principles that the welfare state rested upon stressed “the productive participation of all,” since high employment levels were necessary to fund the system.²⁰ Yet this productivist ideology was not explicitly conditional, nor was it openly based on notions of work as duty—social entitlements were seen as “the precondition for productive participation,” rather than as “something earned through duties fulfilled.”²¹ Social democratic productivism nevertheless “led to the identification of various groups in social policy as crucial labor force reserves and to the creation of welfare means explicitly aimed at bringing out their productive potential,” according to Jenny Andersson.²² This was the ideological background for the development of the active labor market policy apparatus, which was combined with Keynesian demand management to sustain full employment and therefore the welfare state itself.²³

The conception of work as a duty was embodied in certain elements of midcentury unemployment policy, however. Those receiving unemployment insurance, introduced in 1938, were required to search for work and to accept that which was judged “suitable” (*høvelig*) by the employment office (*arbeidsetaten*), even if it paid less than previous jobs.²⁴ They were also obliged to “take part in vocational training [*yrkesopplæring*] and continuing education [*omskolering*]” programs, if offered.²⁵ Those who applied for disability insurance (*uføretrygd*) after it was first introduced in 1960 were required to engage in rehabilitation (*attføring*) efforts if

¹⁸ Kildal, “Fra arbeidsetos,” 179. The amendment read, “It is the responsibility of the state authorities to lay the conditions such that each and every able-bodied person can obtain life-sustaining income through work.” Quoted in Kildal, “Fra arbeidsetos,” 179.

¹⁹ Jenny Andersson, *The Library and the Workshop: Social Democracy and Capitalism in the Knowledge Age* (Stanford: Stanford UP, 2010), 128-129. Andersson in fact describes Sweden, but much of her general description of postwar social democracy applies to Norway as well. Andersson explains its features exceptionally well, so she is cited here (and below).

²⁰ *Ibid.*, 128; Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 28.

²¹ Andersson, *The Library and the Workshop*, 129.

²² *Ibid.*, 128.

²³ Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 162.

²⁴ Hatland and Stjernø, “Arbeidslinja – velferdspolitikken nye mantra,” 180-181.

²⁵ *Ibid.*, 181.

their health permitted, although rehabilitation programs were underdeveloped and this requirement was not typically enforced.²⁶ And the “work-shy” (*arbeidsskye*), vagrants and others on society’s margins who were believed to be shirking, could be forcibly confined to the workhouse—a remnant of the pre-social democratic era, but one that was not erased from statute until 1970.²⁷

Given this history, it is not surprising that government documents gave little indication of a shift in the early 1990s. The 1992 *National Budget* barely used the word *arbeidslinje*, despite describing labor market policy measures and concerns consistent with it.²⁸ The document referred instead to “the active line [*den aktive linjen*] in labor market policy” with which “the Nordic countries have long managed to keep unemployment lower than other European countries in the OECD,” leaving the strong impression that there had been no significant change of approach, as the government saw it at least.²⁹ The term first came into widespread use a few months later, in connection with the publication of the *Attføringsmelding*. Primarily defined in terms of rehabilitation and work-life inclusivity, consistent with the traditionally predominant social democratic view of employment as a right, the *arbeidslinje* was supported by SV at the time.³⁰

Perhaps the only aspect of the policy approach’s definition on which there is widespread agreement today is that the embrace of the *arbeidslinje* meant that the encouragement of labor force participation became a higher priority in the design of labor market and unemployment policy as a whole, affecting the structure of nearly every social program that served unemployed people of working age.³¹ There was a shift. But both in the academic literature and in public debate, the *arbeidslinje*’s historical and contemporary relationship to economic security is hotly

²⁶ Hatland and Stjernø, “Arbeidslinja – velferdspolitikkenes nye mantra,” 176.

²⁷ Ann-Helén Bay et al., “Trygd, arbeid og aktivisering,” in *Trygd i aktiviseringens tid*, 13; Kildal, “Fra arbeidsetos,” 179.

²⁸ *Arbeidslinja* did receive a passing mention, but not in the document’s main discussion of labor market policy. See St.meld. nr. 1 (1991-1992), *Nasjonalbudsjettet 1992*, 8, 11-12, 46-50.

²⁹ St.meld. nr. 1 (1991-1992), 48.

³⁰ Hatland and Stjernø, “Arbeidslinja – velferdspolitikkenes nye mantra,” 179. A close reading of the *Attføringsmelding* does hint at a more duty-oriented conception of work than initial impressions would suggest, however. See for example St.meld. nr. 39 (1991-1992), 8.

³¹ This was the “kernel” of the *arbeidslinje*, according to Hatland and Stjernø, “Arbeidslinja – velferdspolitikkenes nye mantra,” 175.

contested, although the literature is not typically sensitive to the changes in this relationship over time.

Stjernø and Einar Øverbye, for example, argue that the new *arbeidslinje* represents an attempt to maintain social protections while reducing unnecessary welfare dependency, a view consistent with the policy goals articulated in government documents. They acknowledge “a sharpening of activity requirements in order to receive benefits,” but they believe that the Norwegian welfare state has remained fundamentally intact, given that neither benefit eligibility nor replacement rates have been meaningfully curtailed, except where programs were reducing work incentives.³² Terum and his co-authors, in contrast, detect a more significant shift in emphasis from “rights, loss of function, and income security, to activity, resources, and work” since the embrace of the *arbeidslinje*.³³ Kildal argues that, in particular, the focus on “sticks rather than carrots” in the “strengthening of incentives to work” sets the *arbeidslinje* apart from traditional labor market policy.³⁴ Policymakers have increasingly emphasized the “duty to work or [engage in] activity,” deprioritizing social rights, in her view.³⁵

As this debate suggests, the increasing concern with incentives was central to this shift in labor market and unemployment policy, although explicit discussion of them only became widespread in the 2000s.³⁶ Typically associated with the neoliberal turn of the 1980s, the new microeconomic thinking about incentives that became influential in labor market policy rested upon the sociological assumption that, for some number living on public benefits, lack of motivation, rather than structural or personal barriers (social or health-related), was the principal impediment to finding and holding a job.³⁷ This had been the prevailing view prior to the 1930s, but the mass unemployment of the Depression had led to its replacement with the belief, consistent with Keynesianism, that lack of demand for labor was to blame instead.³⁸ Although

³² Stjernø and Øverbye, “Arbeidsmotivasjon,” 21-23.

³³ Lars Inge Terum, Per Arne Tufte, and Jorunn T. Jessen, “Arbeidslinja og sosialarbeiderne,” in *Arbeidslinja*, 80-81.

³⁴ Kildal, *Workfare Tendencies*, 11.

³⁵ Kildal, “Fra arbeidsetos,” 178; Hatland and Stjernø, “Arbeidslinja – velferdspolitikken nye mantra,” 176.

³⁶ Kildal, “Fra arbeidsetos,” 177. According to Kildal, the terms used in discussion in the 1990s were typically “rights and duties” (p. 177).

³⁷ Bay et al., “Trygd, arbeid og aktivisering,” 29; Hatland and Stjernø, “Arbeidslinja – velferdspolitikken nye mantra,” 176. For an empirical study of unemployment in Norway that casts doubt on this assumption, see Kelly McKowan, “Moral Fiber: An Ethnography of Unemployment, Ethics, and the Social Safety Net in Norway,” Doctoral diss. (Princeton University, 2019).

³⁸ Hatland and Stjernø, “Arbeidslinja – velferdspolitikken nye mantra,” 177.

the new *arbeidslinje* had roots in the social democratic era, as well as policy expressions driven by more than such liberal morality tales, its introduction would shift the focus of labor market policy back to the supply side. It was first associated with measures to facilitate employment, then became more closely tied to activation requirements and work incentives for the able-bodied unemployed, implying that work was a duty—although both elements, the facilitative and the coercive, were present in official thinking in the years prior to its introduction. As the *arbeidslinje* increasingly became associated with work incentives that threatened the jobless with poverty, SV and others on the left became more critical, as Bergstø and Hansen’s recent denunciations illustrate.³⁹

Thesis Structure

This thesis begins with an examination of the transnational roots of the *arbeidslinje* in chapter two, which examines how Nordic social democrats collectively conceptualized the role of labor market policy in the early 1980s, then links this conceptualization to developments in Sweden, where an education-centered *arbetlinje* had already been introduced. Chapter three turns to the larger economic and political context in which the Norwegian *arbeidslinje* developed after 1985, setting the stage for a more focused discussion, largely based on Finance Ministry documents, of the transnational and national economic forces driving the development of the new policy approach. At this stage, policy documents still emphasized education and training as tools, but work incentives were receiving greater attention. The fourth chapter examines how the *arbeidslinje* was justified in the Health and Labor Ministry documents that explicitly introduced the new approach in the early- to mid-1990s, relating these justifications to earlier concerns about the long-term sustainability of the welfare state—and to the more pressing economic issues discussed in the preceding chapter. The thesis concludes by considering the implications of this history for the recent and contemporary political economy of Scandinavian social democracy.

³⁹ Hatland and Stjernø, “Arbeidslinja – velferdspolitikkenes nye mantra,” 184.

Chapter 2

Confronting a Changed Economic Order: Pan-Nordic and Swedish Roots of the *Arbeidslinje*

The new *arbeidslinje* had deep roots in the history of Norwegian social democracy, but its adoption was not the result of domestic processes alone. The comparative social science literature makes clear that Norway's introduction of the *arbeidslinje* in the early 1990s was part of a trend in unemployment policy in the advanced industrialized world towards the increased use of activation requirements for the able-bodied unemployed, as well as, more generally, an increased focus on encouraging labor market participation among groups outside the labor market.⁴⁰ At least in the Nordic region, this was not just a case of parallel responses to the problems created by international economic change after 1970—that is, responses to the combined effects of significant wage and price pressures, declining productivity growth, competition from the industrializing economies of Asia, and the collapse of the Bretton Woods monetary system.⁴¹ In an effort organized in 1983 by the Nordic Labor Movement's Cooperation Committee (*Arbeiderbevegelsens nordiske samarbeidskomité*, SAMAK), leading Nordic social democrats collaborated to develop what they described as an alternative to neoliberalism's policy prescriptions for the economic challenges of the period—an alternative that included, in rudimentary form, many of the ideas about labor market policy that would drive the development of the *arbeidslinje* a few years later, although retraining and continuing education, rather than work incentives and activation requirements, were the favored policy tools at this stage.

To anticipate the next chapter's argument, the *arbeidslinje* would develop out of concerns about the effects of inadequate labor supply on the competitiveness of Norway's internationally-exposed sectors other than oil, which had been in decline for over a decade. The Finance Ministry under Brundtland's Labor Party government would identify the improvement of competitiveness as the top priority of economic policy after 1985. Renewed competitiveness was to be achieved through reforms on the supply side of the economy, which would improve its

⁴⁰ See for example Ivar Lødemel and Erika Gubrium, "Trajectories of Change: Activation Reforms from Inception to Times of Austerity," in *Activation or Workfare? Governance and the Neo-Liberal Convergence*, ed. Lødemel and Amílcar Moreira (Oxford: OUP, 2014), 327-332.

⁴¹ Tony Judt, *Postwar: A History of Europe since 1945* (New York: Penguin, 2005), 453-456; Einar Lie, *Norsk økonomisk politikk etter 1905* (Oslo: Universitetsforlaget, 2012), 123-126; Charles Maier, "Two Sorts of Crisis? The 'Long' 1970s in the West and the East," in *Koordinaten deutscher Geschichte in der Epoche des Ost-West-Konflikts*, ed. Hans Günter Hockerts (Berlin and Boston: Oldenbourg Wissenschaftsverlag, 2004), 51-56.

ability to utilize the country's human and material resources. Such reforms would therefore include an intensified active labor market policy, meant to ensure an adequate supply of labor and thereby alleviate shortages, reduce wage pressures, and increase productivity, after overheated labor markets had eroded competitiveness for more than a decade.

The Brundtland government's reform program would also include economic restructuring, such that uncompetitive firms and industries would be shut down or reorganized. This process would throw many people out of work and limit their job prospects, generating high structural unemployment. The short-term goal of the newly intensified labor market policy efforts was therefore to facilitate restructuring by transferring these workers to growing industries. These efforts, short- and long-term, would emphasize active measures—work in exchange for unemployment aid, retraining, continuing education, and job search assistance—over the “passive” receipt of cash benefits by the unemployed. This emphasis on activation, as well as the Brundtland government's focus on supply-side reforms, in labor market policy among other areas, appears to have drawn upon the ideas developed collaboratively in the course of the SAMAK group's work, although it was far more general and schematic, presumably because it was meant to apply to all four Nordic states.⁴²

Swedish ideas about activation and the importance of labor force participation and development, more fully formed than in the other Nordic states and already labeled the *arbetslinje*, appear to have reached the Norwegian Labor Party through this collaborative effort. Like Norway, Sweden was facing what the labor market authorities there described as a labor shortage in the early 1980s. They responded with a huge expansion of active measures, particularly retraining and continuing education efforts, as well as by trying to pull potential workers off the sidelines and into the labor force. There was substantial overlap, in content as well as language, between Swedish labor market policy and the SAMAK group's ideas on the subject—and there is evidence that Gunnar Berge, Finance Minister in Brundtland's second government (1986-1989) and her close confidant, was aware of the Swedish *arbetslinje* at least as early as 1985, seven years before the *arbeidslinje* became official policy in Norway in 1992.⁴³

⁴² In order to connect the Norwegian *arbeidslinje* to the Swedish *arbetslinje* and the policy program of the SAMAK workgroup, this chapter relies in part on the parallels between policy as articulated in Norwegian Finance Ministry documents, on the one hand, and in SAMAK documents and contemporary news sources, on the other, so it is necessarily somewhat speculative.

⁴³ Brundtland is described as having had “a close working relationship and a relationship of trust with (...) Berge” in Lie, *Norsk økonomisk politikk*, 159.

This chapter has three parts. It first examines the SAMAK workgroup and its ideas, drawing parallels with Norwegian economic and labor market policy as described in Finance Ministry documents after Brundtland returned as Prime Minister in 1986. It then connects the SAMAK group's ideas to Swedish labor market policy as described in contemporary news sources. Finally, it links Swedish policy directly to the Norwegian *arbeidslinje* via Berge.

