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## Sweden: Can the Model Survive?

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*Published in:*  
Industrial Relations in the New Europe

1992

*Document Version:*  
Publisher's PDF, also known as Version of record

[Link to publication](#)

*Citation for published version (APA):*  
Kjellberg, A. (1992). Sweden: Can the Model Survive? In A. Ferner, & R. Hyman (Eds.), *Industrial Relations in the New Europe* (pp. 88-142). (Industrial Relations in Context). Wiley-Blackwell.

*Total number of authors:*  
1

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# Sweden: Can the Model Survive?

Anders Kjellberg

## Introduction: The 'Nordic Model' of Industrial Relations

Since the mid-1960s Swedish industrial relations have undergone such fundamental changes that the very existence of a 'Swedish model' is now questioned. Nevertheless, given the continuing similarities between Nordic countries, and the differences between them as a group and other European countries, the notion of a 'Nordic model'<sup>1</sup> of industrial relations still has descriptive and analytic value. First, therefore, the broad outlines of the 'Nordic model' will be presented. The main focus of the chapter, however, is on Swedish industrial relations: the roots of the 'historic compromise' between capital and labour in the 1930s, and the erosion of the Swedish model of 'self-regulation' and centralized bargaining by increased state intervention and pressures to decentralization.

Nordic industrial relations characteristically reflect a relative balance of power between capital and labour: compromises between employers' associations and unions were concluded at an early stage in the three Scandinavian countries, although Finland lagged behind. Political deals with other class forces – notably farmers' parties – allowed Scandinavian labour movements represented by strong social-democratic parties to extend their already considerable industrial and political strength to the governmental sphere (Therborn 1984; Katzenstein 1985). This occurred in the 1930s in Norway and Sweden, and considerably earlier in Denmark where the party of small farmers headed governments based on an alliance with the social democrats in 1909–10 and 1913–20. The political compromises bringing social democracy to power meant that the favourite weapon of Scandinavian employers – the large-scale lockout – could no longer be used as freely as in the past. This encouraged Swedish and Norwegian employers to conclude basic agreements.

The Danish government commission on labour law appointed in 1908 might be described as a compromise across the political and industrial arenas. The commission, made up of equal numbers of union and employer representatives, presented a proposal on compulsory arbitration, mediation and conflict procedures which was adopted in 1910. The real origin of the compromise was the so-called September Compromise of 1899 between the confederations of unions and employers (see below). Danish industrial relations were thus already institutionalized around the turn of the century. While the political developments of the 1930s did not therefore have the same significance as in Norway or Sweden, important legislation on union balloting rules, with centralizing effects on industrial relations, was passed in Denmark as well as Norway in this decade.

In the long run, however, the coalitions of the 1930s were of lesser significance. They were succeeded by a long era of 'bloc policy' with social-democratic parties as leaders of a 'socialist bloc' competing with a 'bourgeois bloc' (the phrases used in Sweden). Since the 1930s, governments led by social democrats have been in power in the following periods: 1932–76 and 1982–91 in Sweden; 1935–65, 1971–2, 1973–81, 1987–9 and since 1990 in Norway; 1929–43, 1947–50, 1953–68, 1971–3 and 1975–82 in Denmark. In Finland there were governments with social-democratic prime ministers in 1948–50, 1956–7, 1958–9, 1966–70, 1972–5 and 1977–87, but that did not always mean social-democratic dominance. In contrast to other Nordic countries, Finnish governments have generally consisted of coalitions bridging socialist and non-socialist blocs. Thus the agrarian/centre party has been a major component of governments for more than fifty years, and social democrats have been almost as often represented. Another distinct feature of Finnish governments is the participation of communists during the 'popular front' governments of 1945–8, in 1966–70, and in a 'third wave' in 1975–9.

The crucial element in Scandinavian compromises between capital and labour was the extension of cooperation into the industrial arena. The Danish September Compromise of 1899 was the first basic agreement in the world. Equivalent agreements were reached in Norway in 1936 and in Sweden in 1938, although there were important precursors: the 1907 Metal Agreement in Norway, the 1905 Engineering Agreement and the 1906 'December Compromise' in Sweden. Employer prerogative was accepted by the unions in exchange for recognition of basic trade union rights. Under Sweden's 'historic compromise' of the 1930s, it was agreed that the efforts of social-democratic governments to bring about economic growth should not challenge the capitalist nature of production (Korpi 1978; 1983). Class compromise in Finland was delayed by the civil war from which the bourgeois forces emerged victorious, and by the absence of a unified reformist labour movement.

