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# **The multitude of challenges facing Swedish trade unions**

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## Chapter 16: Sweden

### The multitude of challenges facing Swedish trade unions

*Anders Kjellberg*

Accelerating economic and political integration in Europe creates several challenges and prospects for change for Swedish trade unions. One major challenge is to make the Swedish system of wage formation compatible with a probable future affiliation to EMU. Another urgent task is to avoid 'wage races' downwards between European countries, because worse unemployment would be the likely outcome of such spirals. Achieving a better balance between the fight against inflation and efforts to reduce unemployment appears as a major challenge for European states and trade unions, as does also the need to balance the rapidly increasing power of transnational companies and financial capital moving freely across borders. Considering its modest size (9 million inhabitants) few, if any, countries have such a large share of major transnational companies as Sweden. These have shown a fast increasing tendency to become ever less 'Swedish' and have been stepping up their demands for deregulation, reregulation of labour law and tax reductions.

The situation has become critical in both the industrial and political arenas as the 'Historic Compromise' concluded between capital and labour in the 1930s is no longer in working order. This important compromise, which found expression in the famous Swedish 'spirit of co-operation', a constituent element of the 'Swedish model' of industrial relations up to the 1970s, entailed 'self-regulation' or regulation by the labour market parties themselves through collective agreements, in contrast to state regulation by means of legislation. A relative balance of power between unions and employers' associations fostered compromises such as the 1938 basic agreement – frequently referred to as the Saltsjöbaden Agreement – between

*Landsorganisationen i Sverige* (LO, Swedish Federation of Trade Unions) and *Svenska Arbetsgivareföreningen* (SAF, Swedish Employers' Confederation). Contemporary Sweden, though characterised – like the 1930s – by profound changes, is distinguished rather more by positions of deadlock than by compromise and co-operation. This applies, at least, to the stances adopted by peak organizations, for it is true that, since 1997, a new spirit of co-operation has become increasingly manifest within manufacturing industry.

Until the 1990s, the traditional social democratic policy of full employment reinforced the position of unions. Since then, the fundamental shift of power between labour, capital and state has been increasingly reflected in the political agenda marked, irrespective of the colour of government, by the priority of the fight against inflation, budget cuts, etc. A reverse, but parallel, trend was apparent in the observation that the full employment policy was retained by the non-socialist governments of 1976-82, in a period, that is, still characterised by social democratic 'hegemony'. Since the 1930s, the Swedish political scene has been dominated for long periods by social democratic governments: 1932-76, 1982-91 and most recently since 1994. The changing composition of both the labour force and the electorate is one of several circumstances serving to reduce LO's influence upon government policy and in society, though it is noticeable that the relationship between the two wings of the labour movement has in recent years been more relaxed than for a long time.

### **The transformation of the Swedish union system.**

It might seem paradoxical that the Nordic countries (Denmark, Finland, Norway and Sweden), traditionally known as welfare societies with comparatively far-reaching provision for equality, also contain the most class-segmented union movements of all countries (Kjellberg 1998a: 78, 82-3). Not only does the blue-collar/white-collar divide have a profound impact on union structure, but the same is true of the division between university graduates and other white-collar workers (Kjellberg 2000a: 610-16). As a consequence there exists one union confederation for blue-collar workers, university-educated professionals and other

white-collar workers; in Sweden these organisations are as follows: *Landsorganisationen* (LO, Swedish Federation of Trade Unions); *Sveriges Akademikers Centralorganisation* (SACO, Swedish Confederation of Professional Associations); and *Tjänstemännens Centralorganisation* (TCO, Swedish Confederation of Professional Employees). Membership of all three confederations includes private as well as public sector unions. SACO unions recruit employees in both sectors, in addition to students and self-employed workers. Founded in 1947 and labelled 'the world's oldest professional peak association' (Heidenheimer 1976:50), SACO soon had equivalents in Denmark, Norway and Finland, all of them established in 1950. Even viewed within a Nordic perspective, Sweden has the most significant separation of national unions and confederations along the blue-collar/white-collar divide, as well as with respect to university graduates *vis-à-vis* other white-collar workers. In recent decades the boundaries between SACO and TCO, and between TCO and LO, have, however, been diluted and common interests have increasingly come to the fore.

Were it not for the existence of separate unions and confederations for each category of worker, Swedish white-collar workers would not be almost as well organised as the traditional working class. The combination of a simultaneously centralised and decentralised industrial relations system has also been instrumental in achieving high union density. Whereas centralisation (strong union confederations and national unions) prevents fragmentary union coverage, promotes bargaining power and makes 'solidaristic wage policy' possible, decentralisation (the extensive network of workplace unions vertically well integrated into national unions) brings unions close to their rank-and-file membership. This important aspect of Swedish unionism, including the four-tier union structure (workplace organisation, local branch, national union, confederation), first emerged among blue-collar workers, and was successfully imitated by white-collar unions. The system of union unemployment funds and the recruitment of membership across a broad occupational spectrum were also taken over by white-collar unions.

**Table 16.1: Union membership (percentages) by confederation, 1945-1999**

A. As percentage of union members						
Year	LO	TCO	SACO	Independ	All	
1945	79	15	-	5	100	
1950	78	17	1	4	100	
1955	76	19	2	3	100	
1960	74	21	2	3	100	
1965	71	24	3	2	100	
1970	66	28	3	2	100	
1975	63	32	4	1	100	
1980	61	31*	5	3*	100	
1985	60	33	6	1	100	
1990	58	34	8	1	100	
1995	57	33	9	1	100	
1997	56	32*	10	3*	100	
1998	55	32*	10	2*	100	
1999	55	32*	11	2*	100	
B. As percentage of workers						
Year	LO	TCO	SACO	Indep.	Non-members	All
1980	47	24	4	2	22	100
1985	48	27	5	1	19	100
1990	47	28	6	1	18	100
1995	48	28	7	1	15	100
1997	46	26*	8	2*	18	100
1998	45	26*	8	2*	19	100
1999	44	26*	9	2*	20	100

\* *Ledarna* (Association of Managerial and Professional Staff) not affiliated to TCO.

The extremely high Swedish union density (more than 80 per cent) presupposes a high or relatively high density among almost *all* categories of workers: blue-collar/white-collar (83/80 per cent); public/private sector (92/75); men/women (79/84); full-time/part-time (82/77); workers born in Sweden/immigrants (82/82); and employed/unemployed (81/77).<sup>1</sup> The expansion of white-collar membership reflects the increasing proportion of white-collar workers in the labour force, but also rising union density among this category of worker. As a result, the membership share of the blue-collar confederation LO declined from 79 per cent to 55 per cent between 1945 and 1999, while that of TCO increased from 15 per cent to 32 per cent (excluding pensioners, students and self-employed) – see Table 16.1. Since 1950 SACO has raised its share from 1 to 11 per cent. TCO was formed three years before SACO, in 1944, by a merger of two white-collar confederations: one of them, ‘old TCO’ (founded in 1937) comprised public sector unions; the other, formed in 1931, comprised private sector unions. The oldest of all Swedish union confederations is LO, which was established in 1898.

Of the ten largest national unions in 1997, five were affiliated to each of TCO and LO (see Table 16.2). The top twenty unions included another TCO union, two SACO unions and an independent white-collar union, retaining a white-collar ratio of about every second union. Another indicator of the successful spread of Swedish unions to all categories of workers is that as many as seven of the top ten unions are located in services. Swedish union structure thus fairly well reflects the transition from industrial society to service society. The blue-collar unions in manufacturing and construction, which a hundred years ago dominated the trade union movement, are today represented by only two unions among the ten largest: *Svenska Metallindustriarbetareförbundet* (Metall, Swedish Metalworkers’ Union) and *Svenska Byggnadsarbetareförbundet* (Byggnads, Swedish Building Workers’ Union). The third largest Swedish union, *Svenska Industritjänstemannaförbundet* (SIF, Swedish Union of Clerical and Technical Employees) also has its centre of gravity in manufacturing. Comprising all manufacturing trades and almost all white-collar grades, it is Sweden’s largest white-collar union. If the list is extended to the twenty largest unions, the manufacturing ratio increases

to 40 per cent (eight out of twenty unions; construction included). On the other hand, 60 per cent of the unions listed in Table 16.2 are unions of service workers containing two thirds of the total membership of the listed unions. Considering that only about one quarter of all employed workers in contemporary Sweden are within manufacturing, mining and construction (26 per cent according to the 1997 Labour Force Survey), the expansion of service unionism is, of course, a prerequisite for the maintenance of high Swedish union density.

**Table 16.2: The 20 largest national unions in Sweden,  
31 December 1997**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Kommunal	634,000	511,000	W	G	S	BC	V	LO
2	Metall	315,000	62,000	M	M	M	BC	V	LO
3	SIF	290,000	116,000	M	M	M	WC	V	TCO
4	Läraryrb.	173,000	140,000	W	G	S	WC	C/P	TCO
5	Handels	157,000	110,000	W	M	S	BC/WC	V	LO
6	SKTF	152,000	113,000	W	G	S	WC	V	TCO
7	HTF	144,000	90,000	W	M	S	WC	V	TCO
8	SEKO	135,000	45,000	M	G/M	S	BC	V	LO
9	Byggnads	106,000	1,000	M	M	M	BC	V	LO
10	Vårdförb.	98,000	91,000	W	G	S	WC	C/P	TCO
11	IF	82,000	32,000	M	M	M	BC	V	LO
12	ST	81,000	54,000	W	G	S	WC	V	TCO
13	Transport	69,000	11,000	M	M	S	BC	V	LO
14	Skogsträ*	62,000	10,000	M	M	M	BC	V	LO
15	Ledarna	60,000	5,000	M	M	M	WC	C	Independ.
16	HRF	60,000	41,000	W	M	S	BC	V	LO
17	CF	58,000	10,000	M	M	M	WC	P	SACO
18	Livs	50,000	19,000	M	M	M	BC	V	LO
19	LR	49,000	30,000	W	G	S	WC	P	SACO
20	Fastighets	43,000	21,000	M/W	M	S	BC	V	LO

\* Founded by merger in June 1998  
(combined membership of the two unions at 31 December 1997).