In the telling of Berge, SAMAK organized the workgroup in order to “clarify the conditions for a more expansive policy, including more effective international cooperation, a dynamic Nordic industrial policy and an economic stabilization policy.”⁴⁴ Berge himself participated, as did Torstein Moland, State Secretary in Brundtland's office, and two Norwegian trade union confederation (*Landsorganisasjonen i Norge*, LO) economists, Juul Bjerke and Øistein Gulbrandsen. The involvement of these three “secured (...) strategic bridgeheads” that would help advance the workgroup's policy ideas in Norway, according to Berge.⁴⁵

Additional participants included Kjell-Olof Feldt and Klas Eklund, who were closely associated with the Third Way and the modernizing wing of the labor party in Sweden. These Third Way “modernisers (...) advocat[ed] renewal in order to create a better fit between social democratic ideology and a dramatically different economic world” from that of the immediate postwar period, Jenny Andersson argues.⁴⁶ The Swedish economy was struggling in the early 1980s. Because a growing economy was a prerequisite for economic security, the modernizers argued that growth had to be prioritized over security in party policy, such that “a ‘sound economy’ [could] (...) be recreated.”⁴⁷ In Andersson's interpretation, “the re-creation [*sic*] of economic efficiency” became “the overarching ideological goal of the third way,” as “security lost its strategic role for growth” and came to be seen as “a cost” that had to be “adapt[ed] (...) to growth.”⁴⁸ As the emphasis on efficiency suggests, markets assumed a greater role in Third Way ideology than they had in postwar social democratic thought, with the Third Way's proponents viewing liberalization as necessary to adapt the Swedish economy to increasing

⁴⁴ Gunnar Berge, *Til kongen med fagbrev* (Oslo: Aschehoug, 2011), 304.

⁴⁵ *Ibid.*, 305.

⁴⁶ Jenny Andersson, *Between Growth and Security: Swedish Social Democracy from a Strong Society to a Third Way* (Manchester: Manchester UP, 2006), 107.

⁴⁷ *Ibid.*, 112.

⁴⁸ *Ibid.*, 124.

internationalization.⁴⁹ Their influence on the Brundtland government's economic policy would become apparent.

The title of the SAMAK workgroup's report, *Solidarity for Growth and Employment* (1985), reflected the Third Way concern with growth, but the group took pains to distinguish itself from internationally ascendant neoliberalism—from what it termed “the competition strategy” of “the right,” in which “economic development is steered by ‘free market forces.’”⁵⁰ It argued that, in contrast, “the labor movement's *solidarity strategy*,” which it laid out in the report, would “build on democratic decision-making and [would] aim[], through an active economic policy and a further development of the welfare society [*välfärdssamhället*], for full employment, good growth, and equitable [resource] distribution.”⁵¹ Its centerpiece was a proposal and argument for a solidaristic income policy, in which governments would engage in centralized tripartite negotiations with labor and employers in order to control the wage and price pressures that “active economic policy” and full employment would otherwise generate, eroding competitiveness.⁵² The Brundtland government would attempt to implement the solidaristic income policy not long after the report's publication.

Although this policy was the report's focus, it included a broader analysis of the Nordic countries' economic situation as well as corresponding policy recommendations, emphasizing that “a negotiated income policy is *one* element in a multifaceted stabilization-policy approach,” which also included “an active labor market policy and a vigorous industrial policy” that could “adapt[the economy] to changed prerequisites for production.”⁵³ Berge claimed that the report

⁴⁹ Andersson, *Between Growth and Security*, 105. Andersson, *The Library and the Workshop*, 26-27. This brief definition of the early Swedish Third Way is neither exhaustive nor uncontested. The expanded role of markets has led some commentators to interpret it as a form of neoliberalism, but Andersson argues that this is inaccurate. The Third Way is notoriously difficult to define, however, in part because it borrowed from neoliberalism while evolving from postwar social democratic ideology. Its meaning also changed over time and varied from country to country. The term refers to a set of related but distinct center-left ideological formations, most prominently those of the Swedish labor party in the 1980s and 1990s, Tony Blair's New Labour in Britain, and Bill Clinton's New Democrats in the United States (although the American Democratic Party was never properly social democratic, despite some midcentury overlap in policy). Andersson, *The Library and the Workshop*, 1, 4, 15, 26-27, 42.

⁵⁰ Svend Auken et al., *Solidaritets för tillväxt och sysselsättning: Rapport utarbetad av ekonomisk-politisk grupp inom SAMAK* (Stockholm: SAMAK, 1985), 7. The report was written in Swedish, perhaps so that it would be more accessible to the Finnish left.

⁵¹ *Ibid.* Emphasis in original.

⁵² *Ibid.*, 4. Norway had a tradition of tripartite income negotiations dating from the postwar era that likely informed the group's work, but such negotiations had not resulted in effective control of wage- or price-growth in the 1970s. After the conservative party, Høyre, took power under the leadership of Kåre Willoch in 1981, the government pulled back from negotiations, with negative consequences for competitiveness. This history will be discussed in greater detail in the next chapter. Lie, *Norsk økonomisk politikk*, 105-108, 127-129, 157.

⁵³ Auken et al., *Solidaritets för tillväxt och sysselsättning*, 60. Emphasis in original.

“laid much of the basis for the economic/political debate in the Nordic countries for many years”—and indeed the report’s basic conceptualization of both the economic problems facing the Nordic countries and the role of active labor market policy in responding to those problems was in certain ways very similar to those found in Norwegian Finance Ministry documents in the Brundtland years.⁵⁴

Most distinctively, it evinced the same concern with structural problems on the supply side of the economy that were inhibiting the efficient use of resources, driving up inflation and crimping production capacity, employment, and growth. Neither outmoded Keynesian demand management nor market liberalization could resolve such structural problems, the report argued, in the labor market or elsewhere. Even in well-functioning economies, “the labor market is (...) divided into many (...) segments, in which location [*lokalisering*], education, and experience set limits on the interchangeability [of workers],” meaning that “a general demand stimulus (...) cannot always solve employment problems by itself.”⁵⁵ Active labor market policy was necessary in order to overcome these structural barriers to employment, which in effect reduced the labor supply, the report argued: labor market policy’s role was to “minimize bottleneck problems [*flaskhalsproblem*] in the labor market” and to match the skills of jobseekers to the positions available, working to reduce “simultaneous vacancies and unemployment,” the coincidence of which indicated “misalignment” (*missanpassning*) of labor supply and demand.⁵⁶ In the contemporary period of “rapid structural transformation” in industry, labor market policy was even more important as a tool to resolve problems of structural unemployment and labor supply, the report argued, since such transformation made these problems worse.⁵⁷ In addressing them, labor market policy would “increase capacity utilization [*kapacitetsutnyttjandet*] in the economy,” making higher growth and employment rates possible.⁵⁸

The general idea of using labor market policy to improve labor market function was hardly novel, just as using it to move workers from unproductive to productive sectors had a long history, but the specific focus on its potential to improve the utilization of scarce labor and ease

⁵⁴ Berge, *Til kongen med fagbrev*, 305. The report is also at times vague and disorganized, clearly having been written by committee. The connections between labor market policy, international competitiveness, production, and productivity are not always explicit; teasing them out requires a creative reading of the document. This means relying heavily on inference and context clues to deduce meaning.

⁵⁵ Auken et al., *Solidaritet för tillväxt och sysselsättning*, 37.

⁵⁶ *Ibid.*, 37, 38.

⁵⁷ *Ibid.*, 40.

⁵⁸ *Ibid.*, 37.

major economic restructuring—challenges that the advanced industrialized world had not faced in the immediate postwar era—represented an extension of the concept.⁵⁹ Such thinking on the role of labor market policy would reappear in Finance Ministry documents in the following years, sometimes expressed in the same language, not least in the 1987 white paper that set out the Brundtland government’s strategy to restore balance to and restructure the Norwegian economy.⁶⁰

Unlike Finance Ministry documents, however, the report did not explicitly connect intensified labor market policy to international competitiveness, arguing instead that it would “contribute[] to economic stabilization.”⁶¹ But unless the Nordic states were to retreat into autarky, an impractical and unremunerative choice, growth and employment would primarily have to come in the “competition-exposed sector.”⁶² This meant that stabilization required an increase in international competitiveness, achieved in part by controlling wage growth: the “objective” of the “stabilization policy” was “to bring down price and cost increases to a level that is lower than the most important competing countries’.”⁶³ Productivity would have to rise to keep the exposed sector competitive and to make increases in real wages sustainable.⁶⁴ Dampening wage growth and boosting productivity would be major preoccupations of the Finance Ministry after 1985, as the Brundtland government sought to restore Norwegian economic competitiveness.

The report argued further that maintaining international competitiveness meant expanding various forms of education, both in the formal school system and through the labor market policy apparatus, in order to avoid “the lack of trained workers that arises as a result of technological and economic development.”⁶⁵ At the time, such shortages were “seriously hampering (...) the

⁵⁹ Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 168; Molander and Terum, “Aktivering,” 101.

⁶⁰ St.meld. nr. 4 (1987-1988), *Perspektiver og reformer i den økonomiske politikken*.

⁶¹ Auken et al., *Solidaritet for tillväxt och sysselsättning*, 37.

⁶² Ibid., 35. For the small states of Western Europe, internationalization was inescapable for structural reasons: as Peter Katzenstein argues, the internal markets of small states cannot absorb everything that their major industries can produce, nor can those industries be supplied with capital goods and raw materials exclusively from domestic sources, making autarky and protectionism especially unprofitable. Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca: Cornell UP, 1985), 39-40, 81.

⁶³ Auken et al., *Solidaritet for tillväxt och sysselsättning*, 10-11.

⁶⁴ Ibid., 35-36. The report had surprisingly little to say about productivity gains, focusing primarily on “technological development” (p. 36). Unlike later Norwegian planning documents, it did not explicitly connect productivity gains to the upskilling of the labor force, although its emphasis on education (see below) implied that there was a link.

⁶⁵ Ibid., 36, 40-41.

export sector,” demonstrating that, in “the future competition on the world market,” the country with “the best educated labor force” would “stand strongest,” the report argued in its most explicit linkage of labor market policy and international competitiveness.⁶⁶ This was an oblique reference to the perceived rise of the knowledge economy, in which a skilled and educated workforce was said to be increasingly important for growth and competitiveness.⁶⁷ The knowledge economy would become a particularly important concept in Third Way ideology by the 1990s, “almost to the point of being its *raison d’être*,” Andersson argues, with knowledge understood “as a kind of capital within people,” resulting in the development of “new means of economic governance to bring it out,” specifically the creation of “an infrastructure for knowledge, learning, and information technology.”⁶⁸ The SAMAK report’s emphasis on the importance of education and retraining in labor market policy was an early reflection of such thinking.

This “education line” (*utbildningslinjen*) was not the only aspect of labor market policy that would have to be strengthened, however.⁶⁹ The report argued further that “the *arbetslinje*[] is generally preferred in labor market policy over the cash line” (*kontantlinjen*), without elaborating on either term’s meaning or explaining why the former was preferable.⁷⁰ But the subsequent discussion of “seats in education programs” (*utbildningsplatser*) and public works programs (“relief work,” *beredskapsarbeten*) for the unemployed indicates that the *kontantlinje* referred to the opposite of such active measures—to cash support for those out of work, unconnected to participation in labor market programs.⁷¹

It was likely the Swedes who brought to the workgroup these ideas about the importance of active measures in labor market policy as well as the accompanying language—the terms *utbildningslinje*, *arbetslinje*, and *kontantlinje*. Much like the new Norwegian *arbeidslinje*, the Swedish variant is typically discussed in the context of long-term unemployment in the 1990s (in Sweden’s case following a major economic crisis), rather than as an innovation of the prior decade. Without using the term, Andersson, for example, says that the Swedish government responded to the high unemployment that followed the crash of the krona in 1992 by expanding

⁶⁶ Auken et al., *Solidaritet för tillväxt och sysselsättning*, 40-41.

⁶⁷ Andersson, *The Library and the Workshop*, 24-25

⁶⁸ *Ibid.*, 1, 25, 32.

⁶⁹ Auken et al., *Solidaritet för tillväxt och sysselsättning*, 40.

⁷⁰ *Ibid.*

⁷¹ *Ibid.*

efforts to provide “training and education” to the unemployed, in what was known as the “knowledge lift.”⁷² The labor market authorities also embraced “the activation of the unemployed,” which “was a new element in the employment strategy, dating from 1996.”⁷³ As applied to those who had little connection to the labor market, Swedish “labor market policies evolved into something that is much closer to workfare” in the decade after the crash of the krona, Andersson argues, in response to a huge spike in long-term unemployment, until then “virtually nonexistent.”⁷⁴

While the *arbetslinje* may have been taken in a more punitive direction in the aftermath of the Swedish economic crisis, however, news sources from the 1980s indicate that the emphasis on work, activity, and continuing education for the unemployed predated the crisis by about a decade, if not more. An article published in 1989 in the Norwegian LO magazine, *LO-aktuell*, reported that “Sweden has for a number of years promoted that which one can call the *arbeidslinje* instead of the cash line [*kontantlinje*] with respect to the unemployed.” The labor market steering authority (*Arbetsmarknadsstyrelsen*, AMS) was “constantly” offering them job or educational opportunities. As a result, “70 percent of the 23 billion kroner that is used on labor market policy goes to active efforts, while only 30 percent goes to benefit payments” (*trygd*). There was broad “political agreement” in Sweden that this approach was “correct,” the article continued, such that ““even when the rightward wind was blowing hardest in the beginning of the 1980s – with massive attacks on the public sector – we got our budget through uncut,”” in the words of Pär Sillenstam, director of the AMS.⁷⁵ The *arbeidslinje* and the *kontantlinje* were framed as opposites in the magazine’s account, just as they were in the SAMAK report. This was not a coincidence, given that the Danes and Finns used different language to describe the same approaches to unemployment policy, while the Norwegians had not yet adopted *arbeidslinja* and generally set it in opposition to *trygdelinja* (the social security line) rather than *kontantlinja*.⁷⁶

⁷² Andersson, *The Library and the Workshop*, 129.

⁷³ *Ibid.*, 130.

