



Country Report: (1) Background Information

**The current system of
employee board-level representation in Norway**

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▪ Norway has a single-tier system

The Norwegian model resembles in principle the single-tier structure, but the provisions relating to the corporate assembly contain elements of a double-tier system: a corporate assembly (**which must not be the board**) must be established in companies with more than 200 employees. The general assembly elects two-thirds of the corporate assembly's members, while one-third of members are elected by the employees. Employees or trade unions comprising two-thirds of all employees may demand that observers and deputies be elected.

The corporate assembly elects all board members. Under the law one-third or at least two board members are elected by the employees.

In companies with less than 200 employees board representatives are elected (with the exception of employee representatives) directly by the general assembly.

In companies obliged to establish a corporate assembly, the law allows the employer and one or more trade unions organising at least two-thirds of all employees to enter into an agreement that a corporate assembly should not be established. Such an agreement provides the employees with increased representation on the board (below).

The corporate assembly's competences are far-reaching (i.e. in addition to its right to elect the members of the company board). On the basis of board recommendations it may make decisions in cases involving:

- i) significant investments;
- ii) rationalisation or restructuring which will significantly affect the workforce (normally covering 10% of the workforce or more).

In addition to corporate assemblies, there are also provisions concerning company meetings in limited companies at which employees have the right to speak but not to vote. In some companies owned by the state/municipalities there are also representative councils/committees.

▪ Employees in both the private and the public sector have the right to nominate employee directors (up to one-third)

The legal basis for employee board-level representation is formed by a number of laws. As a rule, if the company is a legal entity in its own right (in both public and private sectors), employees will enjoy board representation. The Act on limited companies provides the basis for representation arrangements. In order to avoid going into too great detail we shall take this act as our starting point.

- In companies with **less than 30 employees**, the representation rights of employees can be established on a **voluntary basis** in the company statutes.
- In companies with **30 to 50 employees**, two-thirds of the workforce may demand **one representative** on the board, together with an observer and two deputies, regardless of the size of the board.
- In companies with **more than 50 employees**, **one-third of board members** must be elected by and from among the employees. Regardless of size of board, employees are entitled to **at least two representatives**.

- If the company has **more than 200 employees** and a decision has been made **not to establish a corporate assembly**, employees are entitled to elect **one board member or two observers in addition** to their entitlement as companies with more than 50 employees.

A general assembly may decide to allow employees to elect more members and/or observers than is stipulated in the Act(s). There are also special rules regarding representation if the number of employees exceeds specified limits in a particular period (for example, rising from 28 to 32). There are no other requirements with regard to representation other than number of employees.

Number of employees	Number of employee directors
< 30	None (without special provisions in ordinary company statutes)
30-50	1 (regardless of size of board)
> 50	1/3 (minimum 2 members)
> 200 and no corporate assembly	1 extra board member or 2 additional observers

Employees' right to board representation is determined by the company of which they are employees. However, this rule also applies to companies that form part of a larger **group of enterprises**. The public limited company act also provides for **representation on the group board**, but only on the basis of an application to the **Bedriftsdemokratinemda** (Industrial Democracy Board – a joint social-partner committee under one of the ministries). In most cases this involves representation on the board of the parent company, but the **Nemda** has also established joint representation in other enterprises (or groups), where appropriate. As a rule, however, **if a group of enterprises has more than 50 employees, the employees have the right to elect one-third (or at least two) to the group's (or parent company's) board**. The principles governing elections and eligibility follow the rules of the Act on limited companies (see below).

- **Employee directors are elected by and from among all employees**

The underlying principle in Norway is election **by and from among all employees**. Workers' representatives must have been employed full- or part-time in the company for at least one year prior to election. They may not be members of the corporate assembly, nor employee representatives in several companies at the same time. This rule is not applicable to positions on different decision-making bodies in a group of enterprises.

Employees without the right to vote – that is, General Manager, board members representing shareholders, and employees possessing more than 10 percent of the share capital – may not be elected.

As already mentioned, the main rule is that employee representatives are to be elected by and from among the employees themselves. However, the rules make it possible for **company-level trade unions to influence the outcome of elections by their choice of election procedure**, namely majority vote, proportional representation or through electoral districts. Other groups of employees may influence elections in the same

way. The rules are detailed and provide guidelines for election committees, implementation and the calculation of quotas in the case of proportional representation. Elections are secret and as a rule by written ballot. If there is only one trade union at the company, or if all the trade unions represented agree, board members may be chosen without elections.