- (1) Rank by size.
- (2) Abbreviated name in Swedish. Full name in Swedish and English:
  1. *Svenska Kommunalarbetsförbundet* - Swedish Municipal Workers' Union,
  2. *Svenska Metallindustriarbetareförbundet* - Swedish Metalworkers' Union,
  3. *Svenska Industritjänstemannaförbundet* - Swedish Union of Clerical and Technical Employees,
  4. *Läraryrket* - Swedish Teachers' Union,
  5. *Handelsanställdas förbund* - Commercial Employees' Union,
  6. *Sveriges Kommunaltjänstemannaförbund* - Swedish Union of Local Government Officers,
  7. *Handelstjänstemannaförbundet* - Union of Commercial Salaried Employees,
  8. *SEKO - Facket för service och kommunikation* - Union of Service and Communication Employees,
  9. *Svenska Byggnadsarbetareförbundet* - Swedish Building Workers' Union,
  10. *Vårdförbundet* - Swedish Association of Health Officers,
  11. *Industrifacket* - Industrial Workers' Union,
  12. *Stats tjänstemannaförbundet* - Union of Civil Servants,
  13. *Svenska Transportarbetareförbundet* - Swedish Transport Workers' Union,
  14. *Svenska Skogs- och Trärfacket* - Swedish Forest and Wood Workers' Union,
  15. *Ledarna* - Association of Managerial and Professional Staff,
  16. *Hotell- och Restaurang Facket* - Hotel and Restaurant Union,
  17. *Civilingenjörernas förbundet* - Swedish Association of Graduate Engineers,
  18. *Svenska Livsmedelsarbetareförbundet* - Swedish Food Workers' Union,
  19. *Lärarnas Riksförbund* - National Union of Teachers in Sweden,
  20. *Fastighetsanställdas Förbund* - Swedish Building Maintenance Workers.
- (3) Number of 'active' union members. Unemployed, persons on labour market programmes and SACO members on leave are included. Pensioners, self-employed and students are excluded.
- (4) Number of female members.
- (5) Membership dominated by men (M), by women (W).
- (6) Most members in government sector (G); in market sector (M).
- (7) Membership in predominantly manufacturing and construction (M); in service sector (S).
- (8) Blue-collar union (BC); white-collar union (WC).
- (9) 'Vertical' ('industrial') union (V); craft (occupational) union (C); professional union (P).
- (10) Affiliated to union confederation: LO (*Landsorganisationen* - Swedish Federation of Trade Unions), SACO (*Sveriges Akademikers Centralorganisation* - Swedish Confederation of Professional Associations), TCO (*Tjänstemännens Centralorganisation* - Swedish Confederation of Professional Employees).

In addition to white-collar and service workers, women occupy a prominent position within Swedish unions. There is a substantial overlap between these three categories of workers. Since the early 1990s a majority of Swedish union members have been women. Six out of the top ten unions (about every second of the twenty largest) have a massive majority of female members, among them the largest union, *Svenska Kommunalarbetsförbundet* (*Kommunal*, Swedish Municipal Workers' Union). The 'class segmentation' paradox was mentioned above. Another Swedish paradox consists in having a very high share of gainfully employed women (71 per cent),<sup>2</sup> but also one of the labour markets most characterised by gender segregation. This is reflected in the concentration of most female union members in a few unions. The nine female-dominated unions in Table 16.2 comprise no less than about 70 per cent of all women affiliated to Swedish unions.

As a consequence of the high union density among almost all categories of workers, shifts in the composition of the labour force have had no dramatic negative effects on average density. On the contrary, the expansion of public sector employment for a long period had a positive impact, in particular upon union density among women. During the last 10 to 15 years, union density has declined among young workers (the age group 16-24 years), a development to which we will return later. The small and declining share of the workers falling within this age group, however, has prevented negative effects on the average density.

While the top twenty list comprises as many as about 90 per cent of all LO and TCO members, only every third SACO member is included. In terms of numbers of unions, the large majority of TCO and SACO unions are not found on this list (12 of 18 TCO unions and as many as 22 of 24 SACO unions, but only 8 of 19 LO unions). This reflects the large number of small unions affiliated to both TCO and SACO (Table 16.3). More than 80 per cent of all SACO members belong to unions with less than 50,000 members (pensioners, students and self-employed excluded). This is explained by the still relatively limited number of university graduates in the labour force and the fact that all SACO unions are organised along occupational lines. One reason for this is their two-fold role as professional associations and unions. In contrast, most LO

unions and many of the largest TCO unions are 'industrial' or 'vertical' unions comprising all kinds of workers within an industry or group of industries, albeit with one conspicuous restriction: LO unions as a rule include only blue-collar workers, while all TCO unions are white-collar unions.

The two largest TCO private sector unions (Nos. 3 and 7 in Table 16.2: SIF and *Handelstjänstemannaförbundet* (HTF, Union of Commercial Salaried Employees)) are organised vertically, as are two prominent public sector unions (Nos. 6 and 12: *Sveriges Kommunaltjänstemannaförbund* (SKTF, Swedish Union of Local Government Officers) and *Statstjänstemannaförbundet* (ST, Union of Civil Servants)). However, another two TCO public sector unions on the list (Nos. 4 and 10: *Läraryrket* (Läraryr, Swedish Teachers' Union) and *Vårdförbundet* (Vårdförb, Swedish Association of Health Officers)) are occupational/professional unions, organising school teachers and nurses respectively. All in all, about half of TCO's public sector members belong to occupational unions, while the overwhelming majority in private employment are members of vertical or industrial unions. Läraryr (No. 4) has now become the second largest TCO union as a result of a series of mergers: between 1945 and 1991 no fewer than eleven of the teachers' unions successively merged into this huge occupational union.

As can be seen from Table 16.4, the number of TCO unions fell by as much as thirteen during the period 1960-70. Five of them joined ST (No. 12 in Table 16.2), while another two merged in 1966 to form a new teachers' union and were joined by yet another union in the following year. Within LO a wave of mergers also took place during this period (more precisely 1961-1973) and especially in 1970 when no fewer than nine LO unions of state employees merged to form *Statsanställdas förbund* (SF, Swedish State Employees' Union), in 1995 renamed *SEKO* (No. 8 in Table 16.2) when it was joined by *Svenska Sjöfolksförbundet* (Swedish Seamen's Union). The appearance of SF in 1970 meant in reality that the LO Cartel of State Servants (founded in 1937) was transformed into a single large union.

Table 16.3: National unions by size and confederation in 1997

Confederation	Size of union (in thousands)					
	0-24	25-49	50-99	100-199	200-	All
<b>A. Number of unions</b>						
LO	6	3	5	3	2	19*
TCO	11	1	2	3	1	18
SACO	19	4	1	-	-	24**
Independent unions	6	-	1	-	-	7
All unions	42	8	9	6	3	68
<b>B. Membership (in thousands)</b>						
LO	81	104	323	398	948	1.855
TCO	73	38	179	469	290	1.049
SACO	126	137	58	-	-	321
Independent unions	32	-	60	-	-	92
All unions	312	280	620	867	1.238	3.317
<b>C. Membership (percentages)</b>						
LO	4%	6%	17%	21%	51%	100%
TCO	7%	4%	17%	45%	28%	100%
SACO	39%	43%	18%	-	-	100%
Independent unions	35%	-	65%	-	-	100%
All unions	9%	8%	19%	26%	37%	100%

\* Two unions which merged in June 1998 are counted as one union (Swedish Forest and Wood Workers' Union).

\*\* Reserve Officers Association of Sweden excluded as it has no employed members.

**Table 16.4: Number of national unions by confederation, 1950-1999**

Confederation	1950	1960	1970	1980	1990	1997	1998	1999
LO	44	44	29	25	23	19*	19	18
TCO	43	36	23	21	20	18	18	18
SACO**	24	34	29	25	24	24	25	25
SR***	28	22	16	-	-	-	-	-
Independ.****	34	19	9	6	5	8	7	6
<b>All unions</b>	<b>173</b>	<b>155</b>	<b>106</b>	<b>77</b>	<b>72</b>	<b>69</b>	<b>69</b>	<b>67</b>

- Notes: \* Two unions which merged in June 1998 are counted as one union (Swedish Forest and Wood Workers' Union).  
 \*\* The Reserve Officers Association of Sweden excluded as it has no employed members. Three unions affiliated to SACO in 1951 are included in 1950.  
 \*\*\* Unions with less than 50 members excluded.  
 \*\*\*\* Independent unions, up to 1980 most of them white-collar unions. The small syndicalist federation SAC included.

Abbreviations: SR (*Statsjänstemännens Riksförbund* - National Federation of Government Employees), merged with SACO in 1974, for LO, TCO and SACO see Table 16.2.

The large number of mergers among public sector unions in the second half of the 1960s and early 1970s can be attributed to the Swedish government policy to centralise negotiations within the public sector. This aspiration in turn accelerated the formation of bargaining cartels among white-collar workers. When government employees in 1966 were conceded full bargaining and strike rights, individual unions were in general refused the right to negotiate. The number of bargaining agents was limited to a few central organisations, such as the bargaining cartels of TCO (TCO-S, *TCOs statliga förhandlingskartell*, TCO Section for State Employees) and SACO (SACO-S, *SACOs statliga förhandlingskartell*, SACO Section for State Employees), or large unions such as SF (before 1970 the bargaining cartel of state employees, since 1995 SEKO). Bargaining rights were also conceded to *Statsjänstemännens Riksförbund* (SR, National Federation of Government Employees), a small confederation consisting principally of staff associations, which in 1974

merged with SACO to form SACO-SR, which subsequently again came to be known simply as SACO. In the municipal sector bargaining rights were gradually concentrated with *Kommunaltjänstemannakartellen* (KTK, Federation of Salaried Local Government Employees), *SACO's kommunala förhandlingskartell* (SACO-K, SACO Section for Municipal Employees) and *Kommunal*. As in the government sector this meant one organisation for each of TCO (KTK), SACO (SACO-K) and LO (*Kommunal*). The most advanced cartel, however, appeared in the private sector. In 1973 *Privattjänstemannakartellen* (PTK, Federation of Salaried Employees in Industry and Services) was founded and soon included a large number of both TCO and SACO unions. Its cross-confederal character was a remarkable innovation in the Swedish union landscape.