⁷⁴ *Ibid.* There is no consensus on the precise definition of workfare, but it generally refers to “programmes or schemes that require people to work in exchange for social assistance benefits,” sometimes at effective wage levels below market rate. As this characteristic suggests, such programs can be quite punitive; Andersson has this quality in mind when she uses the term. Ivar Lødemel and Heather Trickey, “A New Contract for Social Assistance,” in *An Offer You Can’t Refuse*, ed. Lødemel and Trickey (Bristol: Bristol UP, 2001), 3-10.

⁷⁵ “Også eldre og uføre svensker tilbys jobb.” *LO-aktuell: Fri fagbevegelse*, August 1989, 45.

⁷⁶ Rune Halvorsen and Per H. Jensen, “Activation in Scandinavian Welfare Policy: Denmark and Norway in a Comparative Perspective,” *European Societies* 6, no. 4 (2004): 461; Jon Anders Drøpping, Bjørn Hvinden, and Kirsten Vik, “Activation Policies in the Nordic Countries,” in *Nordic Social Policy: Changing Welfare States*, ed.

The SAMAK report's language and ideas about labor market policy were drawn from the contemporary Swedish context.

This context was not one of high unemployment, structural or cyclical, but rather that of a labor shortage. "The labor market is overheated," *LO-aktuelt* reported, and "the lack of manpower is considered a big social problem" (*samfunnsproblem*). At the time, workers of retirement age in Sweden were expected to leave their jobs in order to "make room for the young," but "that mentality must change" (*skal vekke*), AMS planning director Bosse Andersson insisted. Rather than encouraging prompt retirement, AMS was trying to find ways to keep the elderly in the labor force—and to draw in early retirees, women who were working part-time, and asylum-seekers waiting "passively" for their cases to be processed. The agency was determined to "get a hold of all labor force reserves," Andersson continued. Sweden "cannot afford for large groups" to remain outside the labor market.⁷⁷

It was not just labor force participation *per se* that the Swedes were concerned about. They also sought to build a system that would, in language similar to the SAMAK report's, meet "production's need for flexibility"—that would, in other words, ensure an adequate supply of skilled labor as the economy changed. Here was a concrete example of Third Way ideas about the knowledge economy combining with (or perhaps articulating) economic needs to shape policy: the need for flexibility meant offering the unemployed opportunities for "retraining" (*omskolering*) through AMS courses, as well as giving workers the right to take leave in order to pursue "continuing education" (*etterutdannelse*) opportunities, according to Sillenstam, the AMS director. He explained that, "in Sweden, education is considered a part of economic policy," reflecting the Third Way's policy influence.⁷⁸ Such concerns about the supply of (skilled) workers would dominate Norwegian economic planners' discussions of labor market policy in the following years.

Such thinking may have reached the Norwegian Labor Party leadership via the SAMAK-sponsored meetings, which were forums of collective policy development, but also sites of transnational policy exchange, as the Swedish fingerprints on the labor market policy goals articulated in the SAMAK report demonstrate. Given the limitations of this study, the nature of

Mikko Kautto et al. (London: Routledge, 2002), 135-136. The *Attføringsmelding*, for example, framed the *arbeidslinje* and the *trygdelinje* as opposites. St.meld. nr. 39 (1991-1992), 3.

⁷⁷ "Også eldre og uføre svensker tilbys jobb," *LO-aktuelt: Fri fagbevegelse*, August 1989, 45.

⁷⁸ *Ibid.*

this exchange can only be illuminated indirectly, but there is additional evidence that Swedish thinking about labor market policy—Sweden’s own *arbetslinje*—had reached the highest levels of the Norwegian Labor Party in the years prior to the formation of Brundtland’s second government in 1986. Berge, who would go on to oversee the restructuring of the Norwegian economy as Finance Minister, argued in comments in 1985 to the Norwegian News Agency (*Norsk telegrambyrå*, NTB) that the 5.8 billion kroner spent on unemployment programs in the previous year “illustrates extremely well how costly it is to let people remain idle [*ledig*]. Unemployment in Norway is an enormous waste” (*et enormt sløseri*).⁷⁹ Speaking as AP’s spokesman on finance policy, he then asserted that “we indeed believe that more money must be used on active measures. We should, like the Swedes, bet on the ‘*arbeidslinja*.’”⁸⁰

Whether he had first learned of the *arbeidslinje* through the SAMAK workgroup or not, he certainly believed its meetings to have been significant as forums of policy development, claiming in his memoir that “important parts of what would become social democratic policy (...) in the 1980s and 1990s were hatched” on Lidingö, an island in the Stockholm archipelago, where the group met.⁸¹ He ended discussion of the workgroup by saying that “*The Economist* wrote in 1987 that the Third Way under Finance Minister Feldt in Sweden ‘works like a dream.’ Gradually it would become apparent that it did so in Norway as well.”⁸² Given both his estimation of the workgroup’s influence and the fact that he connected his reform efforts as Finance Minister to the Swedish Third Way under Feldt, it would not be surprising if the *arbeidslinje* was in part inspired by the Swedish example.

It is important to keep in mind, however, that although Swedish labor market policy apparently influenced the Brundtland government, the Norwegians would adapt it to domestic economic and labor market conditions. The argument is not that Berge and others appropriated and applied the Swedish *arbetslinje* blindly, but rather that Swedish ideas represented one source of inspiration for Norwegian policy in the following years—an argument based on indirect evidence of specific Swedish ideas reaching the Brundtland government via Berge. Kåre Willoch’s conservative coalition government was already experimenting with active measures

⁷⁹ NTB, “Arbeidsledigheten kostet staten 5,8 milliarder i fjor,” *Samhold-Velgeren* (Gjøvik), March 14, 1985, 7. The SAMAK report, published a few months later, opened with the declaration that unemployment was “a gigantic waste” (*ett gigantiskt sløseri*), coincidentally or not. Auken et al., *Solidaritet för tillväxt och sysselsättning*, 7.

⁸⁰ NTB, “Arbeidsledigheten kostet staten.”

⁸¹ Berge, *Til kongen med fagbrev*, 305.

⁸² *Ibid.*, 306.

before Brundtland returned to power. NTB quoted Kjell Wickstand, Personal Adviser in *Kommunaldepartementet*, which was responsible for unemployment and labor market policy at the time, saying that “the government has advocated [*gått inn for*] more active use of the money.” The article then pointed out that “the authorities are investing more money, relatively, in a long line of measures to keep people working, in training, and so on.”⁸³ Swedish ideas may have reached the Willoch government, or the conservatives may have drawn ideas about active measures from Norway’s own labor market policy tradition and developed them further.

There is ultimately no easy way to ascertain how the *arbetslinje* came to Berge’s attention, nor to figure out the precise extent to which Swedish ideas about labor market policy influenced his thinking. Berge’s personal papers are still in his possession, while no relevant Finance Ministry documents are easily available. He barely mentions labor market policy in his memoir. But his stated support for the *arbeidslinje*—seven years before the publication of the *Attføringsmelding*—is significant not just because it suggests that the policy approach had transnational roots, but also because Berge was then serving on the Finance Committee in Parliament, which “always had to put policy in a larger context,” as he described it in his memoir.⁸⁴ He was, by his own admission, most interested in “the process surrounding the design of general economic policy” as a member of the committee—his “favorite document was the National Budget,” since “no other document gives a better overview of the Norwegian economy.”⁸⁵ Unsurprisingly, given that the Finance Ministry also dealt with general economic policy, he described his time as Minister as “clearly the most interesting in my political life.”⁸⁶ Berge’s early support for the *arbeidslinje*, at a time when the Norwegian labor market was overheating, much like the Swedish, suggests that the policy approach was not primarily a response to rising utilization of *uføretrygd* and related programs, but rather that it was driven by broader economic concerns—concerns about labor supply and international competitiveness.

At this point, the primary policy tools used in connection with the Swedish *arbetslinje* to boost the labor supply were education-related. The question of how to ensure that the unemployed would agree to participate in training programs was not raised explicitly, but the aversion to the *kontantlinje* suggested that there was some consideration of incentive structures.

⁸³ NTB, “Arbeidsledigheten kostet staten.”

⁸⁴ Berge, *Til kongen med fagbrev*, 70.

⁸⁵ *Ibid.*, 94.

⁸⁶ *Ibid.*, 158.

Chapter 3

To Expand the Labor Supply and Restore Competitiveness: The *Arbeidslinje* as Economic Policy

On May 13th, 1986, Gro Harlem Brundtland, then the new Prime Minister, declared in Parliament that “Norway is now in the most serious economic crisis situation in many years. The country is facing profound problems, including a great weakening of the balance of payments [*utenriksøkonomien*] and a consumption level we as a nation cannot sustain. (...) The situation requires extensive reforms that lead to better utilization of the country’s human and material resources, and (...) to a more just distribution of benefits and burdens.”⁸⁷ Brundtland’s declaration marked the beginning of an ambitious program of economic restructuring that was meant to increase efficiency across the economy and set the stage for renewed international competitiveness and growth, after years of minimal productivity gains and sharply rising wages had eroded the competitiveness of Norway’s internationally-exposed industries, other than oil.⁸⁸ As long as oil prices had been high, this had not been a critical problem, although concern about competitiveness had surfaced as early as 1977, resulting in multiple currency devaluations.⁸⁹ When the price of oil crashed between 1985 and 1986 in the midst of a credit-fueled boom that had dramatically raised costs, however, Norway’s balance of payments turned sharply negative, which the Finance Ministry warned would, if it continued, result in “a strongly increasing interest burden that will gradually lay claim to an increasing proportion of export income.”⁹⁰ In plain language, it would result in a debt crisis.

⁸⁷ “Debatt om regjeringens erklæring,” *Norgeshistorie*, University of Oslo, March 12, 2020. <https://www.norgeshistorie.no/kilder/oljealder-og-overflod/K1903-Debatt-om-regjeringens-erklæring.html> (accessed Nov. 13, 2023).

⁸⁸ Lie, *Norsk økonomisk politikk*, 163-164. The focus here on wage costs and productivity gains as the primary components of competitiveness is consistent with the Finance Ministry’s method of quantifying it in industry, which economic planners focused on when making policy due to “industry’s important position among our traditional competition-exposed sectors.” While the Ministry recognized that “other costs than wages will (...) be important for competitiveness,” it believed that “in the majority of businesses, direct and indirect wage costs will be a dominant cost component.” High wage growth could, however, “be compensated for with (...) stronger growth in labor productivity in Norwegian businesses” relative to “foreign competitors.” The Ministry therefore measured competitiveness using “relative wage costs per produced unit” (abbreviated RLPE in Norwegian and typically known as unit labor costs in English). St.meld. nr. 1 (1987-1988), *Nasjonalbudsjettet 1988*, 28-29.

⁸⁹ Einar Lie and Dag Harald Claes. “The Counter-shock in Norwegian Oil History,” in *Counter-shock: The Oil Counter-Revolution of the 1980s*, ed. Duccio Basosi, Giuliano Garavini, and Massimiliano Trentin (London and New York: Tauris, 2018), 207.

⁹⁰ St.meld. nr. 1 (1986-1987), *Nasjonalbudsjettet 1987*, 20.

This situation was the immediate domestic context for the introduction of what would eventually be termed the *arbeidslinje*. An intensified labor market policy was an important component of the Brundtland government's reform efforts, as her reference to improving the utilization of Norway's human resources hinted at. This intensified labor market policy had both short- and long-term purposes. The restructuring program necessarily meant allowing uncompetitive firms and industries to shut down or streamline their operations. It also meant inducing a downturn through fiscal and monetary austerity. These processes would throw many people out of work and, given that many of them would come from dying industries, leave them ill-equipped to find new jobs in other sectors, potentially locking them out of the labor market indefinitely. The short-term focus of labor market policy was therefore to prevent them from falling out of the labor force during this period of restructuring and austerity, ideally transferring them to competitive sectors by providing them with the necessary training and job-search assistance, although Finance Ministry documents began to discuss work incentives and activation requirements as tools beginning around 1990.

If the Norwegian economy was to compete internationally in the long run, however, the labor market would have to function more efficiently and flexibly beyond the restructuring period. Norway was a small country with low immigration, putting limits on the size of its labor force, a particular problem given the outsize demand generated by the oil industry. When labor markets were tight, as they had been in the years leading up to 1986, internationally-exposed industry was forced to compete with sheltered sectors for workers, pushing up wages, limiting productivity gains, and impairing growth. The long-term purpose of labor market policy—the purpose that explains the adoption of the *arbeidslinje* as lasting policy—was to secure workers for internationally competitive sectors as the needs of those sectors evolved, at wages that allowed them to compete, by improving labor market efficiency and increasing labor supply. In the implicit view of policymakers, the exigencies of production for and competition on the international market meant that Norway, much like Sweden, could no longer afford to let potential labor pools remain underutilized, although Sweden's economic problems dwarfed Norway's in the final decades of the twentieth century.⁹¹

⁹¹ On Sweden's economic problems in comparison to Norway's, see Francis Sejersted, *The Age of Social Democracy: Norway and Sweden in the Twentieth Century*, ed. Madeleine B. Adams, trans. Richard Daly (Princeton: Princeton UP, 2011), 346-350, 358-360. The argument presented here is consistent both with Sejersted's conclusions (p. 360) and with one of the key claims of Evelyne Huber and John D. Stephens' influential

The Brundtland government's restructuring program was an immediate response to the combined effects of an unsustainable credit-fueled economic boom and the collapse in oil prices that led to its end, but the underlying problems it was meant to address—high labor costs and sluggish productivity growth—could in part be traced back to the breakdown of the postwar international economic order in the early 1970s. The 1971 collapse of the Bretton Woods monetary system, in which most currencies had been pegged to the value of the gold-backed US dollar, and the transition to a system of floating exchange rates removed limits on the money supply and led to currency speculation, generating inflationary pressures internationally. The exhaustion of Western European industry's labor reserves over the course of the 1960s, as the transition from agricultural to industrial employment in Europe came to an end, put upward pressure on wages just as productivity gains due to the export of American production methods and equipment in the postwar years had run their course. The quadrupling of oil prices by OPEC from 1973 to 1974 as a result of conflict in the Middle East exacerbated inflation and weighed further on growth. Across Western Europe, the end result was stagnant growth, appearing in atypical combination with inflation—so-called stagflation.⁹²

These problems reached Norway, but the 1969 discovery of viable oil deposits in the North Sea meant that the oil shock not only drove up prices, but also promised future wealth, leading policymakers, labor union leaders, and the broader public to believe that the state had exceptional fiscal latitude. This expectation of future oil riches contributed significantly to the eventual impairment of international competitiveness. Between 1973 and 1978, tripartite wage negotiations—between the LO, the employers' association (NAF), and the state—resulted in extraordinary gains for workers, with Finance Minister Per Kleppe offering large wage increases, tax cuts, and other major benefits, which he justified by pointing to the country's coming oil

comparative account of welfare state formation and retrenchment, *Development and Crisis of the Welfare State: Parties and Policies in Global Markets* (Chicago and London: University of Chicago Press, 2001). Huber and Stephens argue that “the generous welfare states of Northern Europe (...) were always export-dependent economies, and the kind of welfare state they developed had to be compatible with international competitiveness in order to maintain high investment and employment” (p. 1). This means that “as international economic conditions change, national production regimes are affected and in turn may stimulate adaptation of welfare state regimes” (p. 23).