The **Bedriftsdemokratinemda** may on application grant exemptions from laws/provisions relating to employee board representation. The committee usually approves arrangements concerning which there is broad consensus between the social partners, insofar as the arrangement does not breach the core principles of employee representation and democracy.

▪ **Employees have to ask for the implementation of board-level representation**

Employee board-level representation is **not automatic**: employees must request application of this legal right. These demands must be presented to the employer in writing.

It is required that:

- **a formal request is signed by half the employees** concerned, **or**
- **a majority of employees vote** in favour; such a vote may be **initiated by the works council** or by one or more **company-level trade unions**.

The right implies a duty on the **company's part** to implement board representation when the legal preconditions are met, that is, they **may not refuse employee representation on company boards**.

▪ **Employee directors have basically the same rights and duties as the other board members**

As a rule, there are no differences between employee board representatives and other representatives, with one important exception: employee representatives may not be removed/dismissed by the general assembly.

Their term of office is two years, like the rest of the board, and their mandate is renewable. Employee directors enjoy special protection against dismissal in the Basic Agreement.

However, there are a few provisions which limit the influence of employee representatives on boards in parts of the public administration, primarily in relation to the employers' preparations for negotiations and/or industrial disputes with employees/employee organisations.

In the state sector there are also provisions that allow employees board participation on particular matters (i.e. appointments).

- **Employee directors receive the same remuneration as other board members**

It is not uncommon, although no figures are available, for employee representatives to donate (part of) their board fee to the local trade union.

- **Employee directors have been elected in the majority of the companies employing more than 30 people (estimate)**

Approximately half of private sector employees work in companies with more than 30 employees. There is no official information on how many of these are represented on company boards. However, a recent survey conducted by BI (The Norwegian Business School) offers these figures:

Percentage of companies with Employee directors on the board in private sector. N=950, Source BI 2004	
Number of employees	
Less than 30	13,8
30-49	32,1
More than 50	53,7
Total	27,6

However, the sample used for this survey is only *almost* representative concerning size of Norwegian companies and the total figure is probably a bit higher. Size, collective agreement and public ownership seem to be the most important variables for estimating whether or not you may find Employee directors on the board.

We do not have any reliable estimates concerning the boards of public sector enterprises/companies. Here we assume (among other things on the basis of collective agreement coverage in this sector) that employees will be represented on most boards where the legal framework or collective agreement provide such rights.

Our assumption is that there is employee board representation in *most* larger groups and companies in Norway. In the BI survey we find Employee directors in three quarters of companies with more than 500 employees . Relatively recently (October 2003) at the company Statoil one of the employee representatives played a key role when the board decided to fire the chief executive. It is not hard to find similar incidents from other groups/companies in Norway.

- **Problems faced by employee directors**

On this issue we do not possess sufficient data to enable us to arrive at clear conclusions. However, according to our (i.e. Fafo's) understanding the following are among the most important considerations in relation to employees' influence through board representation:

- The competence of the board: in other words, representation in subsidiary companies may often be merely formal if the most important decisions are taken elsewhere.

- Coordination among the different trade unions in relation to elections and the distribution of representatives and between representatives from different trade unions. If representatives fail to establish alliances their influence will be considerably weakened.
- Coordination and exploitation of board representation as an intrinsic part of employee participation and codetermination.

▪ Conclusion

The project Power and Democracy came to the conclusion that Norway has one of the world's best systems of **employee participation and influence**. The regulatory framework has remained stable (legal framework as well as collective agreements) and there have been only minor changes to rights connected to social partner cooperation in the last 25–30 years. The survey shows that around 30% of employees in unionised enterprises are or have been representatives on joint social partner bodies at the workplace. At the same time, a majority of employees are satisfied with their influence vis-à-vis their own work situation, and well-being at work is rated highly. The level of disputes is low, and managers and shop stewards are by and large content with relations at company level.

On the other hand, individual rights connected with appointments, dismissals, sickness benefits, and so on, are increasingly under pressure, and relations between the social partners at the central level and under the present government are tense. Modernisation and reform of the public sector have generated significant conflict.

The Power and Democracy project summarised developments as follows:

- 1) Individuals' influence over their own work situation is greater, but
- 2) external pressures have become stronger and the possibility of dealing with or resisting such pressure has diminished.
- 3) Representative participation in decision-making bodies is still high or has been strengthened, but
- 4) these bodies have become less influential and room for manoeuvre has been reduced.