The decentralisation of bargaining in the last few decades has reduced the role of bargaining cartels in both the public and private sectors. New constellations have emerged, such as, in 1992, the Bargaining Council in the engineering industry, made up of one union from each of LO (Metall), TCO (SIF) and SACO (CF). While PTK was bridging the gap between TCO and SACO white-collar unions across the whole private sector, the Bargaining Council was restricted to manufacturing, but none the less it was a pioneer in crossing the blue-collar/white-collar divide. The significance of the Bargaining Council was accentuated by the total absence of union mergers across this boundary in Sweden, in an era when common action *vis-à-vis* transnational companies, employers' associations and government appears more urgent than ever. In 1997 this cross-confederal union alliance was extended to as many as eight unions, the so-called 8-group<sup>3</sup> or *Facken inom industrin* (Unions in manufacturing). This second step immediately affected only LO, as all five unions entering the alliance were LO unions within manufacturing (among them Nos. 11, 14 and 18 in Table 16.2). Nevertheless, as SIF and CF already covered all manufacturing trades, co-ordination of bargaining was now extended to manufacturing in its entirety.

One of the participating LO unions – *Industrifacket* (IF, Industrial Workers' Union) had been founded in 1993 by a merger between *Svenska Fabriksarbetareförbundet* (Swedish Factory Workers' Union) and *Beklädnadsarbetarnas förbund* (Swedish Textile, Garment and Leather

Workers' Union), which, in turn, was the result of a merger between three 'vertical' or 'industrial' unions in 1972. Long before that, the principle of industrial unionism had become the official ideology of LO (Åmark 1998:350). Promoted by the manufacturing unions, with Metall at the head, the issue was hotly debated at LO congresses during the 1920s. Though after 1926 any resistance was exclusively passive, LO's pragmatic approach served to protract implementation of the process and it was thus not until 1973 that the three craft unions within the printing industry merged into a single union. A comparison with British and Dutch unions demonstrates that by 1985 this process had advanced so far that Sweden had the fewest unions and the largest average membership size (Visser and Waddington 1996:45-6). The persistence of craft traditions, however, is evident from the continued existence of three unions of building workers (building workers, painters and electricians) at the beginning of the 21st century (until 2000 there was also a separate union of sheet metal workers, which from this year was affiliated to the Building Workers' Union). The first cross-confederal merger in Sweden occurred in 1995, when the TCO and SACO unions of military officers merged into one union, which chose to join SACO, but which, with respect to wage negotiations, belongs to TCO-OF, the relatively loose public sector bargaining body, which succeeded TCO-S and KTK in 1991.

### **International union cooperation**

The prominent role played by large transnational companies in the Swedish economy and labour market makes union co-operation within groups an urgent task. The EU Directive on European Works Councils (EWC) broke the hard resistance put up by SAF to employee representation in transnational groups. At the end of the 1980s Nordic unions had unsuccessfully demanded union representation in Nordic transnational groups. With Swedish and Finnish accession to the EU and the adoption of the EWC Directive, the focus changed from Nordic to European groups (Knudsen and Bruun 1998). Not by chance, in Sweden, in contrast to Norway, the Directive was implemented by law – rather than by central agreements. In both Sweden and Denmark

disagreements between unions and employers at central level prevented the Directive from being integrated into existing regulations on participation. The extended Swedish labour law on codetermination, board representation and job security adopted in the 1970s implied a break with the traditional Swedish model of 'self-regulation' (that is regulation by collective agreements), and contributed to the strongly deadlocked relations between the labour market parties.

The new EWCs may improve information to employees in transnational companies, but at the same time several examples serve to show that unions lose influence with the accelerated internationalisation of companies. When in 1998 the Swedish forest company Stora (the 8th largest company affiliated to SAF by number of employees in Sweden) merged with the Finnish company Enso to form Stora Enso with its headquarters in Finland, union representatives lost their places on the company board because Finland has no law on compulsory union representation and Stora strongly resisted continued union representation. Up to 1998 unions had a real influence in Stora, not only through board-level representation, but also through informal meetings with the managing director before each board meeting (*LO-tidningen* No. 7 1999). The company now prefers an EWC, supplemented by councils at the level of divisions, as channels for information. According to the unions, the new Stora Enso EWC has more influence than EWCs in most other European groups, and yet, compared to the board representation in the old Swedish company, influence is reduced. Another example of declining union influence is the chemical company Nobel, previously known for its self-governing groups. Since the early 1990s, when Nobel was bought by the Dutch company Akzo and merged into Akzo Nobel, the influence of the employees has decreased and all important decisions have been moved to the headquarters in Netherlands (*Det utvecklande arbetet*). Transforming the EWCs into something more than bodies that receive information from group executives once or twice a year appears to be an urgent task if real influence is to be secured in transnational companies.

The Swedish LO, as well as the Norwegian LO, played an active part in founding the ETUC (European Trade Union Confederation) in 1973 and in the efforts to give it a broad composition, also including other



organisations than ICFTU (International Confederation of Free Trade Unions) members. Both the LO and TCO joined ICFTU at the start in 1949 (Misgeld 1997: 134-6). Through their membership of the ETUC, LO and TCO were able to participate in the social dialogue long before Sweden as a state joined the EU (*ibid.*: 249-250). In 1972 *Nordens fackliga samorganisation* (NFS, Nordic Trade Union Confederation) was founded to deepen co-operation between Nordic union confederations. This co-operation has a long tradition: the founding of the Danish, Swedish and Norwegian LOs in 1898-1899 took place after a recommendation from the 'Fifth Scandinavian Congress of Labour' in 1897. Such Nordic congresses of labour are still arranged by the *Arbetarrörelsens Nordiska Samarbetskommitté* (SAMAK, Nordic Co-operation Committee of Labour Movement) comprising the Nordic LOs and social democratic parties. The emergence of NFS in 1972 has to be seen in the light of Nordic as well as European developments, more precisely:

- the founding of the Nordic Council of Ministers in 1971, signifying a major step forward in the co-operation between Nordic states inaugurated by the Nordic Council in 1952 and manifested, since 1954, in the common labour market of the Nordic countries; in recent years tripartite co-operation at Nordic level has declined because of lack of interest on the part of employers (*NFS Verksamhetsberättelse 1997*: 12),
- the appearance of the ETUC in 1973; the aspiration to build up the ETUC was an important impetus for Nordic union co-operation (*ibid.*: 338).

Both LO and TCO participated in the NFS from the outset. SACO joined NFS and the ETUC in 1996 and the ICFTU in 1998. Until 1994 SACO had been affiliated to the *Confédération européenne des syndicats indépendants* (CESI), a smaller Brussels-based grouping of European trade unions. A co-operation agreement between TCO and SACO in 1996 paved the way for SACO to gain membership of the ETUC, another result being that SACO joined LO and TCO in a shared office in Brussels. NFS has a co-ordinating function with respect to the Nordic members of TUAC (Trade Union Advisory Committee of the OECD), ICFTU and, above all, the ETUC. Common Nordic candidates are nominated to boards and committees. The Nordic

representatives meet before the board meetings of ETUC (and the other organisations). The European committee of NFS has a similar function. NFS also co-operates with the 30 or so Nordic sectoral associations of unions, for example Nordic Metall. From a Nordic perspective, the reform of decision-making and working methods within the ETUC has been a prominent issue. To secure the legitimacy and efficacy of international organisations like the ETUC, it is considered extremely important to provide the opportunity for each member organisation to discuss and take up a position before a negotiating mandate is given to representatives. With respect to the priority given to detailed rules on decision-making within the ETUC, there is a cultural, although declining, cleavage between countries in the North and South of Europe.

It can sometimes be a cause of confusion that national unions are represented in the ETUC both by confederations and European Industry Federations. In 1999, therefore, the Swedish LO formed a committee to improve co-ordination between the affiliated unions and their European co-operation partners. With increasing numbers of members in NFS – at present 14 (three from each of Denmark, Finland and Sweden, two from each of Iceland and Norway and one from Greenland) – this organisation is very representative, but a growing diversity of interests might produce tensions between members in the future. The value of framework agreements is often pointed out by Nordic unions, as these facilitate a smooth adjustment to national terms and procedures (for example legislation *vis-à-vis* collective agreements). As an effect of EMU, collective bargaining will probably be increasingly an item on the agenda for European trade union co-operation and information. Within this field, sectoral federations like European Metalworkers' Federations (EMF) – including Nordic Metall – are likely to be in focus. Cross-sectoral co-ordination of bargaining is already hard to attain at national level, at least in Sweden (see below).

### **Divergent trade union views on EMU**

Of the Nordic countries Denmark was a pioneer in joining the EU in 1973 (the same year as Ireland and the UK); Sweden and Finland

followed, but not until 1995. In the 1994 Finnish referendum a clear majority (57 per cent) voted for EU membership. The Swedish and Norwegian electorate demonstrated a more sceptical attitude in referenda held the same year. About as many voted 'no' as 'yes'; however, in Sweden a slight majority had a positive attitude (52 per cent), while in Norway a small majority voted against membership (also 52 per cent). As a result Sweden joined the EU and Norway did not. Although almost all established social forces in Sweden, or at least the leaders of most political parties, trade unions, associations of farmers and employers, took a positive stance, opinion was very divided. In contrast to the unambiguously positive attitude of employers' associations, union rank-and-file opinion was so split that several unions, as well as the confederations LO, TCO and SACO, abstained from taking an official position. In general, the unions within manufacturing and export trades considered EU membership more desirable than did home market unions. Consequently, Metall recommended EU membership for Sweden, while the chairman of *Handelsanställdas förbund* (Handels, Union of Commercial Employees, union No. 5 in Table 16.2), was a prominent leader of the anti-EU campaign.