⁹² Judt, *Postwar*, 453-456; Lie, *Norsk økonomisk politikk*, 123-126; Maier, “Two Sorts of Crisis?,” 51-56. Stagflation was not an exclusively European phenomenon, but European economic trends were most relevant to Norway. This brief summary cannot capture the complexity of the industrialized world's economic problems in the 1970s.

wealth. Substantial local wage drift, due in part to underlying inflationary pressures and in part to the structure of the centrally-negotiated agreements, pushed wages up further.⁹³

Productivity gains slumped in the same period, especially after the international recession of 1975. Increased competition from the industrializing economies of Asia had begun to undermine a number of Norwegian industries even before the recession. But the combination of oil wealth, local economic considerations, adherence to Keynesian doctrine and postwar approaches to industrial policy, and the breakdown of executive control over economic policymaking led the government to intervene in support of uncompetitive firms and dying industries in a haphazard and selective way, discouraging the adoption of more efficient production methods. The expectation of oil riches also contributed to the passage of costly work-related measures, including the comprehensive Work Environment Law (*Arbeidsmiljøloven*) and more generous sick leave in 1977, which raised industry's compliance costs. The net result of these developments was a significant decline in the competitiveness of Norway's internationally exposed industry, other than oil, by 1977.⁹⁴

By this time, the erosion of competitiveness and the threat that it posed to both the balance of trade and state finances were becoming apparent to policymakers. Attempting to rein in demand and regain control of wage and price development, they imposed several rounds of austerity measures over the next few years. Unable to adequately reduce demand by fiscal means, however, they resorted to a wage and price freeze between 1978 and 1981, while support for dying industries continued. The Labor Party had been committed to keeping interest rates low since the 1950s in order to encourage long-term investment and to facilitate the construction and purchase of homes, so monetary austerity was not seriously considered. The government devalued the krone to maintain competitiveness in 1978, and in the end another OPEC-initiated increase in the price of oil between 1979 and 1980 restored the trade balance and the state budget to health.⁹⁵

⁹³ Lie, *Norsk økonomisk politikk*, 123-134; Lie and Claes, "The Counter-shock," 204-207. Increased labor militancy and the abandonment of unions' postwar commitment to wage restraint, a trend across Western Europe possibly connected to the rise of the counterculture in the late 1960s, also contributed to workers' exceptional gains in Norway. See Lie, *Norsk økonomisk politikk*, 128, and Maier, "Two Sorts of Crisis?," 53-54.

⁹⁴ Lie, *Norsk økonomisk politikk*, 123-134; Lie and Claes, "The Counter-shock," 204-207.

⁹⁵ Lie, *Norsk økonomisk politikk*, 109, 131-132; Sejersted, *The Age of Social Democracy*, 354, 362; Lie and Claes, "The Counter-shock," 207.

The economy was still running hot when the conservative party, Høyre, took power in 1981 under the leadership of Kåre Willoch. In the years after the wage freeze was lifted, Willoch largely declined to intervene in negotiations between the LO and the NAF in order to dampen wage growth. The government instead devalued the krone repeatedly, especially after 1981, which improved competitiveness in the short term but pushed up inflation over time. More critically for the direction of the economy, the conservatives had campaigned on promises of liberalization, but they were unwilling to dismantle politically sensitive parts of the postwar social democratic system. Even before they had gained power, a government-appointed expert committee had recommended liberalizing access to credit, which had been tightly controlled in the postwar era. When the conservatives did so in 1983, however, they maintained the postwar low interest rate policy, in part due to pressure from Labor. More importantly, they declined to eliminate the ability of taxpayers to deduct interest payments against taxable income—another element of the credit system remaining from the social democratic era, but one that the tax-skeptical conservatives were loath to change. This made credit exceptionally cheap for consumers, incentivizing them to take on significant debt. With fiscal policy largely unchanged, in part due to the continued expectation of substantial oil revenues, credit liberalization led to an enormous jump in consumption and demand between 1984 and 1986 in an economy that had already been struggling with competitiveness.⁹⁶

This credit-fueled boom led to dramatic growth in sectors sheltered from international competition, steeply pushing up wages and creating labor shortages in many areas, which further eroded competitiveness. In part because the exposed sectors could not compete against imports, the boom also led to a dramatic worsening of the balance of trade, which remained in surplus primarily due to the value of oil exports. Yet the price of oil, measured in US dollars, had in fact been decreasing in the first half of the 1980s, and only devaluations of the krone had prevented oil export earnings, measured in kroner, from slumping. When the dollar fell in 1985-6 alongside the price of oil, Norwegian earnings dropped 50 percent, with severe consequences for the economy. Tax revenue from oil production shrank nearly 80 percent between 1985 and 1988. With its mainland export industries rendered uncompetitive by steep wage increases and years of limited productivity gains, Norway saw its oil-fueled 1985 trade surplus turn into a deficit in

⁹⁶ Lie, *Norsk økonomisk politikk*, 137-139, 157; Lie and Claes, “The Counter-shock,” 207; Sejersted, *The Age of Social Democracy*, 354-355.

1986. The Willoch government responded by attempting to pass a package of austerity measures in Parliament early in the year in order to rein in demand and cool the economy. When the opposition balked, he resigned and his government fell, opening the door to Brundtland and the Labor Party.⁹⁷

The new government's immediate response was to devalue the krone yet again in order to prevent a catastrophic drop in competitiveness. But this time it signaled that, going forward, it would do what was necessary to avoid additional devaluations and defend the value of the currency, in an attempt to (among other things) reduce inflation expectations, which were pushing up wages. This meant allowing the central bank to raise interest rates to maintain the krone's value, as well as improving the balance of trade and reducing domestic demand through fiscal austerity.⁹⁸ Any long-lasting solution to Norway's economic problems, however, ultimately rested on improving the competitiveness of its export industries other than oil, a fact that Norwegian policymakers were acutely aware of. As the 1986 crash demonstrated, oil income was very "uncertain," according to a 1987 white paper on the government's medium-term economic strategy, *Perspectives and Reforms in Economic Policy*; Norway's dependence on it in foreign exchange made the "balance of trade" (*utenriksøkonomien*) "vulnerable" (*sårbar*).⁹⁹ Even a reversal of oil's decline in value might not resolve the country's trade deficit, the 1987 *National Budget* warned, since "projections show that we may end up with a large trade deficit and rising foreign debt [regardless]."¹⁰⁰ The *Perspectives* white paper was blunt: "*Norway must become less dependent on oil income*. This must be achieved with stronger growth in value-creation in competition-exposed industry other than oil."¹⁰¹ To achieve such growth required "a coordinated effort [*et planmessig arbeid*] to improve cost-related competitiveness and to increase growth potential [*vekstevnen*] in the economy."¹⁰² The scattershot and shortsighted approach to

⁹⁷ Lie, *Norsk økonomisk politikk*, 139-141; Lie and Claes, "The Counter-shock," 209-210. Willoch's bourgeois coalition government did not have a parliamentary majority by 1986 and was dependent on the opposition to pass legislation—a fairly typical situation in Norwegian politics.

⁹⁸ Lie, *Norsk økonomisk politikk*, 159-160.

⁹⁹ St.meld. nr. 4 (1987-1988), *Perspektiver og reformer i den økonomiske politikken*, 9, 12. *Sårbar* rarely appears in the government documents that I have examined. As a non-native speaker, I am not well-equipped to judge the connotations of its use in an economic context, but it struck me as unusual. The word is more typically used to describe physical vulnerability, often that of nature with respect to human activity.

¹⁰⁰ St.meld. nr. 1 (1986-1987), 5.

¹⁰¹ St.meld. nr. 4 (1987-1988), 5. Emphasis in original.

¹⁰² *Ibid.*, 12.

economic policymaking that had prevailed in Norway since the early 1970s, pushing up wages and crimping productivity gains, would have to end.

One component of this coordinated effort, and the key to reining in labor-related cost growth as the government saw it, was renewed income policy cooperation (*inntekstpolitisk samarbeid*), which “the government has put great emphasis on creating the basis for,” according to the *Perspectives* white paper.¹⁰³ The Willoch government’s retreat from wage negotiations as the labor market had become exceptionally tight had led to high cost growth, most spectacularly in 1986, when the LO defeated a lockout attempt by the NAF after negotiations broke down, winning a shorter standard workweek and a large wage increase. The effect was to tighten labor markets and raise wages further after the shorter workweek became standard in 1987, with the year’s *National Budget* warning that “the reduction in standard work hours will lead to [lower] production growth (...) and contribute[] to [the need for] restraint in many areas.”¹⁰⁴ Many countries would have used fiscal or monetary austerity to increase unemployment and reduce wage pressures—and labor movement bargaining power—in such a situation, but “for the Labor Party it was unacceptable to use unemployment as a tool of economic policy,” Gunnar Berge claimed in his memoir.¹⁰⁵ The alternative was to attempt to control wage and cost development through “a close collaboration between the authorities and the parties in the work world” (*arbeidslivet*), as Berge put it, building upon the strategy that he and other Nordic social democrats had developed a few years before as part of the SAMAK-organized collaboration.¹⁰⁶

Berge’s claim that the Brundtland government refused to use unemployment to cool the economy was only technically accurate at best. Although the government’s stated intent was to “maintain full employment,” it did in fact reduce demand for labor via fiscal and monetary austerity.¹⁰⁷ The official goal was a so-called soft landing: “Demand regulation” was meant to be paired with “an income policy that can yield lower cost growth without employment being threatened.”¹⁰⁸ But Berge did admit that “if we were to come out of the [economic] quagmire, austerity was absolutely necessary. The price we had to pay in the short term was an increase in

¹⁰³ St.meld. nr. 4 (1987-1988), 7.

¹⁰⁴ Lie, *Norsk økonomisk politikk*, 168-169; St.meld. nr. 1 (1986-1987), 6.

¹⁰⁵ Berge, *Til kongen med fagbrev*, 79.

¹⁰⁶ *Ibid.*

¹⁰⁷ St.meld. nr. 4 (1987-1988), 43.

¹⁰⁸ St.meld. nr. 1 (1987-1988), 5.

unemployment.”¹⁰⁹ He nevertheless denied the LO’s charge that the Brundtland government was “us[ing] unemployment as a tool of economic policy.”¹¹⁰ The most generous reading of these contradictory statements is that the government viewed increased unemployment as an unfortunate side effect of austerity, with income policy cooperation used to avoid imposing austerity as severe as that imposed elsewhere. Berge stridently defended the practice of forcing striking groups of workers “with key functions in society” into mediation on the grounds that it was in the national interest, however, so a wider effort to discipline labor for the same reason cannot be ruled out.¹¹¹

Berge argued, in any case, that “the cooperation we achieved in 1988 and 1989 was completely decisive in getting the country on a better economic path, (...) [since it built] confidence in a stable currency and made possible an eventual reduction in interest rates.”¹¹² In 1988, for example, the government convinced the LO to accept a central wage increase close to zero and a ban on local wage increases in exchange for the creation of an early pension scheme (*avtalefestet pensjon*, AFP).¹¹³ But not everyone was convinced that income policy cooperation was a viable long-term strategy. The so-called Steigum commission, for example, which the Finance Ministry had tasked with “strengthening understanding of central conditions [*sammenhenger*] in the Norwegian economy,” argued in its 1988 NOU report, *The Changing Norwegian Economy*, that

the different income policy interventions have not managed to hold back the trending impairment of cost-related competitiveness for the past 15 years. A lesson one may draw is that it is hardly possible on a long-term basis to counteract the effects on wage development of strong domestic demand pressure with the help of wage- and income-policy measures. If one is to [*skal*] reach the goals for price and cost development, one must also do something about the underlying supply and demand conditions in the economy.¹¹⁴

The limitations of income policy cooperation as a tool of wage restraint were clear from the 1988 settlement. The LO’s acceptance of the AFP scheme meant in effect that workers had agreed to forego present wage increases, commensurate with the high demand for labor prevailing at the

¹⁰⁹ *Til kongen med fagbrev*, 288.

¹¹⁰ *Ibid.*

¹¹¹ Berge, *Til kongen med fagbrev*, 290.

¹¹² *Ibid.*, 181.

¹¹³ Lie, *Norsk økonomisk politikk*, 169.

¹¹⁴ NOU 1988:21, *Norsk økonomi i forandring*, 9, 119.

time, in exchange for future pay in the form of generous pension benefits. The effects of the underlying upward pressure on wages had merely been delayed. This arrangement helped stabilize the economy in the late 1980s, but the pension benefits, the fruits of the LO's good bargaining position, would have to be paid out eventually—and indeed the Stoltenberg government did attempt to “eliminate or radically alter [the AFP scheme]” during the 2009 pension reform because it was expensive, but failed due to “labor movement oppos[ition].”¹¹⁵

The civil servants in the Finance Ministry—and Berge himself—would almost certainly have been aware of the Steigum commission's views. The commission's work was sponsored and in part staffed by the Ministry. Three Ministry civil servants, including Per Schreiner, Director General (*Ekspedisjonssjef*) of the Planning Division, whom Berge mentioned in his memoir, served on the commission, while the commission itself noted that “many in the Planning Division in the Finance Ministry have taken part in the work with the report.”¹¹⁶ If negotiated wage restraint was unlikely to be effective in the long run and political commitments precluded substantial reductions in demand for labor in order to bring down wage pressures, the remaining alternative was to attempt to increase the labor supply and improve labor market function. This line of reasoning, while never stated so candidly, appears to have been central to labor market policy, at least as the Finance Ministry conceptualized it, in the years leading up to the *arbeidslinje*'s introduction in 1992, even though Berge believed income policy cooperation to be effective.