In the Scandinavian countries, social-democratic hegemony within the labour movements was an essential precondition for the compromises of the 1930s and earlier. Their subsequent reformist strategy has

been based on strengthening the position of workers and unions through economic growth, permitting 'full employment' and social reforms. The close links between manual workers' unions and social-democratic parties – in Norway and Sweden (until 1991) local branches of LO unions may 'collectively affiliate' their members to the party – have facilitated the acceptance of the measures necessary to implement this strategy.

The various basic agreements were reached in a climate of often intense industrial conflict. For example, the Danish basic agreement of 1899 and the Swedish compromises of 1905–6 followed major lockouts or threats of lockouts – and one of their most important aims was to regulate conflict between the 'labour market parties'.

The agreements promoted another distinctive feature of Nordic union movements and industrial relations: the combination of centralization and decentralization (Kjellberg 1983). The decentralized element already existed from an early stage in the form of union workplace organizations, which still represent the national unions at workplace level and have important functions including recruitment and bargaining. The centralized compromises in the industrial arena facilitated the unions' presence at the workplace by granting basic union rights. This has favoured high union density: mutual recognition at central level has curbed the fragmentation of trade unionism, while decentralization has brought workers into direct contact with the union at the workplace.

The basic agreements paved the way for the introduction of a three-tier system of collective bargaining. The traditional system of collective contracts concluded by national unions and their workplace organizations was supplemented by a third level of centralized agreements on wages and related issues (in Denmark from the 1930s, Norway from the 1940s and Sweden from the 1950s).

The introduction of centralized bargaining presupposed a certain centralization of the parties themselves. Almost from the start, the threat from powerful unions drove Scandinavian employers towards centralized organization and their confederations were given extensive powers over affiliated bodies. Large dispute funds were built up and had to be coordinated centrally, especially as extensive lockouts came to be the favourite weapon of Scandinavian employers. (In Finland a similar centralization of employers did not occur until the 1950s.) The centralization of Scandinavian union confederations took place later. In the 1940s, the Swedish LO was given considerably increased powers over affiliated unions, within which the authority of the leadership was strengthened at the expense of the members. Balloting on collective bargaining outcomes was abolished (although advisory balloting was retained for a period). Most Swedish unions still have more centralized decision-making today than their Norwegian and Danish counterparts.

The regular use of membership ballots on draft agreements in Denmark and Norway puts intense pressure on union negotiators to win concessions. This makes centralized bargaining a much more complicated affair than in Sweden and is probably the main cause of the

considerably higher degree of state intervention in collective bargaining in Denmark and Norway. Danish and Norwegian state mediators are given the right to aggregate ballot results from different unions and sectors, and mediation proposals have often been transformed into law. The extensive use of compulsory arbitration in Norway should also be mentioned.

The more fragmented union structure in Denmark and Norway is also conducive to state intervention. Early industrialization in Denmark has left a legacy of craft unionism, while in Norway white-collar union organization is fragmented and union density for white-collar workers is much lower than in Sweden or Denmark.

The three-tier system of collective bargaining corresponds to a four-level system of union organization: the workplace; local union branches; national unions; and union confederations and bargaining cartels. Where workplace organizations are absent – particularly in small enterprises – local union branches take care of bargaining at this level. In other cases they assist workplace organizations if required.

From an international perspective the Nordic union systems are both comparatively centralized and decentralized. Nordic union confederations have an important role in centralized bargaining for manual workers in the private sector; however, this role has been undermined by the expansion of public sector and white-collar employment which has strengthened the role of bargaining cartels. At the same time, union workplace organizations have important decentralized bargaining functions – in contrast to many European countries where bodies other than unions, such as works councils, are assigned these tasks. (Works councils in Nordic countries are exclusively union mechanisms.)