With respect to EMU, Swedish opinion has recently swung somewhat towards approval, but still in 2000 is very split. The social democratic government is also divided. This state of affairs contributed to the social democratic avoidance of the issue in the 1998 election campaign. Meanwhile, the absence of a clear and explicit social democratic programme to restore employment and stimulate economic growth resulted in the party's worst election for several decades. The campaign was focussed on the priority of 'medical service, care and school'. Supported by the Left Party and the Green Party the social democratic government remained in office, but the dependency upon these two parties, which are opposed to EU and EMU, does not explain the social democratic position to postpone the definitive decision on EMU. This wait-and-see policy had been adopted by the government before the 1998 election. Of the Nordic countries, only Finland joined EMU from the start in 1999. The social democratic congress in March 2000 recommended, by a two-thirds majority, Swedish affiliation to EMU. As a concession to the opinion negative to EMU (more widespread among

voters and rank-and-file members than among delegates) the congress approved a referendum on EMU as a means of settling the issue. As a result all political parties support a referendum. A first step towards Swedish EMU membership was taken in January 1999 with the approval of the European social democratic manifesto stating that 'the euro should make a significant contribution to promoting sustainable growth, low inflation and high levels of employment'. In January 1999 Sweden was the only EU country not to have declared its clear intention to join EMU. British membership would, of course, increase the pressure on Sweden to join, as will the Swedish EU presidency in the first half of 2001. It is often argued that Sweden may have to pay an economic price to join EMU (many economists consider a Swedish membership as a 'high risk project') and a political price not to join EMU.

The delicacy of the issue with respect to public opinion in general, and the social democratic voters in particular, is just one aspect of Swedish affiliation to EMU. Membership will accentuate the economic demands on a small, highly export-dependent country like Sweden, used to restoring its international competitiveness by devaluation or, since November 1992, a floating exchange rate. The government commission on EMU concluded that the economic arguments against Swedish affiliation to EMU from the start in 1999 were stronger than the political reasons for Swedish membership, the motivation for the latter being the prospects of influencing the EU and EMU decision-making process (SOU 1996:158). The Swedish Employers' Confederation SAF and the union confederation of university graduates, SACO, advocate a speedy EMU affiliation, while the other two union confederations, LO and TCO, have still not adopted a definitive position, which, in turn, reflects the hesitation and divergent opinions among their affiliated unions. *Finansförbundet* (Union of Finance Sector Employees) is still the only TCO union to have come out in favour of EMU membership. The other 17 TCO unions have not yet made up their minds, with exception of the small Union of Scientists and Researchers, which opposes EMU.<sup>4</sup> Among LO unions, only Metall, *Industrifacket* and *Pappers* are clear supporters of EMU, while Handels and Transport reject a Swedish membership (*SvD Näringsliv* 3 March 2000). The remaining 13 LO

unions have not taken a definite standpoint. The controversial character of the EMU issue within LO was demonstrated by LO's withdrawal, at the last moment, from an EMU report produced by economists from SACO, TCO and SAF in February 1999. While TCO and SACO economists see more advantages than disadvantages from EMU membership – and SAF is the most positive of all – LO considers the problematic aspects of EMU to be as conspicuous as the good points. In March 2000, however, the LO economists in the report *Ett svårt val* (A Difficult Choice, LO 2000a) did advocate a Swedish EMU affiliation, but not until the stability of wage formation compatible to Swedish competitiveness has been proved and new instruments for economic stabilisation have been created. In addition to buffer funds, incentives for education related to macro-economic indicators and some other measures, and also a new tripartite body, a 'Council of Structure' (*Strukturråd*), are proposed. Besides being intended as a forum for talks between the two sides of industry and the government to reach a common view on the economic situation, such a council would also, according to the proposal, have the right to decide on the use of the new economic instruments. With the abolition of national exchange and interest rates Sweden would of course deprive itself of two important instruments, but on the other hand, the LO economists argue, the scope for a more active economic policy will increase if international financial capital is no longer in a position to punish small countries by forcing up interest rates. The LO congress in September 2000 after a long debate voted yes to EMU (if certain preconditions are fulfilled) with 263 for and 143 against, but the LO leadership had to retreat on the question of whether the congress should recommend LO members to vote yes to EMU in the future referendum. Consequently the congress abstained from such a recommendation. Recently TCO economists, in contrast to their LO colleagues, declared that 'Swedish wage formation is no obstacle for an EMU membership' and 'at present we see no reasons for disciplining wage formation' (*Dags för svenskt EMU-medlemskap*, 'Time for a Swedish EMU membership', in *Konjunkturfakta*, TCO 2000:1).

## **The demand for a new Swedish model of wage formation accentuated by an affiliation to EMU**

Some features of the Swedish economy and industrial relations system could give rise to negative economic effects in the event of Swedish EMU membership. Firstly, the composition of Swedish industry differs from that of most European countries, as there is a relatively large proportion of exports with prices fixed in US dollars. This is the case not only of parts of the important forest industry, a significant Swedish net exporter with main competitors in Northern America, but also of automobile manufacturers (Saab and Volvo), and some other engineering firms (among them the mobile phone manufacturer Ericsson) with substantial exports to the USA and/or with chief rivals there. The pharmaceuticals industry also belongs to this category. Not by chance, the American influence upon this segment of Swedish industry has increased considerably in the last few decades, and particularly during the last few years. Since Ford purchased Volvo Cars in 1999, both Swedish automobile manufacturers are owned by American firms (although Volvo Trucks remains Swedish while Volkswagen recently bought Scania Trucks). In 1999 the pharmaceuticals company Astra merged with British Zeneca into Astra Zeneca with headquarters in London, but with the dollar – rather than the pound or euro – as the currency of account. Since 1995 the formerly Swedish company Pharmacia has become part of the merged, now American, corporation Pharmacia and Upjohn, today again called just Pharmacia. The prominent role of the dollar in some ‘Swedish’ key industries means that a falling dollar/euro exchange rate might have disproportionately large effects upon Swedish industry, and, in the absence of floating national currency, cause an ‘asymmetrical macro-economic shock’ (Lundgren 1996: 101; Andersson 1996: 211-2).

Secondly, since the 1970s the Swedish system of collective bargaining has generated strong inflationary pressures. In contrast to the 1950s and 1960s, when the LO-SAF axis dominated wage negotiations, the new bargaining cartels of public sector employees and white-collar workers have made collective bargaining an increasingly complicated affair. The strength of the new constellations was accentuated by the massive growth in public employment, the high union density of white-collar

workers and the extremely segregated union structure along the blue/white-collar divide. In all three respects Sweden differs greatly from most other European countries. The traditionally dominant position of LO within the union movement gave way, from the 1970s, to an increasingly fragmented union structure (see Table 16.1). In addition to LO private sector unions, which dominated during the heyday of the Swedish model, co-ordinated by LO in centralised negotiations with SAF, the new union landscape contained a constellation of LO and TCO public sector unions and bargaining cartels known as the 'Gang of Four', and a large number of TCO and SACO private sector unions affiliated to the bargaining cartel PTK. By the mid-1990s the LO – SAF sector had shrunk to less than one third of all Swedish union members (Kjellberg 1998a: 20). From the employers' perspective, the value of 'centralised' bargaining between the LO and SAF accordingly declined, due to the changed point of gravity of union power. In the 1980s the process of fragmentation passed through another stage as bargaining was gradually decentralised to national unions (on the initiative of employers), or, to be more precise, the three-tier system of collective bargaining was replaced by a two-tier system by the removal of the top level. The two remaining levels are industry agreements settled between national unions and employers' associations and implemented by local negotiations in the individual plants which result in plant agreements between union workplace organisations and management.

Although high Swedish inflation in the 1970s and 1980s may be attributed to several factors, such as the oil price shocks of the 1970s and the deregulation of credits in 1985 (badly co-ordinated with the subsequent tax reform), the increasingly fragmented bargaining system was, without doubt, one of the most conspicuous sources of inflation. Centralised bargaining under the auspices of LO and SAF was succeeded by a complicated game of negotiations allowing free scope for an intense wage race between different categories of workers. Public sector unions were conceded full bargaining and strike rights in 1966, and soon acquired a militancy which was in contrast to the spirit of co-operation between LO and SAF. As a consequence, LO had to adjust its wage claims upwards. Where a group of workers was successful in improving its terms, other groups soon raised their demands. In the

mid-1970s 'compensation clauses' were introduced into public sector and white-collar agreements to compensate for the effects of wage drift enjoyed by blue-collar workers in manufacturing.

The growing tensions between centrifugal forces were manifested in the great conflict of 1980 which ushered in a long period (1980-1996) of intensified labour disputes (Kjellberg 1992: 103ff; 1998b: 81). As a result, the 'solidaristic wage policy' of LO lost its function as an extra-governmental form of incomes policy (Kjellberg 1992: 96 and 105). Combined with declining economic growth, the accelerated wage race resulted in an apparent cleavage between nominal and real wages. Between 1970 and 1992 total wage costs rose 700 per cent, productivity 45 per cent and real wages only 10-20 per cent (SAF Annual Report 1992: 18). The wage explosion of the mid-1970s was followed by declining real wages until the mid-1980s. Due to increasing real wages after 1985, the average hourly real wage after tax was about the same in 1990 as in 1980. The impressive advance of nominal wages was reduced to practically nothing in real terms by high inflation. From the mid-1970s, for a period of almost twenty years, Swedish inflation considerably exceeded that of Germany and its neighbours, as well as of North America and Japan (LO 1997: 23). In the years around 1990 Swedish inflation also greatly outstripped the European 'soft' currency countries (including Britain, France, Italy, Denmark, Finland and Norway). One factor conducive to the high Swedish wage inflation was the continuing pursuit of the policy of 'full employment' right up to 1990, in contrast to most other European countries. At the end of the 1980s unemployment was just about two per cent and the economy was characterised as 'overheated'.

Historically, to prevent major losses of competitiveness, Sweden recurrently devalued the Swedish *krona*: in 1976 by 3 per cent against the German Mark, by another 6 per cent in 1977, later in 1977 by an additional 10 per cent against an average of the 15 most important currencies, followed by another 10 per cent in 1981 and 16 per cent in 1982. After attaching the *krona* to the ECU in 1991, the idea of a fixed exchange rate had to be given up in the subsequent year. In slightly more than a year the 'floating' *krona* fell 22 per cent against the German and British currencies and 28 per cent against the US dollar,<sup>5</sup> a



'devaluation' produced, in reality, by financial markets. In 1994-1995 the *krona* fell further, to recover somewhat in 1996-1997. In the period 1975-1998, the value of the *krona* was reduced by as much as 63 per cent against the German Mark (1970-1998: 69 per cent) and 77 per cent against the Japanese yen.<sup>6</sup> *Vis-à-vis* the American dollar the drop was 48 per cent and against the British pound 30 per cent. Accordingly, Swedish exporters to Germany in 1998 received 2.7 times more *kronor* for each Mark compared to 1975 and as many as 3.2 times more than in 1970. Swedish affiliation to EMU would, of course, make such adjustments impossible in the future *vis-à-vis* other membership countries. In addition, Sweden, as a small country, will have a minor influence on the exchange rate between the euro and the dollar, even though changed dollar rates might have disproportionate effects on Swedish exports.