Economic planners considered increasing labor market efficiency and flexibility to be the top priority of labor market policy in this period, as the *Perspectives* white paper made clear. “The labor market in Norway in the past 10-15 years has been characterized by (...) consistently low unemployment,” it said, and was at the time of writing “extremely tight.”¹¹⁷ With low unemployment and tight labor markets the norm, “[labor market] policy must be structured to

¹¹⁵ Lie, *Norsk økonomisk politikk*, 169. Income policy cooperation can be understood as an attempt by the government to induce both labor and employers to forego present wages and profits in order to increase the probability that earnings would continue (and grow) in the future. It was meant to free up capital to support expanded production and growth in the immediate future and to improve the economy's long-term growth potential via investment in restructuring and productivity gains. The government expected “businesses to follow up [reduced growth in wages] with reduced prices, increased investments or restructuring in order to secure employment in the long term, such that increased business income is not taken out as increased profits,” according to St.meld. nr. 1 (1987-1988), 43. It also expected “increased profitability to contribute to (...) increased production that creates new workplaces ahead of [*framfor*] high wage growth for certain [well-placed] groups.” St.meld. nr. 1 (1991-1992), 40.

¹¹⁶ NOU 1988:21, 3, 10. The reference to Schreiner appears in Berge, *Til kongen med fagbrev*, 86.

¹¹⁷ St.meld. nr. 4 (1987-1988), 74, 75.

utilize labor force resources well”—that is, it must be structured to increase the labor supply, in effect if not in fact.¹¹⁸ This meant, in practice, that “*labor market measures must, first and foremost, contribute to better flow in the labor market, and promote the repositioning of labor between businesses and industries.*”¹¹⁹ The document tied this need to improve labor market function specifically to the “important goal for general economic policy in the coming years” of “better[ing] profitability and growth in competition-exposed industry.”¹²⁰

The document also explicitly linked this increase in labor market efficiency to controlling wages and alleviating labor shortages. “Growth [in competition-exposed industries],” the *Perspectives* white paper declared, “must not be hindered by lack of labor power. Labor market policy must be structured such that it supports this goal.”¹²¹ Such shortages had been a serious problem as early as 1984, limiting “[exposed] industry’s opportunities to attract workers,” according to the 1988 *National Budget*, with negative consequences for wage development as well as growth.¹²² While “a more active use of labor market policy is not alone sufficient to achieve stronger growth in the competition-exposed industries,” the document concluded, “*dampened wage- and cost-growth is a necessary prerequisite for favorable developments in employment in the longer term.* It is important that labor market policy is structured to contribute to this.”¹²³ While fiscal austerity would serve to reduce the wage pressures that had built up in the overheated economy in the short term, the Finance Ministry anticipated the need for a “more active” labor market policy to control wage development and maintain competitiveness on a long-term basis.

Particularly in the more internationalized economic environment of the late twentieth century, labor market flexibility was important if Norway was to control costs and remain competitive. “Increased internationalization entails that a steadily larger part of Norwegian industry will face foreign competition,” the 1992 *National Budget* observed.¹²⁴ If Norway was to “increase employment and harvest the returns of increased international division of labor,” the document argued, “it will (...) become steadily more important that our costs be reduced relative

¹¹⁸ St.meld. nr. 4 (1987-1988), 75.

¹¹⁹ *Ibid.* Emphasis in original.

¹²⁰ *Ibid.*

¹²¹ *Ibid.*

¹²² St.meld. nr. 1 (1987-1988), 29.

¹²³ St.meld. nr. 4 (1987-1988), 75. Emphasis in original.

¹²⁴ St.meld. nr. 1 (1991-1992), 7.

to other countries’.”¹²⁵ Increased internationalization required not just steadily improving cost control, but also greater flexibility: “A strengthening of the production basis [*produksjonsgrunnlaget*],” such that “production and employment is more easily repositioned [*omstiltes*] between sectors,” the *Perspectives* white paper argued, would “make it easier to meet swings in the international economy with demand-regulating measures.”¹²⁶ Although policymakers did not say so outright, it was clear that they believed that an intensified labor market policy would have to become long-term policy if Norway was to remain competitive as internationalization proceeded.

A crucial element of this intensified labor market policy was the improvement and expansion of the education system, broadly defined, as well as increased emphasis on training programs offered by the labor market agency. The 1992 *National Budget* argued that such “measures [have] particular significance for the labor market’s function.”¹²⁷ Consistent with Swedish Third Way thought, policymakers were convinced that “knowledge-based production is becoming steadily more important.”¹²⁸ In combination with the ongoing “*restructuring and changes in work life*” that the Brundtland government had set in motion, the perceived rise of the knowledge economy meant that there was “*demand [for] changed qualifications*,” according to the *Perspectives* white paper.¹²⁹ It also meant that “competence- and education level may have significance for how efficiently the available resources are utilized. High education level, together with investments in research and development, provides a basis for the development of new products and production techniques,” the Steigum commission argued.¹³⁰

¹²⁵ St.meld. nr. 1 (1991-1992), 7.

¹²⁶ St.meld. nr. 4 (1987-1988), 11. Internationalization had proceeded since the early 1970s; it was in this context that older manufacturing industries in Norway (and other Western countries) had declined, as low-cost, export-dependent industrial production emerged in the economies of Asia. But for the purpose of understanding the immediate context in which the *arbeidslinje* developed, the increasing interconnection of national economies itself was the more important trend, with the breakdown of Bretton Woods and its replacement with a system of floating exchange rates having linked them more closely via capital flows. After the postwar international economic order broke down, policymakers in Western countries had few options other than “acceptance of the international market,” since “reverting to neo-mercantilist economic policies that presupposed national autonomy” was unrealistic, according to Maier, “Two Sorts of Crisis?,” 60. Norwegian policymakers were fully aware of internationalization and its implications for economic management. The 1992 *National Budget* argued that “[Economic] tools work differently—and often less predictably—than before. It is harder than before for a single country to make economic policy that differs to a large extent from what other countries do. This is due to the fact that mutual dependency between countries has gradually become greater. International trade has increased and international firms are larger and more numerous.” St.meld. nr. 1 (1991-1992), 16.

¹²⁷ St.meld. nr. 1 (1991-1992), 47.

¹²⁸ St.meld. nr. 4 (1987-1988), 57.

¹²⁹ *Ibid.* Emphasis in original.

¹³⁰ NOU 1988:21, 60.

This insistence on education's role in boosting productivity, innovation, and the labor supply was reflected in labor market and education policy. As unemployment rose in 1989 and the labor market agency "stepped up (...) labor market measures," it "primarily emphasized (...) qualifying and training" programs in its offerings to jobseekers.¹³¹ The government also planned to expand the university system's capacity from 94,000 in 1987 to 105,000 in 1995, with "the increase (...) concentrated in three main investment areas, namely" those projected to see the greatest job growth in the following years.¹³² By the time of the 1992 *National Budget's* publication in late 1991, policymakers would describe the government as having "increased markedly" the formal education system's "capacity," while taking steps to improve its quality.¹³³ As they saw it, in the era of knowledge-based, post-Fordist production, and at a time of economic restructuring in particular, education policy had become part of economic policy, as in Sweden.

This expansion of education and training was congruent not just with the long-term goals of reducing wage growth and preventing labor shortages, but also with the specific purposes of labor market policy within the Brundtland government's restructuring program. Among other things, the government intended to "reform[] (...) industrial policy support measures, such that one (...) can promote renewal ahead of [*framfor*] (...) maintain[ing] unprofitable production."¹³⁴ In more concrete terms, this was a reversal of the haphazard industrial policy that had prevailed in the 1970s and early 1980s, reducing productivity growth and extending the life of uncompetitive firms and industries. Such prominent firms as Kongsberg Arms Factory and Mo i Rana's Norwegian Iron Works, as well as industries such as shipbuilding, were restructured or wound down as part of the government's effort "to increase growth potential in the economy."¹³⁵ Old and inefficient industry was to be replaced with that which could compete.

With many firms in traditional industrial sectors streamlining their operations or disappearing entirely, their workers were likely to lose their jobs, with limited options for re-employment, particularly in more remote areas with few major employers. The *Perspectives* white paper alluded to this problem, warning that "a significant investment in *distriktspolitik*

¹³¹ St.meld. nr. 1 (1989-1990), 35.

¹³² St.meld. nr. 4 (1987-1988), 58.

¹³³ St.meld. nr. 1 (1991-1992), 48, 60-61.

¹³⁴ St.meld. nr. 4 (1987-1988), 12.

¹³⁵ *Ibid.*, 8; Berge, *Til kongen med fagbrev*, 250-251; Lie, *Norsk økonomisk politikk*, 161.

and labor market policy will be necessary in order to avoid high unemployment in industry-weak areas during the necessary restructuring of the economy.”¹³⁶ More generally, it continued, “the problems facing the Norwegian economy mean that one must still expect a certain [amount of] unemployment of structural character in the coming years.”¹³⁷ Berge argued that the prospect of industrial restructuring made it “all the more important (...) to prevent certain groups and people from being hit with [*rammet av*] long-term unemployment and in that way pushed out of the labor market for good.”¹³⁸ Long-term unemployment, as the 1992 *National Budget* noted, “leads to the qualifications of the unemployed weakening. They thereby become less suitable to fill new jobs. (...) For those who lose their jobs, it can be difficult to find their footing again if unemployment continues for a long time.”¹³⁹ This meant that labor market policy had to be used “to limit the injurious effects of unemployment and maintain and renew the qualifications and competencies of the unemployed” if they were to be prevented from “los[ing] contact with the labor market.”¹⁴⁰ Labor market policy during restructuring was meant to prevent workers in dying industries from being lost as a labor pool, primarily by providing them with opportunities for retraining or continuing education, although government documents did not say so explicitly.¹⁴¹

Conversely, labor market policy was also meant to secure labor for the competitive industries that the government was attempting to build through restructuring. “Labor market policy for 1988 is,” according to that year’s *National Budget*, “first and foremost structured to

¹³⁶ St.meld. nr. 4 (1987-1988), 12. *Distriktpolitikk* is the Norwegian term for policy meant to support less populated areas, economically and otherwise. Since the 1950s, Norway has had a policy of supporting economic development in such areas, encouraging residents to remain where they are rather than forcing them to move to urban areas in search of work. See Lie, *Norsk økonomisk politikk*, 104-105.

¹³⁷ St.meld. nr. 4 (1987-1988), 75.

¹³⁸ Berge, *Til kongen med fagbrev*, 241.

¹³⁹ St.meld. nr. 1 (1991-1992), 47.

¹⁴⁰ *Ibid.*, 48.

¹⁴¹ According to the *Perspectives* white paper, “the need for continuing and further education [*etter- og videreutdanning*] is large and growing,” meaning that “capacity (...) at centers for labor market training programs must (...) be utilized effectively.” The “most flexible possible use of labor market training programs (...) will be aspired to (...) according to the labor market’s needs.” St.meld. nr. 4 (1987-1988), 77. This approach to de-industrialization is notably very different from the approach taken in countries such as the United States and Great Britain, where liberal ideology had much greater influence on policymaking and active labor market policy was not well-developed. In both countries, long-term and structural unemployment were allowed to become entrenched when industry shut down or relocated. For an early example of this in the US, see Thomas Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton: Princeton UP, 2005), 125-152, 259-271. On the consequences of Margaret Thatcher’s restructuring efforts in Britain, which occurred roughly contemporaneously with those in Norway, see for example Judt, *Postwar*, 535-544.

(...) efficient[ly] convey[] (...) labor power to [growing] industries and businesses.”¹⁴² In this connection, the document argued, “it is important that labor power is not bound up in unprofitable businesses,” as it was as a result of the furloughing (*permittering*) ordinance that existed at the time, which incentivized struggling firms to retain redundant workers.¹⁴³

Reforming the furloughing scheme was one element of the broader effort “to secure resources, especially labor power, to competition-exposed sectors in order to contribute to necessary restructuring in the Norwegian economy.”¹⁴⁴ Labor market policy would ideally transfer workers from declining to growing industry during Norway’s economic restructuring, simultaneously providing competitive industry with much-needed workers and preventing them from falling out of the workforce permanently.¹⁴⁵

Yet the concern about long-term and structural unemployment was not limited to the restructuring period. The 1992 *National Budget* warned of “a steadily increasing difference between the qualifications of the unemployed and the qualifications that are actually in demand” in the labor market.¹⁴⁶ There were labor shortages in a number of sectors, “even with the high unemployment that exists today.”¹⁴⁷ This was part of an international trend, going back to the 1970s, in which “the labor market became less flexible,” such that “[wage] cost growth increased at a higher unemployment level than earlier,” likely due to the effects of long-term unemployment on workers’ “qualifications.”¹⁴⁸ Without an energetic labor market policy effort to move the unemployed into new jobs, their “motivation to find jobs declined and long-term unemployment took hold.”¹⁴⁹ The incentive structure of benefit programs for the unemployed, so heavily emphasized in *arbeidslinje*-era discourse and policymaking, explained this tendency: Following the development of “an extensive security net for the unemployed” in the postwar era,

¹⁴² St.meld. nr. 1 (1987-1988), 51.

¹⁴³ *Ibid.*, 52.

¹⁴⁴ *Ibid.*, 51.

¹⁴⁵ Although the context was different, this approach echoed Sweden’s use of labor market policy in the postwar era to transfer workers to highly productive sectors and firms from those that collapsed because they were not productive enough to afford the wage costs that prevailed under conditions of full employment. See Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 167-169.

¹⁴⁶ St.meld. nr. 1 (1991-1992), 47.

¹⁴⁷ *Ibid.*, 47.

¹⁴⁸ *Ibid.*, 47.