The absence of political and religious divisions in the union movement (with the exception of Finland in the late 1950s and 1960s) and the success of Nordic unions in avoiding dual systems of representation have facilitated the recruitment of members. Labour legislation in the 1970s further extended the role of union workplace organization. Furthermore, the collective character of Nordic labour law implies that unions and their workplace organizations – not individual workers – are legal entities (Bruun et al. 1990).

The characterization of Nordic unions as both centralized and decentralized does not imply that intermediate levels – the national unions and their local branches – are less important than elsewhere. Bargaining by national unions at industry level has increasingly replaced centralized agreements, and even where central agreements exist, sectoral bargaining is important in adapting their provisions to specific conditions within each industry. Without the consent of major national unions, no centralized negotiations will take place. The prominence of Nordic national unions is emphasized by the fact that union workplace representatives – in contrast to British shop stewards – are wholly integrated into the national unions and their branches.

Since the 1980s a clear tendency to the decentralization of collective bargaining can be seen in all Nordic countries, although there are differences. Swedish employers are aiming gradually to decentralize bargaining down to workplace level, contrary to the policy of the social-democratic government (1982–91) to preserve and even strengthen the role of centralized agreements; in principle no wage increases were allowed at workplace level in 1991–2. In Denmark (and to a lesser extent in Norway), where the state has intervened much more actively in collective bargaining, the unions have been successful in eroding government influence by decentralizing bargaining to industry level.

### The Background to the Swedish Model: The Economy and Labour Market

Few if any economies are so concentrated and internationalized as the Swedish. Despite its small population – 8.6 million – a surprisingly large proportion of big companies are based in Sweden. Out of the top 500 European firms by capitalization, 29 were Swedish in 1991 (*Financial Times* 1992). Among the Nordic countries Sweden accounts for 15 out of the 20 largest enterprises, or 29 out of the top 50 (*Affärsvärlden*, 35, 1991). Swedish engineering firms occupy an especially prominent position. There is obviously a close correlation between size of firms and the degree of internationalization in a small country like Sweden: only by selling the greater part of production in foreign markets (through exports and production abroad) has the impressive expansion of the largest Swedish firms been possible. The share of production sold by Swedish transnationals in the domestic market was halved between 1965 and 1986 (*Produktivitetsdelegationen* 1991b). In addition, production abroad by Swedish enterprises increased faster than exports; by the mid-1980s almost as much was being produced abroad as exported by these companies. Long before that, the largest of them often employed far more workers abroad than in Sweden: 85 per cent of the workers of the Swiss-Swedish ABB are employed abroad, while Electrolux and SKF have more than 80 per cent of employment located outside Sweden. In 1985, the workers employed by Swedish subsidiaries abroad amounted to 43 per cent of those employed by Swedish manufacturing industry at home; compared with only 18 per cent in 1965 (Forsgren 1989: 12).

The size and internationalization of leading Swedish firms, combined with the smallness of the country, have given them a strategic position among the country's social forces. There is an increasing discrepancy between the increasing economic significance of the 'C-sector' (the sector competing on international markets) and the changing composition of the labour force. In 1963 the sector accounted for 30 per cent of the total number of working hours; by 1985 the figure had fallen to 20 per cent. In the same period, the public sector (excluding communications) grew from 14 to 30 per cent. The protected private sector (including

public communications) declined slightly from 56 per cent in 1963 to 50 per cent in 1985.

Throughout the 1980s the public sector (excluding government-owned companies) accounted for about 40 per cent of employed workers (41 per cent in 1990). The overwhelming majority (71 per cent) are women. As many as 57 per cent of all female workers were employed in the public sector in 1990, but only one in four male workers. By international standards the activity rate of women in the Swedish labour force is very high: 83 per cent of the female population (16–64 years) in 1990, compared with 87 per cent of men. Female workers were divided equally between manual and white-collar employment (compared with 56 and 44 per cent respectively for men). More than 80 per cent of women manual workers were in the service sector, while 71 per cent of male manual workers were employed in manufacturing and construction. In 1985, 47 per cent of all wage and salary earners were white-collar workers (despite the fact that most shop workers and auxiliary nurses are classified as manual). The expansion of white-collar employment within the SAF area is shown by the fact that in the mid-1980s this category absorbed half the total wage costs of SAF firms, compared with 40 per cent in the early 1970s.