The important, not to say crucial, role of adjustable exchange rates for Swedish economic performance in the last two or three decades is evident from a Swedish-German comparison of wages, productivity and exchange rates. In every year since 1974 Swedish nominal wages have increased faster than in Germany, Sweden's main competitor and, since the 1970s, the dominant actor in the European currency co-operation (SOU 1998: 141: 163). Adjustments of the exchange rate, and not a faster rise in productivity (here Sweden on the contrary lags behind Germany), have been the principal means to restore Swedish competitiveness (*ibid.*: 199ff). In the period 1984-1996 only Greece and Portugal (out of 21 OECD countries) had higher wage rises than Sweden, while wage costs increased considerably more slowly in all important competitors in Europe (except Britain), as well as in the USA and Japan (*ibid.*: 195).<sup>7</sup> Only in the last few years has the expansion of wage costs in Sweden slowed down to approach the European average, but annually they are still about one percentage point higher (*Konjunkturläget*, March 2000). On the other hand, real wages have increased considerably since 1995, due to rapidly declining inflation, thus reducing profitability in firms unable to compensate by a falling *krona*.<sup>8</sup>

The dramatic rise of unemployment in the 1990s did, no doubt, contribute to the slowing-down of wage increases. Within a few years the extremely tight labour market of the late-1980s was turned into the

deepest depression since the 1930s. Mass unemployment succeeded 'full employment' at a moment when government policy was changed to give highest priority to fighting inflation. Due to its high rate of wage inflation compared to other countries, Sweden could no longer afford to keep unemployment at a substantially lower level than elsewhere (LO 1997: 41). In addition, the deregulation of financial markets increased the pressure on Sweden (manifested in rising interest rates) to bring down inflation. The priorities of the EU also promoted the shift to an anti-inflationary policy. At an initial stage, the rapid rise in unemployment was exacerbated by the failed attempt to attach the *krona* to the ECU (see above), a political objective that threatened to obstruct Swedish competitiveness until the *krona* was released to move freely. Unemployment rose from about 1.5 per cent in 1989-1990, to 5 per cent in 1992, and to 8 per cent in 1993-1997 (*Konjunkturläget*, March 1996; *ibid* November 1998). Including participants in labour market programmes, unemployment increased from 3 per cent in 1989-1990, to 9 per cent in 1992, and to 12-13 per cent in 1993-1997.<sup>9</sup>

A major challenge facing Swedish trade unions is to find a formula for wage formation which is able to combine full employment with low inflation. The problem will be accentuated if Sweden joins the EMU, as adjustments of the exchange rate in case of inflationary or structural shocks will no longer be available, in contrast to the present situation in which the *krona* has been floating since 1992. Unless wage formation is reformed, Sweden risks losing further employment, particularly as a very large share of its labour force is employed by transnational corporations characterised by a high preparedness to move production and other functions abroad.

### **Obstacles to a new Swedish model of wage formation**

At present several aggravating circumstances stand in the way of a new Swedish model of wage formation, or put differently, of the establishment of a new Swedish model of co-operation between the two sides of industry. As a result of the changed composition of the labour force, the system of industrial relations is today considerably more fragmented than in the 1950s when centralised bargaining between LO

and SAF was first introduced. At that time, not only did the employers have a positive attitude, but they were also the driving force for centralisation, although LO's ideas on 'solidaristic wage policy' and 'active labour market policy' were subsequently integrated as substantial elements of the model. Secondly, the extensive labour legislation (on subjects such as codetermination and job security) introduced in the 1970s, on the initiative of trade unions, implied a break with the traditional common preference for agreements over laws. The spirit of co-operation was replaced by a climate of confrontation and positions of deadlock, culminating in the employers' successful campaign against the LO proposal on wage-earner funds. Furthermore, the continued decentralisation of negotiations has reinforced the fragmentation of bargaining.

In the 1990s, state regulation was increasingly forced on to the agenda, as the old Swedish model of 'self-regulation', that is, regulation by the labour market parties themselves, no longer worked as a co-ordinating mechanism. In the light of annual wage cost increases of about 10 per cent, or twice as high as the OECD average, in 1990 the social democratic government, on the initiative of SAF<sup>10</sup> and in concert with senior leaders of LO and affiliated unions (except *Kommunal*), announced a two-year general pay freeze and strike ban, combined with ceilings on prices and dividends (Kjellberg 1992: 113f; Kjellberg 1998b: 88ff; Elvander and Holmlund 1997: VI, 17f). A wave of protests from rank-and-file members and local union activists forced union leaders to dissociate themselves from the plan, and the government to look for more consensual methods to contain the wage-price spiral. At about the same time SAF declared its intention not to participate in any central wage negotiations in the future, signifying the definitive end of the epoch of centralised bargaining. A government commission (the 'Negotiation Group' or 'Rehnberg Group') succeeded in persuading unions and employers' associations to accept a tripartite 'stabilisation agreement' (1991-1992) for the whole labour market, in effect prolonged for another two years (1993-1994) by a series of co-ordinated stabilisation agreements under the leadership of state mediators. Only under state auspices could co-ordinated bargaining be restored to a labour market characterised by a multitude of bargaining centres and organisations

(about 110 employers' associations, national unions and bargaining cartels), backed up at first by threats of more far-reaching state intervention, and in subsequent bargaining rounds by voluntary, informal means, as well as by the influence of the rapidly deepening economic crisis.

When collective agreements expired in 1995, however, state mediators did not succeed in their co-ordination efforts. The sharply diverging economic performances between industries and sectors (booming exports in the wake of the falling *krona*, stagnating home markets and a public sector hit by cuts) produced strong centrifugal forces in the 1995-1996 bargaining round. The co-operation between leading SAF federations and the public sector employer organisations was far less developed in 1995 than in 1993 (Elvander and Holmlund 1997: 41, 49), while co-ordination between the LO unions collapsed. Wage increases exceeded the 'Edin norm', the expected average rate of European wage growth calculated by a group of economists, the 'Edin Group' (named after the LO economist P-O Edin), representing leading national unions (*Kommunal*, *Metall*, SIF), union confederations (LO, TCO, SACO) and employer confederations. Despite continued high unemployment, the 1995 bargaining round was one of the most dispute-ridden for many years (overtime ban in engineering, strikes in retail trade, transport and hospitals). Each agreement tended to be considered a floor for subsequent wage negotiations but, without the efforts of the state mediators and the existence of the norm, rises would probably have been considerably higher. The subsequent 1997 'Edin report' (*I otakt med sysselsättningen*, Out of Step With Employment) noted an obvious convergence of the rate of wage growth between the European OECD countries in the first half of the 1990s. This development was explained by the convergence in economic policy and unemployment levels, as well as increased government regulation of wage growth and probably also a growing awareness among labour market actors of the negative effects on interests rates of excessive wage increases. While the Swedish expansion of unit labour costs was greatly reduced in 1992-1993, 'wage inflation' again rose considerably in 1995-1996 (*ibid*: 17). The report concluded that 'Swedish wage formation had tended to produce a rate of wage growth

not only out of step with Europe, but also at risk of becoming out of step with Sweden's employment aspirations' (*ibid.*: 38, author's translation).

Several initiatives were taken in the 1990s to reform the Swedish system of wage formation. Viewed in a Nordic perspective the Swedish machinery for mediation was extremely weak until the 1990s. In the first half of this decade steps were taken which considerably strengthened the co-ordinating power of the mediation institute by informal means. Since the autumn 1995 the institute has altered its approach and mediation has become almost compulsory. More importantly, the mediators have taken over the procedure introduced early in the 1990s on establishing consensus regarding both wage restraint and co-ordination before commencement of the mediation proper (Dalén 1998). These changes are based upon the increased preparedness of bargaining partners to exercise wage moderation, a trend also manifested in the 'Co-operation agreement on industrial development and wage formation', abbreviated to 'Industry Agreement' (*Industriavtalet*), concluded in 1997 between eight unions and twelve SAF associations in manufacturing and forestry (Kjellberg 1998b: 96). This agreement contains, among other things, mediation procedures, including rules for freezing disputes, which represent a 'privatisation' of mediation in accordance with the traditional Swedish preference for self-regulation over state regulation. The absence of confederal involvement is a sign of the times, as is the cross-confederal composition of the union group: six LO unions (among them Metall) and one union from each of TCO (SIF) and SACO (CF). The bargaining alliance Metall-SIF-CF (the 'Bargaining Council', founded in 1992) forms the core of the union group.

The emergence of the 'Bargaining Council', and later the 8-group, meant that union alliances based upon class were increasingly replaced by constellations based upon sector. Up to the 1990s the white-collar bargaining cartel PTK negotiated on behalf of almost all TCO and SACO private sector unions, but then lost its role as wage negotiator. In other sectors, horizontal union co-operation was also played down to the advantage of vertical or combined vertical/horizontal constellations such as the 8-group in manufacturing. Other examples are the alliance between *Kommunal* (LO) and SKTF (TCO) in the municipal sector and the co-operation between the teachers' unions of TCO and SACO in

the 1995 bargaining round (Elvander and Holmlund 1997: 41f, 51). The military officers' unions of TCO and SACO went further and merged in 1995. As a consequence of this development, bargaining now takes place by sector or industry rather than on the part of confederations (LO) or bargaining cartels (PTK, and the government and municipal cartels of TCO and SACO). As mentioned above, LO and PTK are no longer involved in wage negotiations. Nevertheless LO still has a clear ambition to co-ordinate the wage demands of the affiliated unions. At the beginning of the 1990s the TCO public sector cartels were replaced by a loose network for consultation, TCO-OF. The municipal cartel SACO-K was dissolved, but the corresponding cartel in the state sector, SACO-S, has been maintained. In May 2000 a co-operation agreement similar to the 'Industry Agreement' was concluded between the National Agency for Government Employers and TCO-OF, SEKO (LO) and SACO-S. Another co-operation agreement is expected within the local government sector.