¹⁴⁹ *Ibid.*, 48.

it became easier for them to “lose contact with the labor market because a certain income level [was] secured.”¹⁵⁰

What the 1992 *National Budget* implied, the 1990 *Budget* had made explicit, arguing that long-term unemployment had to be addressed in order to prevent labor shortages—and it had to be addressed at the level of incentives in labor market policy. “In order to counteract [loss of connection to the labor market],” the document said, policymakers intended to “tighten requirements [such] that (...) those receiving unemployment insurance benefits [*ledighetstrygd*] must make use of offers of suitable [*høvelig*] work or [labor market] programs that are available. Otherwise (...) benefits will be revoked” (*vil falle bort*).¹⁵¹ They would also ensure that “payment [*godtgjørelse*] for employment in labor market programs (...) is clearly lower than wages [are] for ordinary work, such that it pays [*det lønner seg*] to take permanent work.”¹⁵² Variations of this last phrase (*det lønner seg å ta fast arbeid*) would later become closely associated with the *arbeidslinje*, with news publications using it to explain the concept concisely.¹⁵³ Both the language and the policy content here indicate that there was a straight line from concerns about wage development and labor supply—concerns about “bottlenecks [*flaskehals*er] in the labor market and (...) [labor] shortages,” as the 1990 *National Budget* put it—to the *arbeidslinje*, with its more compulsion- and incentive-based approach to labor market and unemployment policy.¹⁵⁴

Discussions of long-term unemployment in connection with the labor supply notwithstanding, the remarkable thing about Finance Ministry documents from the late 1980s and early 1990s is the limited attention paid to the labor market or welfare state developments that ostensibly led to the *arbeidslinje*’s introduction, as the *Attføringsmelding* or secondary sources describe them. Neither “increasing (...) exclusion [*utestengning*] from work life” nor the concomitant rise in benefit program utilization among the excluded was discussed at length in the Steigum commission report or the *Perspectives* white paper.¹⁵⁵ In 1992, the year that the

¹⁵⁰ St.meld. nr. 1 (1991-1992), 48.

¹⁵¹ St.meld. nr. 1 (1989-1990), 15.

¹⁵² Ibid.

¹⁵³ A recent article published by NRK, for example, says that “the *arbeidslinje*, explained simply, is the idea that it should be more profitable to work than to receive social security benefits” (*det skal lønne seg mer å jobbe enn å gå på trygd*). Knezevic and Skei, “Bergstø utfordrer Støre i første partiledertale.”

¹⁵⁴ St.meld. nr. 1 (1989-1990), 15.

¹⁵⁵ St.meld. nr. 39 (1991-1992), 7. NOU 1988:21 mentioned the “marked” rise in long-term disability use in the 1980s briefly and without apparent concern (p. 56). At the time, it was mostly limited to workers over 60. Men appeared to be treating the program as a form of early retirement due to “changed demands in work life” (p. 56).

arbeidslinje became official policy, the *National Budget* did discuss these trends in more depth, but there was little indication that they were serious economic concerns in themselves, although the *National Budget* noted that they “are a sign that the labor market is not functioning well.”¹⁵⁶

At first glance, the absence of a clear economic rationale for the *arbeidslinje*’s introduction suggests that it was primarily a matter of social amelioration—that is, it was meant to address the social and economic problems that individuals and communities faced as a consequence of long-term unemployment. Seen in the context of Norway’s declining international competitiveness, its principal economic problem after 1985, however, the adoption of the *arbeidslinje* takes on a larger significance. It was not only an attempt to address the socioeconomic consequences of long-term unemployment, but also an attempt to resolve serious problems of labor supply that were driving up wages and crimping productivity, hindering the restoration and maintenance of Norwegian competitiveness. The growth in long-term unemployment was not an independent cause of the *arbeidslinje*’s introduction—rather, it had to be addressed in order to increase the labor supply. It was no accident that the 1992 *National Budget* described “unemployment” as “a waste of resources for society as a whole.”¹⁵⁷ The *Attføringsmelding* obliquely referenced the connection between the problems it was describing and the Brundtland government’s restructuring program, of which an intensified labor market policy was a part: “the increased rehabilitation efforts announced in this white paper must be seen as an element in a general policy of renewal, restructuring, and growth.”¹⁵⁸ The origins of the *arbeidslinje* cannot be explained without reference to this general policy, or to the economic problems that gave rise to it.

The two approaches to unemployment that the *arbeidslinje* would become associated with—the one focusing on incentivizing labor force participation, the other echoing the early Swedish *arbetslinje*, which focused on facilitating job acquisition through education—both appeared as policy tools in Finance Ministry documents in the early 1990s. This is not surprising, given the public debate about the imposition of work requirements for *økonomisk sosialhjelp*

This would hardly have been surprising in the midst of the economic restructuring then underway. The rise in *uføretrygd* use among older women, the authors speculated, was probably due to their “increased labor force activity” (p. 56). Rehabilitation (*attføring*) received an unremarkable half-page discussion in St.meld. nr. 4 (1987-1988), 78.

¹⁵⁶ St.meld. nr. 1 (1991-1992), 46-47. But see the next chapter on concerns about the long-term sustainability of the welfare state.

¹⁵⁷ *Ibid.*, 5.

¹⁵⁸ St.meld. nr. 39 (1991-1992), 21.

recipients in these years. But when the government formally introduced the *arbeidslinje* in 1992, it would emphasize the facilitation of employment among the sick and disabled, citing concerns about welfare state finances. It is to this history that we now turn.

Chapter 4

Demography is not Destiny: The *Arbeidslinje* for a (Fiscally) Sustainable Welfare State?

Ongoing concerns about the labor supply and international competitiveness dominated Finance Ministry discussions of labor market policy in the late 1980s and early 1990s. The origins of the *arbeidslinje*, these discussions suggest, were rooted in such concerns. Yet the two white papers that made the *arbeidslinje* official policy, the *Attføringsmelding* and the *Velferdsmelding*, neither published by the Finance Ministry, largely grounded it in other considerations, although they referred to both labor supply and international competitiveness at times. While the focus of the *Attføringsmelding* on rising utilization of benefit programs for those outside the labor force was consistent with labor supply concerns, the *Velferdsmelding* added new dimensions to such concerns, complicating any attempt to explain the *arbeidslinje*'s introduction exclusively in terms of labor market function and competitiveness.

Demographic challenges in particular loomed large in the *Velferdsmelding*. Ensuring an adequate labor supply was still policymakers' main concern here, but not primarily for the purpose of maintaining competitiveness. They emphasized, instead, the urgency of putting the welfare state on a sustainable fiscal path in the long term, as the population aged and the percentage in the labor force declined. This required budgetary discipline, which meant saving rather than spending oil revenues and maximizing labor force participation, since every adult outside the labor market meant marginally greater pressure on present and therefore future welfare state finances, in the view of policymakers.

Yet it was not just the budgetary and demographic projections themselves that convinced policymakers of the need for discipline and prudence. The predominant emphasis in the *Velferdsmelding* on the limits of Norway's resources, be they natural or human, and the importance of their careful management reflected the experiences of the prior two decades. Short-term thinking and overreliance on oil money to resolve distributional conflicts, to prop up the balance of trade, and to supply tax revenue had, in combination with other factors, nearly led to disaster, as policymakers saw it. The Brundtland government's restructuring and austerity program, as well as the transition to the so-called knowledge economy, threatened to lock the youngest and oldest workers out of the labor market permanently—a waste of human potential that the country could not afford, policymakers believed. With oil revenues again expected to rise

after a decade of low prices and the working-age population projected to shrink long-term, they were determined to use the country's human and material resources carefully and to avoid repeating the mistakes of the past.

The publication of the *Velferdsmelding* announced a clear attempt to address the long-term demographic and fiscal challenges facing Norway, but concern about these challenges had been mounting for over a decade—in Norway and across Western Europe. The builders of the postwar European welfare states had (optimistically, in retrospect) assumed that birthrates and economic growth would remain at their postwar heights, indefinitely sustaining social service provision as well as pension and other benefit payments to those outside the labor force. By the late 1970s, it was clear in many countries that neither assumption had been or was likely to be borne out.¹⁵⁹ As early as 1977 in Sweden—from which Norway would borrow ideas about the design of labor market policy in the post-Fordist economy, as we saw in chapter two—“one-third of the national product was taken up by social expenditures, a budgetary charge that could only be met either by deficits or else by raising taxes on the very constituencies—employed workers, civil servants and professionals—on whom the Social Democratic consensus had hitherto depended,” according to Judt.¹⁶⁰ Although framed in terms of the potentially “unreasonable [tax] burdens on future generations,” rather than on Social Democracy's present voter base, the same budgetary concerns would appear in the *Velferdsmelding*.¹⁶¹

In spite of these concerns, however, Norway's newfound oil wealth made reform—or, less euphemistically, cutbacks—less urgent from a fiscal perspective than in Sweden. By the 1980s, the Swedish labor market authorities were already encouraging workers to retire later. Between 1994 and 1999, the Swedish Social Democrats dismantled the country's pension system, described in the literature as the crowning achievement of the Swedish social democratic welfare state, replacing it with a less generous, more market-based and individualistic alternative that insulated state finances from demographic pressures.¹⁶² In Norway, by contrast, policymakers did not introduce the *arbeidslinje* until the early 1990s, with the 1995

¹⁵⁹ Judt, *Postwar*, 535-536.

¹⁶⁰ *Ibid.*, 536.

¹⁶¹ St.meld. nr. 35 (1994-1995), 11.

¹⁶² Claes Belfrage and Magnus Ryner, “Renegotiating the Swedish Social Democratic Settlement: From Pension Fund Socialism to Neoliberalization,” *Politics & Society* 37, no. 2 (June 2009): 262-265.

Velferdsmelding being the first white paper to explicitly link labor force participation, and efforts to push up the average retirement age in particular, to the fiscal sustainability of the welfare state.¹⁶³ Pension reform did not take place until 2009 and did not result in cuts nearly as harsh as Sweden's, even though the Norwegians drew heavily from the Swedish model of pension reform.¹⁶⁴

Although reform came later, Norwegian policymakers were nevertheless concerned about the potential demographic and fiscal challenges at least as early as 1982. Just 15 years after the social security system (*folketrygden*) was established in 1967, the Finance Ministry organized an expert committee to examine “the social security system’s finances [*økonomi*]” in light of the fact that “in the years ahead, there will be clear growth in the (...) system’s outlays under the existing framework,” partially “due to (...) an increase in the number of the elderly,” but primarily because “the new pensioner cohorts will [be entitled to] to greater pension benefits than [previous] (...) cohorts.”¹⁶⁵ The group’s 1984 NOU report, *Social Security Financing*, warned that “without a change in the social security system’s income/outlays, it will become difficult to finance new prioritized tasks out of public budgets” by 1990.¹⁶⁶ Even more ominously, the social security system’s funding problems would cease to be an exclusively fiscal matter by then, spilling over into the larger economy, the report argued: “the [predicted budget] deficit [due to increased social security outlays] is so large that it may have unfortunate consequences for cost development and the growth possibilities of the traditional parts of industry, among other things.”¹⁶⁷ The problem would only get worse as time went by, with “the

¹⁶³ The *Velferdsmelding* argued that there was a “need to reverse the tendency towards steadily falling labor force participation in older age groups, and to achieve a rise in the actual average retirement age of three years by 2015. The background is especially consideration of the evolution of the labor force and the costs of public welfare programs.” St.meld. nr. 35 (1994-1995), 56. The *Attføringsmelding* did discuss this problem in less specific terms, however: “From an economic perspective, there are (...) limits to how large a proportion of the labor force can be transferred to passive social security benefits and other transfer [programs] before the burdens on [those] actively working [*yrkesaktive*] become too great.” St.meld. nr. 39 (1991-1992), 8.

¹⁶⁴ Urban Lundberg, “Åldrande och olja. Norsk pensionspolitikk i internasjonell belysning,” *Arkiv. Tidsskrift for samhøllsanalys* no. 4 (2015): 9-10. Lundberg quotes Axel West Pederson, who called the Norwegian pension reform “a half-hearted copy of a brutal original,” referring to the Swedish reform effort (p. 9).

¹⁶⁵ NOU 1984:10, *Trygdefinansiering*, 7. The growth in pension expenditures was primarily connected to the aging of cohorts entitled to a more substantial earnings-based pension (*tilleggspensjon*), based on higher post-1967 earnings. The *tilleggspensjon* had been introduced in 1967 in order to “secure the individual pensioner an income standard that was in reasonable proportion to the standard that that person (...) had when working.” Prior to the adoption of the 1967 Social Security Act (*folketrygdloven*), retirees were entitled only to a flat-rate pension, regardless of earlier income. St.meld. nr. 4 (1987-1988), 95.

¹⁶⁶ NOU 1984:10, 10.

¹⁶⁷ *Ibid.*

social security system laying claim to a steadily increasing part of national income after 1990.”¹⁶⁸ And this meant that it was “important that the [system’s funding and benefit] framework is changed (...) now in order to avoid dramatic changes at a later date.”¹⁶⁹

It is difficult to know what to make of these warnings, given that budget documents in the following years gave no indication of an impending fiscal crisis, even after the crash in oil prices dramatically reduced tax revenues from 1986. The urgency of the report’s warnings may have been a response to the apparent belief among political leaders, prior to the crash, that Norway’s oil wealth precluded such fiscal problems.¹⁷⁰ In any case, the *Velferdsmelding* expressed the same type of concerns, if not with the feverish urgency of the 1984 report. The earlier document framed the pension system in terms very similar to those that the white paper would use eleven years later, arguing that the system was a kind of “‘contract’ based on solidarity between the generations,” since current retirees’ benefits were funded by workers’ contributions—contributions that in turn entitled them to benefits funded by the labor of future generations.¹⁷¹ This meant that “lifetime income for different generations must (...) be considered,” if policymakers were to avoid undermining the intergenerational solidarity on which the system was based.¹⁷² Projections that showed a rise in pensioners’ income relative to workers’, even as the burden on those workers rose substantially, led the report “to ask whether those in the workforce [*de yrkesaktive*] will keep to this ‘contract.’”¹⁷³ The report questioned the political sustainability of the pension system, while the *Velferdsmelding* would focus on the welfare state’s fairness—on ensuring that “welfare programs (...) do not place unreasonable burdens on future generations”—but both emphasized that “solidarity must also extend to future generations,” as the *Velferdsmelding* put it.¹⁷⁴

¹⁶⁸ NOU 1984:10, 76.

¹⁶⁹ Ibid.