Swedish union structure reflects to an exceptional degree the division between manual and white-collar workers. Almost all national unions affiliated to LO (the Swedish Trade Union Confederation) are manual workers' unions. TCO (the Central Organization of Salaried Employees, founded in 1944) and SACO (the Swedish Confederation of Professional Associations, established in 1947) are composed exclusively of white-collar unions. In 1990 LO had 1,980,000 'active' members (i.e. excluding pensioners, students, etc.), TCO had 1,144,000 and SACO 260,000.

Extremely low unemployment – far below the OECD average – is another distinctive feature of the Swedish labour market. At the end of the 1980s unemployment was less than 2 per cent of the labour force: having peaked at 3.5 per cent in 1983, it reached a low point of 1.4 per cent in 1989, when the OECD-Europe average was 8.6 per cent. Since 1991, however, a profound change has occurred. Unemployment rose sharply, reaching 2.7 per cent in 1991 and 4.1 per cent in January 1992 (with 6 per cent forecast for autumn 1992), although it is still low in international terms. In contrast to earlier slumps in which the expansion of public services offset falling employment elsewhere, the public sector has itself been hit by redundancies.

Since 1974 Sweden's record on productivity has been below the OECD average. Productivity growth in Swedish manufacturing industry lagged behind that of a group of eleven important competitors in the periods 1974–7 and 1985–90. While Sweden was in third place in this group in the 1960s, it dropped to eighth in the 1970s and 1980s.

## The Swedish Model of Industrial Relations: Centralized 'Self-Regulation'

The Swedish variant of the 'Nordic Model' of industrial relations was long distinguished by remarkably limited state regulation. This changed in the 1970s with an expansion of labour legislation, while in the 1980s the frequency of government intervention in collective bargaining accelerated. As a result, Swedish industrial relations have become more similar to those of other Nordic countries.

The relatively passive stance of the Swedish state reflects historical factors such as the relatively non-repressive character of the state in the early years of the union movement; the deep disunity of the bourgeois parties, vitiating several attempts at legislation; and the prominent role of employer and union confederations, paving the way for self-regulation as an alternative to state regulation (for different views with regard to the first point, see Fulcher 1988: 254; Sisson 1987: 157).

The fundamental compromises of 1905–6 represent an early institutionalization or self regulation of industrial relations, more than three decades before the 1938 Saltsjöbaden Agreement between LO and SAF (the Swedish Employers' Confederation). The 1905 engineering agreement and the 1906 LO–SAF December Compromise came about after massive trials of strength in which the employers failed to defeat the unions. SAF, and particularly VF (the Engineering Employers' Association), were already centralized. From the beginning, SAF alone rather than individual employers or affiliated associations had the power to decide on lockouts and the use of lockout funds. From 1905 collective contracts had to be approved by SAF's executive committee.

Centralization of Swedish employers was not so much a reflection (as Ingham 1974 suggests) of Sweden's highly concentrated and export-oriented industrial structure, as a response to the threat from a unified, socialist labour movement organizing unskilled as well as skilled workers (Fulcher 1988; Jackson and Sisson 1976; Kjellberg 1983). The character and strength of the Swedish labour movement are best understood as stemming from the timing of industrialization (late and rapid) relative to the rise of socialism (the SAP was founded in 1889) and universal suffrage (which was not conceded until after the First World War) (Kjellberg 1983: 167–9, 211–17; Fulcher 1988: 263–71; Therborn 1983). Until the establishment of LO in 1898, the social-democratic party fulfilled the double role of union confederation and party.

The formation of VF and SAF was triggered by the 1902 general strike as part of the campaign for universal suffrage. In addition to the unified character of the Swedish labour movement, manifested in the close cooperation between LO and SAP, the employers faced the strong workplace presence of such powerful national unions as the Metalworkers (Metall). The employers thus had to deal with a union movement



active in both the industrial and political arenas, and at both national and workplace levels.