Compared to preceding decades, there is no doubt that LO is the confederation that has lost most power within the union system, by the triple process of its decreased share of the total number of union members due to the changed composition of labour force; the emergence of new vertical/sectoral constellations and the continued decentralisation of negotiations towards workplace level. LO is also the confederation most eager to restore co-ordination of bargaining across sectors and confederations. The LO project LISA (*Lönebildning, Inflation, Sysselsättning, Arbetsmarknad*; wage formation, inflation, employment, labour market) may be seen as an attempt to recapture the initiative by creating a consensus on wage increases not exceeding European rates. This requires a strengthened system of co-ordination, including a group of economists and representatives of unions and employers establishing a common wage norm (the 'Edin Group'), but also new procedural rules for negotiations and disputes, though exactly how these are to be formulated is still a controversial issue. In the event of the employers' refusing to co-operate, the LISA project recommends co-ordination on the part of unions themselves supplemented by legislation on a reinforced mediation institute (*LISA* 10 November 1998). The high priority given by LO to co-ordinated wage formation is explained by the

strong desire to find other means to fight inflation than mass unemployment, extensive deregulation of the labour market ('increased flexibility') or restricted strike rights. Like the social democratic government, LO is worried that if unemployment declines, there will be a considerable risk of rapidly rising wages, prices and interest rates (*LISA: en solidarisk väg*). The ultimate aim of the LO proposal for 'a modern wage formation for full employment' is to increase the scope for an expansive economic policy in order to fight unemployment without returning to inflation. Another important purpose of the proposal is to achieve increased real wages without high nominal wage rises out of step with Sweden's most important European competitors.

The prospects of the LO initiative did not appear too good. Sectoral divisions were reinforced by the 1997 'Industry Agreement', which in the 1998 bargaining round was followed up by an extensive informal co-ordination between the eight unions in manufacturing and forestry (in 1998 reduced to seven by the merger between two of them). The pulp and paper agreement functioned as a norm for the whole manufacturing group, which, in turn, appeared as a wage leader for the rest of the labour market. According to the evaluation report of the 1998 bargaining round, produced by the 'Unions in manufacturing', wage levels and the length of agreements (most of them for a period of three years) turned out to be more co-ordinated than ever in the last 25 years, with the possible exception of the stabilisation agreements in the early 1990s (*Facken inom industrin. Utvärdering av 1998 års avtalsrörelse*: 16). This statement, however, reflects a conception of co-ordination too soft to be compatible with LO's level of ambition. The divergence in views is confirmed by the severe criticism directed at LO in the same report. The detailed common demands formulated at an early stage within LO are highlighted as a disturbing element for the wage negotiations, in particular for the co-ordination between LO unions and white-collar unions in manufacturing. The LO wage frame itself is also considered as problematic (*ibid*: 20). Another manifestation of sectoral divisions was the absence of the Edin group of economists in the 1998 bargaining round. Instead a sectoral body, the new 'Economic Council' in manufacturing, undertook a similar role in analysing the economic terms for wage increases, but abstained from calculating any exact norm, a task

which was carried out by the finance minister. The 1998 bargaining round resulted in unusually low wage increases due to several circumstances:

- the high unemployment and almost non-existent price rises;
- a growing awareness of the interrelations between wages, prices, interest rates and employment/unemployment, reinforced by the shift of power to international financial markets. The judgements of financial investors, closely following the 1998 bargaining round, could be expected to have an immediate influence on interest rates and the exchange rate (*ibid*: 6);
- the desire to give the Industry Co-operation Agreement a successful start;
- the increased threat of government intervention, manifested by the appointment of the Committee On a Stronger Mediation Authority. An interim report appeared in November 1997 and the final report in November 1998. In March 2000 legislation on a new 'Mediation institute' was enacted to come into force on 1 June 2000 (see below).

### **State regulation or self-regulation?**

In good time before the appointment of the government committee in April 1997, the social democratic government invited the two sides of industry for talks to find a new common formula for wage formation. As in the 1930s, the government encouraged the parties to settle such matters by themselves, that is, by self-regulation. The preference for self-regulation in the 1990s was even stronger, as the emphasis in the 1930s had at first been on tripartite negotiations for a new order of rules. To lend force to its words, the government announced that it would intervene should the parties fail to agree by spring 1997. It was thus no coincidence that the Industry Co-operation Agreement was concluded in March 1997. However, its restricted scope (manufacturing and forestry), did not remove the need for further government action. LO's positive attitude to a strengthened mediation institute may be explained by the desire for increased co-ordination of bargaining. In sharp contrast to the 1930s, the strongest demands for changed



legislation now come from the employers. SAF argues for deregulation of job security and reduced unemployment benefits, in order to increase labour flexibility, and strengthened mediators and restricted dispute rights, including the regulation of the decision-making process of unions (ballots before strikes). The object of deregulation is to increase the employers' freedom of action, while regulation is aimed at decreasing the unions' scope of action. In both respects the result would be a shift of power to the advantage of employers. Compared to the 1930s, the employers' demand for legislation represents a strategic turnaround on the part of SAF. With the prospect of a long social democratic reign, the employers were at that time most interested in consensual solutions, as achieved in the 1938 'Saltsjöbaden Agreement' between LO and SAF. As mentioned above, the traditional climate of co-operation between the two sides of industry since the 1970s has been replaced by a mood of confrontation and positions of deadlock between peak organizations. Even so, the deliberations of Autumn 1998 took place among SAF, LO, TCO and SACO under the heading of '*Alliance for Growth*'. An important motive was to avoid state regulation because of its dependency upon shifting parliamentary majorities and consequently the risk of unstable rules. Secondly, legislation may be more or less unfavourable for one or the other party, without there being any possibility of directly influencing the outcome of the legislative process. Thirdly, regulations by voluntary means are considered superior from the point of view of legitimacy.

The strongly divergent preferences of the organisations involved resulted in the collapse of the deliberations at the end of 1998. In addition to disagreements on the points of issue, divergent views on legislation and on the need for co-ordinated bargaining certainly contributed to this outcome. The white-collar confederations TCO and SACO strongly oppose legislation, as well as co-ordinated wage negotiations, the latter reflecting the absence of a white-collar bargaining tradition at confederal level, especially in the private sector (PTK is a cross-confederal cartel of TCO and SACO national unions which has lost its wage negotiating role). The sceptical attitude towards co-ordination is also prompted by a fear that LO would become too influential, at the expense of TCO and SACO unions. Like TCO and SACO, SAF rejects

LO's aspirations for co-ordinated bargaining, but, on the other hand, both SAF and LO may accept or even demand legislation, albeit with contrasting content. Legislation is also the outcome of the deep disagreements between the labour market parties, although the government would have preferred self-regulation modelled upon the Industry Agreement. The new legislation on 'Wage Formation for Full Employment' passed in 2000 complies, in part, with the demands of LO and SAF: a stronger mediation institute facilitating co-ordination and implementation of wage increases, compatible with a European norm (LO), but also restricted dispute rights to foster labour peace (SAF), although SAF calls for much stronger restrictions to decrease the power of unions. The authority of the Mediation Institute to freeze disputes is inspired by the 'Industry Agreement' (1997), but *Facken inom industrin* (Unions in manufacturing) objected that legislation might make similar agreements in other sectors more difficult as the corresponding paragraph in the Industry Agreement was part of a compromise. Strong union resistance caused the government to abstain from more far-reaching restrictions such as rules on 'proportionality' between the scope or aim of an industrial action and the damage inflicted upon the employer (proposed by the government committee). Accordingly SAF was deeply disappointed. In accordance with SAF's transformation from a wage negotiating body to a lobbying organisation, the focus is now on a broad set of political demands, including reduced taxes and a rapid affiliation of Sweden to EMU (both of which are supported by Metall). In May 1999 SAF presented a proposal *En företagsam arbetsrätt* (An Enterprising Labour Law), which included a complete legal text designed to replace the laws on co-determination, job security and union representation with minimum laws that facilitated layoffs and temporary contracts, as well as restricting union rights in several respects.

To some extent the new legislation can be seen as a codification of the *de facto* reinforcement of mediators that took place in the 1990s. On the other hand, legislation may decrease the legitimacy of wage formation, and possibly result in future waves of rank-and-file protest against forced wage restraint in sectors, industries or regions with tight labour markets. Legislation appeared the only viable way forward, however, given the deep splits between, but also within, some of the confedera-

tions participating in the ineffective talks on a reinforced mediation institute held during 1999 under the leadership of former social democratic prime minister Ingvar Carlsson, together with Svante Öberg, president of the government committee. Two LO unions organising private service workers, Handels and *Transportarbetareförbundet* (Transport Workers' Union), feared that LO would have to make excessive concessions on labour law and EMU (Handels is against EMU) in the event of a central compromise with the employers. It may be noted that a merger between these two unions is expected to take place within the next few years. Furthermore, the two largest TCO private sector unions, SIF and HTF, refused TCO a mandate to take part in constructing a new, centralised model of wage formation. This move reflects the weakened role of union confederations *vis-à-vis* national unions, but it should be added that TCO and SACO, in contrast to LO, have never participated in centralised bargaining (with the exception of TCO in 1955). Furthermore, new forms of sectoral co-ordination are emerging, as in manufacturing industry, supported by the 1997 Industry Co-operation Agreement. In November 1998 the leaders of the seven participating unions expressed a fear that the talks between the top organisations might disturb the co-operation between the parties within manufacturing (*Dagens Nyheter* 10 November 1998).

The rejection of all forms of co-ordinated bargaining whether by the two sides of industry or by legislation is, however, hardly a realistic option in an era marked by diminishing space for the conduct of economic and monetary policy by individual nation states. Its high dependency on exports, as well as their composition, makes Sweden very exposed to disturbances (whether domestic or external in origin), and the set of available adjustment mechanisms will naturally be reduced still further if the Swedish authorities are deprived of the possibility of setting exchange and interest rates. Sweden, furthermore, as a small country, has only a limited influence on the economic and monetary policy of the EU and the European Central Bank (ECB). Recently, LO economists P-O Edin and Lena Westerlund have drawn attention to the likely long-term, negative effects of wage increases out of step with foreign competitors, in the event of Sweden being deprived, by membership of EMU, of important economic instruments. If they are

not replaced by other national adjustment mechanisms the result might be further increased unemployment and strong pressures for migration (*Dagens Nyheter* 4 February 1999). It is no coincidence that LO, after the breakdown of the 1998 talks on reformed wage formation, resigned from the group of economists (representing SAF, LO, TCO and SACO) working on a common report on EMU which was published on 4 February 1999. By announcing a negative attitude to EMU in anticipation of failure of the resumed talks on wage formation, LO put pressure on the other parties to make concessions, albeit without result.