¹⁷⁰ This was not the explicit position of Norway’s political leadership, but their behavior implied as much. Einar Lie writes that “the year 1985 was characterized by an extremely expansive [economic] climate. (...) Fiscal policy was, according to the OECD, perhaps the most expansive among the industrialized countries. After [that year’s] election the civil servants in the Finance Ministry made an attempt to obtain fiscal cutbacks. The attempt was rather unsuccessful; the government used the opportunity to plus up the budget when this nevertheless came up for new discussion.” Lie, *Norsk økonomisk politikk*, 139.

¹⁷¹ NOU 1984:10, 12.

¹⁷² Ibid.

¹⁷³ Ibid.

¹⁷⁴ St.meld. nr. 35 (1994-1995), 11, 12.

The Steigum commission report also warned of the social security system's long-term fiscal challenges, albeit in drier, less normatively charged language than the earlier and later documents—and without the 1984 report's warnings of imminent fiscal problems. Building on that report's long-term projections, *The Changing Norwegian Economy* predicted that social security outlays would consistently outstrip growth until and beyond 2025 if the system was left unchanged, compelling the government to raise taxes “significantly” in the long term and eventually leading to “unreasonable imbalances in the income distribution between the generations.”¹⁷⁵ In contrast to the 1984 document, however, it predicted “especially strong growth in long-term disability pensions” (*uførepensjon*) until 2010.¹⁷⁶ This difference reflected the sharp upward trajectory of *uførepensjon* utilization in the 1980s—a significant concern of both the *Attføringsmelding* and the *Velferdsmelding*, as well as a stated reason for the *arbeidslinje*'s adoption. But the report predicted “clearly stronger growth in old-age pensions” based on “demographic factors” in the longer term.¹⁷⁷ The signals from the Finance Ministry's experts all pointed towards the need for reform, with the Steigum commission calling for “*extensive changes in the social security system,*” sooner rather than later, in order to “avoid” overburdening future generations or distorting markets with significant tax increases.¹⁷⁸

Like the Steigum commission report, the 1987 *Perspectives* white paper drew from the 1984 NOU report in its discussion of the social security system. It raised the same general concerns about intergenerational solidarity and fairness, but it went further than either NOU report in arguing that the projected growth in pension outlays was undesirable, since the associated increase in the tax burden on those in the labor force would undermine the efforts of young people to establish themselves. On the contrary, it made explicit that “the government sees it as an important goal to *redistribute public benefits to the advantage of the young,*” since “the majority of younger people and families with children have large expenses [connected with] establishing [themselves,]” a process made all the more challenging because their “incomes are lower than later in life.”¹⁷⁹ Benefits, the white paper argued, should flow more heavily towards the young, which “make it *necessary to take steps that may dampen growth in* [the social security

¹⁷⁵ NOU 1988:21, 166-168.

¹⁷⁶ *Ibid.*, 167.

¹⁷⁷ *Ibid.*, 167.

¹⁷⁸ *Ibid.*, 168. Emphasis in original.

¹⁷⁹ St.meld. nr. 4 (1987-1988), 94, 96. Emphasis in original.

system's] *outlays* in the future.”¹⁸⁰ While the document did not specifically call for cuts to the system, neither it nor either NOU report argued explicitly that policymakers should take steps to increase labor force participation or extend the working lives of those approaching retirement age. The focus remained on the pension system's structure rather than its relationship to labor market policy, even though there were clear signs elsewhere in the *Perspectives* white paper that policymakers were moving towards an intensified labor market policy, as we saw in the previous chapter.

The first white paper that combined labor market and pension policy, the *Attføringsmelding*, raises more questions than it answers about the origins of the *arbeidslinje*, even though the literature generally describes it as having made the new approach official policy.¹⁸¹ Close reading of this document fails to yield a satisfying and cohesive explanation for the *arbeidslinje*'s introduction. A large number of developments—economic, demographic, fiscal—appear to have contributed to the policy shift, but it is impossible to say which factors were decisive or what the big-picture concerns were. The only concrete conclusion one can draw is that the adoption of the *arbeidslinje* was more than a response to rising utilization of *uførepensjon* and similar programs. This trend was foregrounded in the document, but there is reason to doubt that it was in itself the primary driver, given the developments described elsewhere.

A plain reading of the document would indicate otherwise: it began by noting “tendencies toward a rising dismissal [*utstøting*] and exclusion [*utestengning*] from work life” in the 1980s, tendencies that “are reflected in a large increase in the number of working-age people (...) living on temporary or permanent [public income-replacement] programs,” especially those connected to “loss of function due to illness, injury or defect [*lyte*].”¹⁸² Between 1980 and 1990, “the proportion of the working-age population receiving *uføretrygd* increased from 6.1 percent (...) to 8.4 percent,” meaning that the number receiving *uføretrygd* had risen to “[the equivalent of] 11.4 percent of the labor force.”¹⁸³ Norway, the white paper declared, “must reverse this development” by “improving rehabilitation and other benefit programs for working-age people[.]

¹⁸⁰ St.meld. nr. 4 (1987-1988), 96. Emphasis in original.

¹⁸¹ See for example Kildal, “Fra arbeidsetos,” 177; Hatland and Stjernø, “Arbeidslinje – velferdspolitikken nye mantra,” 176.

¹⁸² St.meld. nr. 39 (1991-1992), 7.

¹⁸³ *Ibid.*, 12.

such that the more reasonable choice for all parties is the *arbeidslinje* ahead of the *trygdelinje*”—that is, to choose to remain in or return to the labor market rather than living on social security benefits indefinitely.¹⁸⁴

But the rise in *uførepensjon* utilization does not in itself explain why the *arbeidslinje* became the government’s approach of choice. There was evidence, both in the *Attføringsmelding* and in other government documents, that the rise in *uførepensjon* utilization was connected to the Brundtland government’s restructuring program—to the structural unemployment that resulted from industrial reorganization and outright deindustrialization. The *Attføringsmelding* noted that there were “almost five times as many *uførepensjonister* in [the working-class Oslo borough] Sagene as in [affluent] Vindern.”¹⁸⁵ Nationally, a disproportionate share of new *uførepensjonister* in 1988, both men and women, had been employed as industrial workers, relative to the population as a whole. They tended to be less educated than average: about two-thirds had no education beyond the basic level (*grunnskolenivå*), with men more likely than women to have only a *grunnskole* education.¹⁸⁶ And their income prior to applying for long-term disability was lower than that of the population overall.¹⁸⁷ The educational, occupational, and geographic background of long-term disability recipients suggested that they were largely drawn from the old industrial working class, which faced structural barriers to re-employment as traditional industry shrank or disappeared. The *Perspectives* white paper had made clear that such structural unemployment was to be expected during the restructuring period.¹⁸⁸ Rising *uførepensjon* utilization was therefore not necessarily a long-term problem requiring a reorientation of labor market policy of indefinite duration.

Demographic change and considerations of labor supply came together in the *Attføringsmelding* at times to suggest that more enduring conditions contributed to the *arbeidslinje*’s adoption. Projections showed that there would be “reduced entry of younger workers [to] and a larger proportion of older workers” in the labor force in the future, meaning

¹⁸⁴ St.meld. nr. 39 (1991-1992), 3. *Trygd* refers to the social security system, so the *trygdelinje* (literally “social security line”) is considered the opposite of the *arbeidslinje*.

¹⁸⁵ St.meld. nr. 39 (1991-1992), 38.

¹⁸⁶ Norwegian students begin their *grunnskole* education at age 6 and finish at age 16.

¹⁸⁷ St.meld. nr. 39 (1991-1992), 38-39.

¹⁸⁸ According to the white paper, “the problems facing the Norwegian economy mean that one must still expect a certain [amount of] unemployment of structural character in the coming years.” St.meld. nr. 4 (1987-1988), 75.

that “continuing education [would] become (...) even more important (...) than before.”¹⁸⁹ In addition, it would “become important to retain and rehabilitate older and medically vulnerable workers, who [would] often possess valuable experience and knowledge.”¹⁹⁰ The government would have to allocate more resources to rehabilitation efforts if it was to reverse the upward trend in *uførepensjon* utilization, keep older people in the workforce, and ease labor supply problems. These were anticipated rather than present challenges, however; they do not explain the timing of the *arbeidslinje*’s introduction.

The connection between the rehabilitation efforts described in the *Attføringsmelding* and concerns about the welfare state’s sustainability emphasized in the *Velferdsmelding* is more clearly revealed by the 1988 Steigum commission report, which noted “a strong development in the direction of disability pensions functioning as a form of early retirement pension.”¹⁹¹ While it is unclear how the report reached this conclusion—whether by interpreting the statistics on *uførepensjon* utilization in such a way, or else by drawing upon a larger body of research—more than one-third of the population between 60 and 66 years of age was receiving *uførepensjon* in 1990, up from just under a quarter in 1980, according to the *Attføringsmelding*.¹⁹² In light of the fact that “older workers who attempt to get a new job rather than pulling out of the labor force have very long unemployment periods,” it stands to reason that older workers were choosing to apply for *uførepensjon* and in effect retire early, since they struggled to find work, probably because, as the *Attføringsmelding* indicated elsewhere, they tended to have low education levels and were more likely to have worked in dying industries, which typically did not require substantial education or training.¹⁹³ This was the background for the *Velferdsmelding*’s stated goal of raising the effective retirement age.

The difficulties of older and less educated workers in the labor market in the 1980s and 1990s reflected in part the transition from the industrial to the post-industrial economy. As heavy industry declined and the service sector and high value-added industry became predominant, substantial education or training increasingly became necessary to find work.¹⁹⁴ This transition to

¹⁸⁹ St.meld. nr. 39 (1991-1992), 26.

¹⁹⁰ Ibid.

¹⁹¹ NOU 1988:21, 166.

¹⁹² St.meld. nr. 39 (1991-1992), 37. The Norwegian retirement age is 67.

¹⁹³ St.meld. nr. 1 (1991-1992), 46.

¹⁹⁴ Maier, “Two Sorts of Crisis?,” 55-56; Jochen Clasen and Daniel Clegg, “New Labour Market Risks and the Revision of Unemployment Protection Systems in Europe,” in *The Politics of Post-Industrial Welfare States*:

the so-called knowledge economy—and to a labor market with high barriers to entry for those without skills—was often noted briefly in Finance Ministry documents as well as the *Velferdsmelding*, which vaguely referenced it repeatedly without discussing it in any depth, arguing, for example, that “education means more for people’s living conditions than earlier. People with little education (...) have greater difficulties than others gaining entry to the labor market.”¹⁹⁵ This was reflected in the struggles of workers near retirement age, but it also meant that “youth with little education have especially great problems finding work.”¹⁹⁶ Older workers were “significantly less mobile both occupationally and geographically,” while youth without substantial education struggled because they had “little or no work experience” to compensate for lack of formal qualifications.¹⁹⁷ The result was high structural unemployment among both groups and a concomitant increase in welfare program utilization, with older workers turning to *uførepensjon* and youth to *økonomisk sosialhjelp* in order to survive.¹⁹⁸

The *Velferdsmelding* argued that these developments needed to be addressed for a number of reasons, but concerns about demographic change and the heavy anticipated burden on future generations stand out, coming up repeatedly in discussions of the long-term outlook for the Norwegian economy and welfare state. Like Finance Ministry documents from the 1980s, the *Velferdsmelding* warned that “future [disability and old-age] pensioners will have built up higher pension entitlements,” while “the working-age population will not increase equivalently. Over time, the projected number active in the workforce per pensioner will decline somewhat.”¹⁹⁹ Unlike the earlier documents, however, the *Velferdsmelding* connected the unfavorable demographic trajectory to a projected long-term decline in oil revenues—revenues that it reconceptualized as withdrawals from a kind of savings account in oil form, rather than an unlimited income stream: “parts of oil income are not income as normally understood,” it argued, “but have their offset [*motpost*] in a reduction of oil wealth.”²⁰⁰ Since Norway’s oil reserves were not unlimited, the revenue they generated should be “disconnected (...) from [the state’s]

Adapting Post-War Social Policies to New Social Risks, ed. Klaus Armingeon and Giuliano Bonoli (London: Routledge, 2006): 194.

¹⁹⁵ St.meld. nr. 35 (1994-1995), 14.

¹⁹⁶ *Ibid.*, 32.

¹⁹⁷ *Ibid.*, 14, 32.

¹⁹⁸ *Ibid.*, 14.

¹⁹⁹ *Ibid.*, 15.

²⁰⁰ *Ibid.*

ongoing income [*den løpende opptjeningen*]” and “reallocated (...) to another form of wealth with the highest possible yield.”²⁰¹ Doing so “will make it easier to meet the long-term challenges connected to demographic developments.”²⁰² In the government’s conceptualization, the country’s oil wealth had ceased to be a tool to resolve or fudge various short-term economic and political problems—on paper at least—becoming instead one to be used carefully and deliberately on a long time horizon in order to “strengthen the generational income distribution” and “contribute to maintaining welfare measures long-term.”²⁰³

Yet the *Velferdsmelding* argued that merely saving rather than spending oil revenues would not be enough to limit the burdens on future generations, between the long-term decline in such revenues and the expected demographic problems. The welfare state’s long-term fiscal sustainability “is determined now and in the coming years through budget policy,” the document asserted.²⁰⁴ “If the tax burden is not [*skal ikke*] to be significantly higher for future generations than for those now living,” it argued, “the state [*det offentlige*] must (...) have significant budget surpluses in the coming years.”²⁰⁵ By international standards, this was an ambitious goal, especially since the document indicated that the government did not plan to make significant cuts to welfare programs, but rather would “draw a ring around the social security system” and “further develop the Norwegian welfare society” (*velferdssamfunnet*).²⁰⁶ While Sweden and other European social democracies were struggling to maintain sound public finances and staring down deep cuts to welfare programs, Norway intended to more or less maintain its present welfare state—and to do so while ensuring it would be sustainable in the future at a fair price to future generations by running budget surpluses and saving its oil revenue.²⁰⁷

The mathematical necessity of these lofty goals is difficult to assess, but there are indications that they were as much a reaction to the consequences of the oil crash and the wage explosion of the 1980s as they were to the economists’ projections. There is the brief mention of

²⁰¹ St.meld. nr. 35 (1994-1995), 15, 21. That form would be global stocks, held in Norway’s sovereign wealth fund, which received its first deposits in 1996. Lie, *Norsk økonomisk politikk*, 174.