The emergence of centralized employer organizations and the SAF/VF strategy in the period 1902–9 of escalating conflicts into large lock-outs reversed the advantage of the unions at workplace level, forcing the union movement to centralize in turn and to grant increased powers to LO. This process was interrupted by the defeat of the unions in the great strike and lockout of 1909, but eventually led to the conclusion of the basic agreement of 1938 (the 'Saltsjöbaden Agreement'), and to the introduction of centralized bargaining in the 1950s (cf. Fulcher 1988: 249–51).

Labour law did not play a significant role until the end of the 1920s. In 1928, legislation on labour court and collective contracts imposed a peace obligation during the currency of collective agreements. However, subsequent developments discouraged the further extension of labour law: LO and SAF preferred self-regulation through the basic agreement to the state regulation of industrial relations threatened by the social-democratic government if employers and unions failed to reach agreement. An obvious advantage of self-regulation was that it gave employers and unions some freedom of manoeuvre. The unions could retain a function in the eyes of their members, while employers avoided regulation of industrial relations by a social-democratic government; and the government believed that union members were more likely to accept labour peace and pay restraint if the unions preserved a degree of autonomy.

Cooperation was facilitated by another common goal, economic recovery and expansion. One aspect of this was the perceived need for the 'labour market parties' to foster 'labour peace': Sweden had experienced very high, albeit declining, levels of industrial conflict by international standards (cf. Shorter and Tilly 1974: ch. 12). This made centralized and disciplined peak organizations necessary and, in particular, the powers of LO over affiliated national unions had to be strengthened. An important step was taken in the new LO constitution of 1941, which can be regarded as a logical organizational complement to the 1938 Saltsjöbaden agreement.

Peaceful industrial relations were promoted by a relative balance of power between employers and unions during a decade of social-democratic governments and rapid union growth (Fulcher 1987; Korpi 1978: ch. 4; Therborn 1984: 589; Åmark 1986). With the prospect of protracted social-democratic rule the employers were less confident about their principal weapon, the massive lockout. The rise of social democracy to political power and the close link between the political and union wings of the labour movement also encouraged a cooperative strategy by the unions. In exchange for social reforms and improved material conditions, the unions declared themselves prepared to show 'social responsibility'.

Despite self-regulation, the state intervened informally in several aspects of Swedish industrial relations. As mentioned, negotiations on a basic agreement took place under government pressure. In 1933–4 the government acted resolutely to bring to an end a dispute in the building industry which threatened the recovery programme. The intimate links between the social-democratic party and the union movement provided a two-way channel of discussion and influence between government and LO. As a consequence of the 'historic compromise' the employers also came to use informal channels, influencing government policy by means of 'non-political' experts and through representation on government agencies and commissions, rather than attempting to support the bourgeois parties in parliament and mounting a political challenge to social democracy (Söderpalm 1980). During the Second World War (when Sweden was neutral) the professional know-how of business representatives allowed them to dominate the important economic commission. Confrontation in the industrial and state arenas thus gave way to cooperation and corporatism. The 'spirit of Saltsjöbaden' paved the way for a series of 'cooperation agreements' (on safety representatives, time-and-motion studies, works councils, etc.).

#### **The Establishment of Centralized Bargaining between LO and SAF**

Centralized bargaining was not established until the 1950s, but then functioned for almost three decades as a successful alternative to open government intervention. LO had an interest in centralization as a means of implementing a 'solidaristic wage policy', combining membership demands with 'social responsibility' and economic stability (Meidner 1974): according to the Rehn-Meidner model, elaborated by LO economists Gösta Rehn and Rudolf Meidner, the union movement would contribute to economic policy by promoting a 'rational' (solidaristic) wage structure that would avoid inflationary wage competition between different groups. However, despite LO's increased central powers, centrifugal forces within the union movement were too strong to permit LO to take the initiative on centralized bargaining.

Paradoxically it was the employers' own lack of internal cohesion that led them to play this role: centralization was aimed at overcoming the lack of discipline and coordination between the individual SAF associations, as well as between individual employers. Especially in years of expansion SAF had an interest in avoiding wage explosions as a result of 'scissoring', in which indulgent employers' associations concluded collective agreements at different points of time (de Geer 1986: 325, 327).