The endeavours to achieve co-ordinated wage negotiations by self-regulation having failed, the social democratic government, supported by LO, resorted to the alternative solution; namely, increased state regulation by means of a new, powerful mediation institute. The new institute may be considered to constitute a codification of the enlarged, co-ordinating role of state mediators developed in the 1990s, and, in part, a means of extending the procedures of the 1997 Industry Co-operation Agreement to the whole labour market. In addition to its mediating role, the institute has the responsibility to 'promote a well functioning wage formation'. While LO supports this double role, SAF and TCO/SACO, when the proposal was circulated for comments by the parties concerned (*Remissammanställning* 1999-04-12), recommended rejection of this latter task for the institute. The old mediation authority (to be replaced by the new one from 1 June 2000) took a negative stance as the new institute, rather than serving the parties, will regularly intervene at an early stage of wage negotiations and thus constitute an integral part of the whole collective bargaining process. The new mediation institute is given powers to convene the parties for compulsory deliberations on time schedules (co-ordinated as far as possible and, more important, with the requirement that all new agreements be concluded before the old ones expire), but also for the purpose of reaching a common view on economic conditions and on the wage-leading role of the sector exposed to international competition. Furthermore, the institute is expected to resort to compulsory mediation (a new element in Swedish industrial relations) as soon as there is a risk of labour disputes.

The old mediation authority feared that the new institute, by adopting a steering role on wage formation, might deprive the two sides of industry of their sense of responsibility and thus, contrary to the aim, generate increased instability. The government admitted that the institute's task might, in many cases, 'be a difficult balancing act' but argued that it was, nonetheless, necessary (*Lagrådsremiss* 1999-11-04:70). The government bill, however, refrained from assigning the institute a co-ordinating role with respect to the material contents of agreements, as had been proposed by the government committee and recommended by LO, but opposed by SAF, and TCO/SACO, all of which advocate decentralised wage formation and avoidance of income policy (SOU 1998:141 pp 291-95, *Remissammanställning* 1999-04-12). *Facken inom industrin* (Unions in manufacturing) also opposed such a centralisation of bargaining under state auspices, arguing that it represented a restriction upon bargaining freedom. Furthermore, stating its support for the Industry Co-operation Agreement, *Facken inom industrin* strongly emphasised a preference for councils of independent economic experts established by the parties themselves, like the Economic Council of Industry, over the economic council set up under the auspices of the new mediation institute. It is further provided that expert councils for wage statistics and for evaluation of wage negotiations will be set up by the institute. This issue is a clear example of how the principles of state regulation and self-regulation clash. Another controversial aspect refers to centralisation *vis-à-vis* decentralisation. To some extent divergences along these dimensions run parallel, but not in all respects. Whereas SAF is in favour of increased state regulation with respect to mediation (to be used at an early stage in sectors without co-operation agreements; compulsory mediation etc.), and restricted dispute rights, the employer confederation strongly rejects all forms of co-ordination and centralisation of wage negotiations. Consequently, the introduction of the three national expert councils, centralised wage statistics and a co-ordinating role for the mediation institute are rejected, while a ban on sympathy disputes is demanded.

## Co-ordinated tripartite bargaining or micro-level adjustments?

During the 1990s it was not in Sweden alone that governments intensified their efforts to bring wage formation under control by means of co-ordinated bargaining. Indeed, Sweden still lags behind other Nordic, as well as several continental European, countries with respect to tripartite social pacts dealing with wages, employment and economic growth (Kauppinnen 1998; Stokke 1998; Ferner and Hyman 1998). The immediate cause of this is to be found in the deadlocked positions between the peak organisations, which express strongly divergent views on wage formation and state intervention (on what the state should do and why). In their common EMU report *Utanförskapetets konsekvenser* ('The Consequences of Not Joining the EMU'), the economists of SAF, TCO and SACO declare that, were Sweden to join EMU, adjustments to wage formation would increasingly have to be made at micro level; that is, at the level of plants and individuals (pp. 7, 34f). The focus of wage formation is expected to move from a macro-economic environment of national consideration to micro-level adjustments of wages and prices, aimed at preserving competitiveness. Such a development would be entirely in accordance with the radical decentralisation of wage-setting advocated by SAF since the 1980s. The EMU report further indicated in the context of 'micro adjustment', 'that Swedish enterprises and individuals, at market prices given at European level, should be able to avoid pricing themselves out of the market (*ibid.* pp 34f., author's translation).

The threat of unemployment acting as a wage moderator at plant level will, of course, have limited effect in regions, industries and sectors with tight labour markets. At the end of 1998 such divergences in economic performance tended to be pronounced; it was, to be more precise, a time of booming home markets and growing redundancies in the big Swedish export companies. In 1999, however, the situation changed yet again as exports prospered. On the other hand, as was evident from the 1995 bargaining round, co-ordinated bargaining will meet with difficulties in economic situations divided by sector and industry; in 1995, for example, the export sector was booming while the home market and public sectors were stagnating (Kjellberg 1998b: 91). Secondly, interna-

tional pressures for wage restraint will probably affect workers employed in home market trades and the public sector – for example nurses and teachers – to only a lesser extent. This refers in particular to SACO, two-thirds of the members of which are employed in the public sector (1997, excluding self-employed, unemployed and students). Third, and more importantly, Swedish bargaining is *de facto* far from completely decentralised to the level of plants and individuals – and will hardly be so in the foreseeable future, given the strength of Swedish unions – although the process of decentralisation has been gaining ground over a rather long period of time. The scenario described in the EMU report refers more to a hypothetical future development, one greatly desired by SAF, than to the present state of Swedish industrial relations. To arrive at such a situation, the power of Swedish unions would have to be significantly reduced. Consequently, SAF's proposals on deregulation of the labour market and expanded regulation of unions and dispute rights are quite logical.

### **Diverging bargaining power of European trade unions as a challenge**

Even though the deregulation desired by employers might enhance Swedish competitiveness, although this cannot be taken for granted, such a surrender to market forces would hardly be in the interest of unions or the workers they represent. One of the challenges facing Swedish unions stems from their outstanding strength (in terms of resources) and power (*vis-à-vis* employers) compared to almost all their European counterparts, as manifested in a very high capacity for dispute, even in a situation of mass unemployment. Secondly, Swedish union density (81 per cent in 1999) is impressive from a Nordic perspective (although densities in Finland and Denmark are only just lower), not to speak of countries like Britain, Germany, the Netherlands or France (all with an average union density of about 30 per cent or less – see Table 1.7). It is true that coverage of collective agreements is high in many countries (see Table 1.5), but often as an effect of extension mechanisms laid down in labour law rather than as a direct result of union power. Indeed, the very existence of extension mechanisms may,

on the contrary, be understood as a symptom of union weakness. Consequently, coverage is actually far from a precise indicator of union or bargaining power. In Sweden 94 per cent of all workers (90 per cent of private sector workers) are covered by collective agreements, despite the absence of any legal extension mechanisms.

With Swedish affiliation to EMU, the considerable differences in union density and power between European countries will be a major challenge facing Swedish unions, particularly if the system of wage formation is not reformed or other mechanisms of adjustment fail to operate when the national exchange rate ceases to function and substantial price differences disappear. This challenge is further brought into focus by the strong position of large, transnational companies in Sweden – half of Metall's members are employed by the fifteen largest companies (excluding subcontractors) – which makes it easy to move production abroad in case of unfavourable Swedish terms of competition. In short, there will be an obvious risk that the unemployment rate – still relatively high – will climb to new heights if nominal wages expand more in Sweden than in other countries. This is, of course, unacceptable from a union point of view; on the contrary, a key issue is finding an effective formula for reducing unemployment. In the 1999 EMU report, the economists of SACO, SAF and TCO suggest 'internal depreciation' (by means of reduced payroll taxes combined with increased VAT or decreased transfer payments) as a last resort, insofar as the political situation allows it. As an alternative, buffer funds (introduced in Finland, see Chapter 5) are also mentioned. Increased occupational and geographical mobility by means of competence development, as well as more flexible working hours, promoted by the new collective agreements, above all in manufacturing industry, will be important, irrespective of Swedish EMU membership.

Tight labour markets, combined with increased mobility between firms, may, however, accelerate wage drift. Despite the absence of price rises in 1998, wage drift was unexpectedly high among private-sector white-collar workers, as a result of a shortage of civil engineers and others with relatively individualised wage systems. High overall unemployment, and wages containing a large individual component, are thus no guarantee of low nominal wage increases. As a consequence of an economy



characterised by deflation rather than inflation, real wages increased considerably in 1998, particularly for some groups of white-collar workers (*Konjunkturläget*, November 1998; *LO-tidningen* 29 January 1999). The result was increasing wage differentials between white-collar and blue-collar workers in the private sector. Regarded from a European perspective, Swedish civil engineers and other university graduates (for example, dentists) still have low or very low wages,<sup>11</sup> as well as higher taxes. The shortage of civil engineers, aggravated by increasing numbers moving abroad (young persons in particular), will probably further raise wage differentials *vis-à-vis* blue-collar workers, but there is a risk that compensation mechanisms will trigger general wage inflation. Recently TCO warned that other 'shortage professions', such as IT specialists, teachers, nurses and building workers, might raise their wage demands considerably in the re-negotiations of 1999-2000, with the possible outcome that the following bargaining round might result in general wage increases, thus threatening Sweden's competitiveness (*Konjunkturfakta*, TCO 1999: 3).