²⁰² St.meld. nr. 35 (1994-1995), 15.

²⁰³ *Ibid.*, 16, 82.

²⁰⁴ *Ibid.*, 53.

²⁰⁵ *Ibid.*, 15-16.

²⁰⁶ *Ibid.*, 11.

²⁰⁷ For a comparative discussion of welfare state retrenchment in the 1980s and 1990s, see Huber and Stephens, *Development and Crisis of the Welfare State*, 219-221. For Sweden specifically, see 241-257; for Norway, see 257-259.

the ability to use the sovereign wealth fund to “even out the use of [oil revenues],” which had proved impossible in the 1970s and 1980s, with reduced competitiveness as a consequence.²⁰⁸ There is the reference to the “primary challenge” of “channeling the [present] economic upturn into stable and even growth, without price- and cost-growth again accelerating,” as it had in the prior decade.²⁰⁹ And there is the opposition to lowering the retirement age not just because it would lead to “reduce[d] tax and duty income and increased pension payments,” but also because it would potentially “increase labor shortages and thus contribute to increased wage growth,” pushing up inflation and impairing growth, as labor shortages had, not long before.²¹⁰ The demonstrated potential for oil revenues to disappear suddenly and for labor to become scarce led policymakers to respond to negative long-term demographic and oil income projections by setting goals and announcing steps that would leave them with exceptional margin for error, although policy as implemented was not always consistent with this stated hypervigilance.

The *arbeidslinje*, then, was the labor market and unemployment policy component of the government’s hypervigilant response to past and putative future labor shortages and oil revenue shortfalls. This scarcity mindset reinforced the impulse, deeply rooted in Scandinavian social democracy’s history, to “identif[y] (...) various groups (...) as crucial labor force reserves and to (...) creat[e] (...) welfare means explicitly aimed at bringing out their productive potential.”²¹¹ Means had to be found to facilitate the entry of the young to the workforce and to keep those near retirement age working, since structural unemployment simultaneously put pressure on welfare state finances and contributed to labor shortages. Purely economic problems connected to present labor shortages—unsustainable wage increases, reduced productivity and growth—had implications for the welfare state’s long-term sustainability, insofar as they undermined competitiveness and the “value-creation” that generated tax revenue.²¹² There is, in other words, a reason that the *Velferdsmelding* described “human labor power” as “society’s most important resource,” a stock phrase repeated by policymakers up to the present.²¹³ High labor force

²⁰⁸ St.meld. nr. 35 (1994-1995), 15.

²⁰⁹ Ibid., 17.

²¹⁰ Ibid., 57.

²¹¹ Andersson, *The Library and the Workshop*, 128.

²¹² St.meld. nr. 35 (1994-1995), 89.

²¹³ Ibid. The government of Jonas Gahr Støre, the current prime minister, asserts that “labor power is the most important resource for value-creation and welfare,” for example. “Arbeidsmarked,” *Regjeringen.no*, Government of

participation and adequate labor supply were essential to both competitiveness and the welfare state's long-term sustainability.²¹⁴

Yet it is important to bear in mind that policy rhetoric did not always match the reality of policy as implemented—nor were stated policy justifications necessarily the whole story. From an early date, Finance Ministry documents repeatedly argued that pension reform was necessary. The warnings of financial unsustainability first appeared around the time that other European countries, including neighboring Sweden, were grappling with unfavorable trends in demography and economic growth. These warnings continued into the 1990s with the *Velferdsmelding's* linkage of such expected developments in Norway's future to present labor market policy measures to address them. The pension commission's 2004 white paper only repeated these warnings over again.²¹⁵ As Urban Lundberg points out, however, Norwegian official thinking on pension questions prior to the 2009 reform appeared to be shaped by the international trend in policy as much as by fiscal projections: in his interpretation, “the message [of various official documents] seems to be that Norway cannot be the only Western country that does not reform its bloated welfare system,” even though the country's oil wealth gave it a significant cushion.²¹⁶ The paradoxical claim that “we are not a country like all the others but we may become one if we do not do like all the others” was one argument for reform, Lundberg argues, though it was not necessarily made explicitly.²¹⁷ This possibility had a basis in reality—in spite or perhaps because of its oil wealth, Norway had courted disaster in the 1980s before reversing course—but it was a reading of the country's history and potential futures rather than sober economic analysis.

This line of thought may have reached the political leadership by the 2000s, but there was a significant gap between the prescriptions of government reports, on the one hand, and pension policy as enacted in the 1980s and 1990s, on the other: the same year that the Steigum report went to press, the government endorsed the AFP scheme, expanding the pension system. Ten years later it raised the minimum pension by the equivalent of 12,000 Swedish kronor, in spite of

Norway, Dec. 1, 2023. <https://www.regjeringen.no/no/tema/naringsliv/omstillingstempen/arbeidsmarked/id2967601/> (accessed Dec. 3, 2023).

²¹⁴ As the *Velferdsmelding* put it, “High employment provides society [with] greater value-creation and a more secure economic basis for our collective welfare. (...) Value-creation in society occurs both in the private and public sector[s]. Competitive businesses are fundamental in order to secure our collective welfare.” St.meld. nr. 35 (1994-1995), 89.

²¹⁵ Lundberg, “Åldrande och olja,” 48-49.

²¹⁶ *Ibid.*, 34.

²¹⁷ *Ibid.*, 15.

the *Velferdmelding*'s warning that "caution must be shown with the implementation of new [and] costly pension reforms."²¹⁸ Norwegian policymakers, Lundberg argues, were reluctant to link oil money to welfare state financing, but in effect that wealth served a largely unacknowledged role as a buffer, giving the state greater fiscal flexibility than existed elsewhere.²¹⁹ The policy incoherence may have reflected internal disagreement on the proper role of oil wealth in welfare state funding—or the government may have been working at cross-purposes with itself, expanding the pension system for short-term reasons even as it attempted to shore up the system's long-term finances through labor market policy. The apparent contradictions may have been illusory, however. The oil would eventually run out, but the revenue it was generating in the 1990s was still substantial. Yet oil money could not conjure "qualified labor power" into existence—as Per Schreiner observed, "it was oil we had found in the North Sea, not nurses."²²⁰ There was more flexibility in the use of oil money than there was in the labor supply, meaning that the *arbeidslinje* became policy—and has remained so—even as the government did not and has not always followed its own admonitions.

While the *arbeidslinje* has remained policy, however, its content has shifted somewhat. In the two white papers that made it official policy, the government foregrounded justifications for it that revolved around facilitating employment. Associated measures—the expansion of the education system and retraining programs, the rehabilitation of those with health barriers to labor force participation—were discussed repeatedly in the broader document, the *Velferdmelding*, although there was discussion of or allusion to incentives structures as well.²²¹ The *arbeidslinje* thus appeared as more consistent with traditional social democratic principles in these early years.

²¹⁸ Lundberg, "Åldrande och olja," 47; St.meld. nr. 35 (1994-1995), 16. Lundberg does not specify whether the increase listed was denominated in 1998 kroner or 2015 kroner, but an article published by Statistics Norway (*Statistisk Sentralbyrå*, SSB) indicates that the government increased the minimum pension by 12,000 Norwegian kroner in 1998. Bjørg Langset and Thor Olav Thoresen, "Økningen i minstepensjonen. Er pensjonistenes inntekter blitt jevnere fordelt?," *Økonomiske analyser* no. 4 (1999), 3.

²¹⁹ Lundberg, "Åldrande och olja," 34, 47.

²²⁰ Berge, *Til kongen med fagbrev*, 86.

²²¹ In its discussion of policy measures meant to address unemployment among youth, for example, the document announced that "it shall to a greater degree be possible to demand activity when unemployed youth receive *økonomisk sosialhjelp*." St.meld. nr. 35 (1994-1995), 24.

Conclusion: Why the *Arbeidslinje*?

The central claim of this study is that the *arbeidslinje* was part of a broader strategy of supply-side economic reform meant to resolve labor shortages, raise worker productivity, and control wage growth, thereby strengthening Norway's internationally competitive industries and in doing so reducing dependence on the country's most valuable export, oil, as an economic engine. But increased labor supply, renewed competitiveness, and decreased oil dependency were not just meant to improve the country's immediate economic prospects, narrowly defined. The *arbeidslinje* was also meant to insulate the welfare state in the long term from the effects of a demographically-driven reduction in labor force participation and an expected decline in oil production. Higher labor force participation and greater competitiveness in the present would boost tax revenue, which would, in combination with oil revenues saved in the sovereign wealth fund, put the welfare state on a more solid footing in future decades. Although the *arbeidslinje* has primarily led to changes in welfare programs that serve the unemployed, its adoption was more directly connected to boosting economic growth, employment, and the labor supply than it was to unemployment and social policy *per se*.

Yet the *arbeidslinje* was not merely a technocratic response to the country's present and future economic challenges. It grew in part out of the Norway's experiences in the 1980s with the crash in oil prices, impaired competitiveness, and an overheating and poorly functioning labor market. The excesses of economic policy that had left the country vulnerable to the oil crash served as a cautionary tale, as policymakers saw it. That the *arbeidslinje* was a political response to historical experience at least as much as it was a technocratic response to economic challenges is clear from the differences between Norwegian and Swedish pension policy in the 1980s and 1990s: the warnings of reports and white papers notwithstanding, the Norwegian government was still expanding the country's pension system even as the Swedes were harshly cutting theirs. Sweden did not have oil revenues to fall back on as the transformation of the international economic order in the decades after 1970 hollowed out many of its traditional industries, creating budget deficits. Norway did. But labor was a limited resource in the present, not just in the future, meaning that the Norwegian economic reality aligned more closely with policymakers' reading of recent history. The result was the *arbeidslinje*.

The Norwegian government did not develop the *arbeidslinje* in isolation, however. It grew in part out of the collective efforts of leading Nordic social democrats, organized by SAMAK in the mid-1980s, to create what they viewed as an alternative to neoliberalism's policy prescriptions for the challenges facing the industrialized world after the collapse of the postwar international economic order. This pan-Nordic alternative, heavily influenced by early Third Way Swedish labor market policy ideas, emphasized efforts to boost the supply of qualified labor through continuing education and training programs—a facilitative approach to employment that built upon traditional active labor market policy. The explicit focus on incentivizing labor market participation, characteristic of the *arbeidslinje* today, would come later, but both the Swedish labor market authorities and the SAMAK group favored the *arbetlinje* (activation of the unemployed) over the *kontantlinje* (“passive” cash support) by 1985 or earlier. These ideas were taken up by leading figures in Norway's Labor Party, contributing to the development of the *arbeidslinje* between 1985 and 1995, during which time its proponents discussed incentives but primarily emphasized facilitative policy tools, making the new approach acceptable to the left. Denmark embraced what was termed *aktivering* (activation) around the same time.²²² The history of the *arbeidslinje* is therefore not just a story of transnational cooperation and exchange, but also a useful tool with which to shed light on broader changes in the political economy of Scandinavian social democracy since the 1970s.

What does this history tell us? Is labor market and unemployment policy since the *arbeidslinje*'s introduction essentially consistent with postwar social democratic principles or does the history of the *arbeidslinje* point to deeper changes in social policy and economic steering? A glance at the comparative political economy literature may be useful. Esping-Andersen has argued that, among the capitalist democracies in the postwar era, only Norway and Sweden managed to develop “institutional arrangements” and “policy instruments” that made possible “positive-sum trade-offs that [were] consistent with both sustained price stability and full employment.”²²³ The conditions necessary to maintain those arrangements, he argues,

²²² Halvorsen and Jensen, “Activation in Scandinavian Welfare Policy,” 461.

²²³ Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 162-163. The postwar “dilemma” he describes is remarkably consistent with that faced by Norway after 1986, albeit without oil revenues as a complicating factor: “The Nordic countries (...) confronted the dilemma between the promises of redistribution and full employment, and the hard realities of inflationary spirals. In the small, open Nordic economies, too much demand fuels direct and immediate balance-of-payment crises. The problem, therefore, is that competitiveness is jeopardized by too much wage-push” (p. 167).

disappeared in the 1970s.²²⁴ One of the central conclusions of Huber and Stephens' comparative study of the welfare state is that "the immediate cause of [post-1980] welfare state retrenchment was a large and apparently permanent increase in unemployment," since higher unemployment drove up welfare program outlays and reduced tax revenue.²²⁵ These problems—the wage pressures created by full employment, the budget cuts adopted due to increased unemployment—have opposite causes, but an expected drop in labor force participation in the future in effect brought them together in the understanding of Norwegian policymakers. The *arbeidslinje* appears to be an attempt to resolve both problems by drawing people into the workforce, simultaneously reducing social security outlays and boosting tax revenues and competitiveness. From this perspective, one could argue that the *arbeidslinje* is consistent with social democratic principles, in the sense that its purpose is to maintain the social democratic welfare state and to combine full employment with price stability when the conditions characteristic of the postwar period no longer obtain. The civil servants and politicians who devised the *arbeidslinje*, which drew upon elements of the social democratic heritage, tended to justify it in such terms in official documents.

Yet this nominal consistency of ends says nothing about the means by which they are achieved. In postwar social democratic thought, the state was seen as responsible for providing employment, as the 1954 constitutional amendment made clear. The *arbeidslinje*'s increasing emphasis on the use of work incentives in unemployment policy to induce labor force participation has in effect shifted the responsibility for employment back to the individual. To the extent that such incentives make unemployment more unpleasant—to the extent that they make workers more dependent on the labor market to maintain a decent standard of living—the *arbeidslinje* shifts power in the workplace towards employers, even if organized labor still commands respect at the bargaining table. The *arbeidslinje* may have been meant to contribute to balanced economic growth and a sustainable welfare state, in other words, but it did not do this by "channel[ing] labor's full employment bargaining power into positive-sum directions."²²⁶ Rather, it worked by increasing the labor supply and, intentionally or not, reducing this bargaining power. Small wonder that the issue of benefit levels led to denunciations of the

²²⁴ Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 182-184.

²²⁵ Huber and Stephens, *Development and Crisis of the Welfare State*, 2.

²²⁶ Esping-Andersen, *The Three Worlds of Welfare Capitalism*, 169.

arbeidslinje in 2023 by Kirsti Bergstø of SV, a party of socialist dissenters to Labor's left, formed just as the postwar era was coming to a close.

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