As a consequence of centralized bargaining, government regulation of wages was never on the agenda in the following decades; the solidaristic wage policy functioned as an extra-governmental form of incomes policy. However, the 'active labour market policy' managed by the Labour Market Board (AMS, created in 1948) played an important supplementary role. The encouragement of geographical and occupa-

tional mobility allowed expanding industries to take on workers from declining regions and industries. The solidaristic wage policy accelerated the structural transformation by forcing up wages in low-paid industries like textiles, while the automobile industry and other export industries benefited from relatively low wage increases. The combination of active labour market policy and economic expansion made possible 'full employment', another prominent goal of the Swedish labour movement.

Full employment and solidaristic collective bargaining legitimized LO policy in the eyes of union members. At the end of the 1960s, however, dissatisfaction was mounting among workers hit by the rapid structural transformation of industry. Employers often failed to inform, let alone consult, union representatives before taking decisions on dismissals and plant closures. The basic agreement had confirmed employer prerogative, already conceded in the 1905-6 compromises, on matters concerning production; this state of affairs was now called in question.

### Historic Compromise or Corporatist Integration?

Among sociologists and political scientists there have been two main theoretical approaches to the development of Swedish industrial relations since the 1930s (cf. Fulcher 1987). One, labelled 'labour movement theory' (e.g. Korpi 1978, 1983; Himmelstrand et al. 1981; Esping-Andersen 1985; and Stephens 1979) stresses the gains made by the labour movement, including improvements in social welfare; while the other – the 'corporatist' interpretation – emphasizes the integrative effects of corporatist deals and arrangements (e.g. Przeworski 1985 and Panitch 1981). Walter Korpi, a prominent advocate of the former view, considers the history of the Swedish labour movement as a successful example of the so-called three-stage road to reformist socialism, an idea common among Swedish social democrats in the interwar period (Korpi 1983: ch. 8). The first stage, *political* democracy, was achieved with the introduction of universal suffrage in the elections of 1921. The rise of social democracy to political power in the 1930s is a precondition of the second stage, a socially equitable distribution of welfare (*social* democracy). Following a long period of consolidation, indicated by the impressive growth of union density, *economic* democracy was put on the agenda; however, a more radical stance was required before this third 'step' on the road to socialism could be achieved.

In practice, the growing internal contradictions of the Swedish model in the 1960s appear to be the real cause of change, rather than the conscious implementation of a socialist strategy. The policy of economic growth and geographical mobility combined with managerial prerogative had a negative impact on employment security, and the working environment. Workers' discontent, manifested in wildcat strikes, stimulated a pronounced radicalization of the union movement; thus demands for economic democracy originated largely from the unions rather than

from the social-democratic party. Indeed, the party was taken by surprise by the most radical demand, LO's 1975 proposal for wage-earner funds – that is union-administered investment funds made up of a proportion of corporate profits (Åsard 1978); these funds were seen as a way of protecting solidaristic wage policy by avoiding high wage claims in efficient, profitable industries (Martin 1985).

'Labour movement' theorists, who tend to consider the history of Swedish labour as a continuous progress towards socialist society, have problems in explaining discontinuities and contradictory elements in the 'model' and cannot account for the current political conjuncture in which the Swedish version of socialism has been almost completely removed from the agenda of the 1990s.

Some observers have seen corporatist arrangements as a mechanism for integrating the labour movement within capitalism. However, this interpretation seems misplaced. Corporatist representation is better understood as a mediating variable rather than the ultimate cause of capitalist integration. More significant influences are the development of power relations within the industrial and state arenas, the character of the labour movement and the strategy of employers. For example, the 1905 Metall-VF and 1906 LO-SAF compromises can hardly be explained by the corporatist integration of union leaders (although prominent union and employer representatives later became members of the National Welfare Board founded in 1912) (Rothstein 1988a).

The primary motive of the organizations concerned in corporatist arrangements was to increase their influence on government bodies, especially when the political climate was unfavourable – as in the case of SAF's adoption of a corporatist strategy in the 1930s, prompted by employers oriented to the domestic market against the opposition of exporters. Conversely, the employers might withdraw from such arrangements when power relations shifted in their favour: as in the early 1990s, when SAF saw the dismantling of the corporatist system of representation (see below) as a way of reducing union influence. Corporatist theories usually underestimate corporatism as a means of influence on the state, and neglect the significance of corporatist systems for employers (cf. Panitch 1981).