### **Widening gaps between different categories of workers**

Increasing wage differentials are part of a general tendency towards widening gaps between different groups of workers: unemployed/employed, workers with short/long education, poor/good opportunities for training, temporary/permanent contracts, as well as between industries, regions and ethnic groups. The end of 'full employment' has lowered the pressure on employers for training facilities, but there are several examples of firms with a positive attitude to the union concept of 'Good Work', not the least in engineering industry (Jansson 1998). Furthermore, the deep recession of 1992-1994 intensified international competition, while new production methods have promoted a shift in favour of skilled jobs and teamwork, but changes were, in most cases, followed by increasing intensity of work and stress (Kjellberg 1998b: 111; Metall 1995). Changed work organisation to meet demands of increased flexibility is, however, used only infrequently in engineering firms with less than 100 metalworkers (Metall 1998a: 25). The growing employment share of small enterprises, reinforced by outsourcing,

increases their strategic position from a union point of view. This does not mean, however, that big companies become less important, as the small ones are often subcontractors, exposed to raised demands from the big ones. A survey on the development of 'Good Work' in Ericsson, the number one Swedish exporter with about 15 per cent of Sweden's total exports, demonstrates that lean production methods, in addition to increased intensity of work and stress among metalworkers, also reduce the time available for desirable training (*ibid*: 19). This is confirmed by another Metall survey, according to which almost every second workplace club does not actively work with 'competence development' (Metall 1998b:10-11). As training is considered a key element for both secure jobs and future 'wage development', it is a significant challenge for Metall to promote greater involvement in competence development among more clubs. It is also a question of equality between the sexes, as women are the main losers in this respect.

Privatisation of public services and the introduction of buy-and-sell models within the public sector are other sources of increased intensity of work and stress. Recently bus-drivers in private companies, organised by *Kommunal*, victoriously concluded a strike against long periods of work without any opportunity for a break. Survey data indicates increased stress at workplaces in the period 1991-1997 and declining opportunities to influence working pace (Wikman *et al.* 1998: 90-99).

The expansion of temporary contracts, often combined with part-time work, also has negative effects on training facilities (LO 2000b). Approximately one in every two workers aged 16-24 years is on a temporary contract (see Table 16.5). By contrast, the overwhelming majority of employees in the many new media and IT firms have permanent contracts (Sandberg 1998). Many of them are university graduates. This industry, largely concentrated in metropolitan areas and operating on tight labour markets, is characterised by a relatively low union density. Less than one fifth of the new media and IT firms have collective agreements.

The expansion of both these groups – young workers on temporary contracts and workers in new media and IT firms – tends to lower average union density, but, above all, it forms part of a new Swedish

pattern, evident since the mid-1980s, of increasingly fluctuating density, particularly with respect to young, private sector workers in metropolitan areas (Kjellberg 1997; Kjellberg 2000b). As is apparent from Table 16.5, union density of workers aged 16-24 years in 1987-1999 dropped by as much as 16 percentage points (average of all sectors and regions), while the average density of all age groups declined by only one percentage point. It is also evident that the growth of temporary contracts has been, to a large extent, concentrated among the youngest workers. As expected, density among workers on temporary contract is lower than among those on permanent contract, although a marked growth in unionisation took place among women on temporary contracts, peaking in 1994, after which a decline occurred (Table 16.6). Many of the women on temporary contracts are employed in the large public sector.

**Table 16.5: Union density by age in Sweden, 1987-1999\***

Age	1987	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	1987- 99
16-24	63	56	56	62	62	60	58	56	53	49	47	-16
25-29	83	78	77	80	81	81	80	79	78	77	76	-7
Sum 16-29	71	65	65	71	72	71	69	68	67	64	62	-9
30-44	86	85	84	86	86	86	86	85	84	84	83	-3
45-64	88	88	88	89	89	89	89	89	89	89	89	+1
Sum 16-64	82	80	80	83	84	84	83	83	82	81	81	-1
<b>Share on temp. contracts**</b>												
16-24	36	30	31	36	38	44	46	47	48	51	50	+14
Sum 16-64	12	10	10	11	11	13	14	14	15	16	16	+4

\* Employed workers (blue-collar + white-collar), yearly averages.

\*\* Employed workers (union + non-union workers).

Source: Labour Force Surveys

**Table 16.6: Union density of workers with permanent and temporary contracts in Sweden, 1987-1999\***

	1987	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	1987-99
<b>Men</b>												
Perm. contr.	84	81	81	83	83	83	83	82	82	81	81	-3
Temp. contr.	62	50	52	61	66	68	67	64	64	62	62	0
All men	82	79	79	81	81	81	81	80	80	79	78	-4
<b>Women</b>												
Perm. contr.	86	85	85	87	88	88	88	88	88	87	87	+1
Temp. contr.	61	59	60	67	73	74	71	72	71	68	68	+7
All women	83	81	81	85	86	86	85	85	85	84	83	0
<b>Both sexes</b>												
Perm. contr.	85	83	83	85	86	86	85	85	85	84	84	-1
Temp. contr.	62	56	57	65	70	71	69	68	68	66	65	+3
All workers	82	80	80	83	84	84	83	83	82	81	81	-1

\* Employed workers, yearly averages

Source: Labour Force Surveys

While average union density among men declined between 1987 and 1999, density among women was the same in 1999 as in 1987 (Table 16.6). As a result, women increased their lead in union density from one to five percentage points. Today a majority – 52 per cent – of all ‘active’ union members (excluding students and pensioners) in Sweden are women, although women are still seriously under-represented among union officials and on the decision-making bodies of union confederations (Kjellberg 1998b: 104). These developments signify a double challenge for Swedish unions: on one hand adjusting themselves to

young workers, women and immigrants by more informal and flexible forms of organisation and work methods; on the other regaining confidence among male workers and winning the workers in new, expanding industries like new media and IT. Particularly among private service workers in metropolitan areas, a growing share join union unemployment funds without becoming union members (Kjellberg 1997). Immigrants are union members as often as Swedish-born workers, but are under-represented among union officials, in particular at higher levels. More seriously, the rate of gainfully employed is substantially lower among immigrants (57 per cent) than among Swedish-born (75 per cent), while the unemployment rate is inverse (13 per cent and 5 per cent respectively).<sup>12</sup>

### **Dilemmas and challenges facing trade unions**

Swedish unions still possess an impressive strength and capacity for dispute. In 1994 and 1995 the big American company Toys 'R' Us refused to negotiate and conclude a collective agreement with Handels. The company had to concede in 1995 after a strike, boycott and gradually escalating blockade, including transport workers, graphical workers (advertisements) and bank employees (money transactions). Significantly workers' support for the union was related to the very core activity of unions, concluding collective agreements for improving wages and other terms of employment. A recent survey demonstrates that most rank-and-file members have instrumental motives for their union membership, that is, they expect results in one way or the other (Kjellberg 1997). In the combined absence of inflation and a national exchange rate, assuming that Sweden joins EMU, workers might be confronted with the prospects of reduced nominal wages and deteriorating terms of employment in case of 'asymmetrical shocks'. Unions then will face the severe dilemma of choosing between economic considerations on national and local employment, and running the risk of losing members by not fulfilling primary functions.

A similar situation might arise if unions in the EMU area become involved in a downward wage race evoked by considerations for national competitiveness and employment, or alternatively, as a result of

social dumping on the part of transnational companies. Such a downward wage spiral certainly will result in increased unemployment. To prevent this, unions have to give higher priority to international co-operation between union confederations, as well as between national unions and union workplace organisations in transnational companies. As international variations in union power in the future will probably hit union legitimacy first and foremost in countries with high union density and power – in the event of downward wage races or asymmetrical shocks (including those caused by too high wage increases during a preceding period) – it should be in their interest to assist the strengthening of unions in countries where they are in a weak position *vis-à-vis* employers. This should in no way be understood as a convergence of national systems of industrial relations or unions. Such systems are not easy to change and change might not even be desirable, as each union movement or system of industrial relations forms part of a national context at the labour market and in society.

Another means of fighting unemployment by international co-operation is supporting the concept of ‘co-ordinated fiscal expansion in the EU countries’ (Rönngren and Westerlund 1998). United efforts for giving ‘full employment’ or at least ‘increased employment’ a higher priority within the EU and EMU appear as one of the principal tasks of European trade unions. The rapidly increasing power of transnational companies and financial capital represents a major global challenge for trade unions as well as (unions of) states.

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## Notes

- <sup>1</sup> All densities refer to employed workers unless otherwise stated. Yearly averages according to the 1998 Labour force survey; Swedish-/foreign-born however from the 1997 Labour force survey.
- <sup>2</sup> Labour force survey 1999.
- <sup>3</sup> Among them *Skogsarbetareförbundet* (Forest Workers’ Union). The unions of wood workers and forest workers merged in 1998. This merger brought forestry together with manufacturing in collective bargaining.

- <sup>4</sup> In an inquiry addressed to the presidents of the 18 TCO unions, between 11 and 12 indicated a positive attitude to Swedish EMU membership (*SKTF-tidningen* No 2 1999).
- <sup>5</sup> From 19 November 1992 to 31 December 1993, according to the information department of the Bank of Sweden.
- <sup>6</sup> The price of the *krona* in foreign currency (yearly averages) by calculation of data from the Bank of Sweden.
- <sup>7</sup> In the report *I otakt med sysselsättningen* (Out of Step With Employment), published in February 1997, a group of economists from the most important unions and employers' associations draw attention to the fact that Swedish wage costs within manufacturing industry in 1983-91 and 1995-96 rose considerably more than among her main OECD competitors (in national currencies).
- <sup>8</sup> In 1995-98 the Swedish *krona* fell 17 per cent against the British pound and 11 per cent against the American dollar, but increased 9 per cent against the German Mark (yearly averages).
- <sup>9</sup> Since then unemployment declined to 5.6 per cent in 1999; 9 per cent including unemployment programmes (Konjunkturinstitutet: *Anahysunderlag* March 2000).
- <sup>10</sup> In deliberations with the government SAF proposed a two-year pay freeze (1990-1991).
- <sup>11</sup> A secret wage cartel, *Oktogonen*, comprising ten of the largest engineering companies (among them ABB, Electrolux, Ericsson and Volvo), helps to explain the low wages of Swedish civil engineers (*Dagens industri*, 20 July 1999).
- <sup>12</sup> The average rate of gainfully employed was 73 per cent and the average open unemployment rate 5.6 per cent according to the 1999 Labour force survey.

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