Both these aspects of corporatism are also relevant to unions. The Labour Market Board (AMS) is the first – and most notable – example of how the Swedish labour movement aspired to transform traditional state bureaucracies into vehicles for social reform (Rothstein 1986). The AMS is, however, exceptional in its composition (union representatives are in a majority), in its employment of many union activists, and in its ideological rather than bureaucratic methods of implementing decisions. The AMS was given an important and 'active' role in implementing the policy of 'full employment' and the 'solidaristic wage policy'. The Rehn-Meidner model saw the active labour market policy not only as a means of reducing unemployment but also of avoiding open state intervention in collective bargaining.

Despite extensive corporatist representation in Swedish government bodies – involving thousands of LO, TCO and (until their withdrawal in 1992) SAF representatives – the integrative effects upon unions should not be overestimated. Considerably greater importance has to be attached to the fact that for 44 years (1932–76), Sweden was ruled by social-democratic governments. It was government pressure (reinforced by the close relationship between LO and the social democrats), rather than corporatist arrangements, that promoted the policy of cooperation between LO and SAF manifested in the 1938 agreement. Furthermore, with the major exceptions of the AMS and the Board for Occupational Health and Safety, the Swedish model of industrial relations has been characterized by self-regulation, rather than by tripartite corporatist arrangements. State regulation did not make its entry on a massive scale until the 1970s, and then as a consequence of the radicalization of industrial relations.

### **From Self-Regulation to State Intervention**

By the end of the 1960s, dissatisfaction among rank-and-file workers and employer resistance demonstrated the inadequacy of traditional means of solving problems through collective agreements (Kjellberg 1981). At the behest of the unions, and in the face of employer refusal to make concessions, the government implemented an extensive programme of labour legislation in the 1970s, including laws on job security (1974), union workplace representatives (1974) and co-determination (1976). The powers of safety representatives were strengthened in 1974, and the Work Environment Act 1978 updated the law on health and safety.

This development was a substantial departure from the Swedish model of cooperation, of 'agreement in preference to legislation'. Yet even the Co-determination Act in some ways respected historical continuity. As a framework law laying down procedures, it was to be put into effect through subsequent collective agreements. It reinforced negotiating rights in the event of major changes within enterprises, but beyond that it contained no substantive rules of co-determination. Hence the law was completely compatible with union desires to protect the traditional Swedish principle of autonomous industrial relations.

Another limitation of the new labour legislation was that it left the system of wage negotiations untouched. But by calling into question important parts of the 'historic compromise', it influenced the employers' bargaining strategy. The political cease-fire between LO and SAF, dating back to the Saltsjöbaden agreement, was at least temporarily broken, a development encouraged by the social democrats' loss of office after 44 years. SAF refused to conclude an agreement on co-determination until 1982 – five years after the law came into force. In addition SAF became deeply involved in political campaigns aimed at forestalling further union initiatives on labour legislation. As a result of the affiliation in the 1960s of employers' associations dominated by

small firms, SAF's capacity for political and ideological mobilization increased considerably. Although the new militant leadership of SAF from 1976 was dominated by big firms, an important aspect of employer strategy was to prevent a revolt by small employers (Ehrenkrona 1991; cf. also Jerneck 1986: 166, 169). During the bourgeois governments of 1976–82 the labour movement was forced to retreat on wage-earner funds, not least as a result of the employers' successful campaign on the issue.

The labour legislation of the 1970s – and the plans to extend it further – thus transcended the boundaries of the basic compromise; in a more radicalized context, the policy of cooperation and the avoidance of state regulation simply did not work.

### **The Withdrawal of SAF from Corporatist Representation**

From the mid-1980s, as the fissures in the Swedish model became more apparent, SAF increasingly called into question the corporatist system, although there was considerable hesitation especially by small employers and regional representatives who feared that the influence of employers would diminish. SAF failed, however, to convince LO and TCO (the white-collar union confederation) to dismantle corporatist arrangements, and at the beginning of 1992 it withdrew from almost all government bodies, at central as well as regional level. A notable exception was the Labour Court, on the grounds that it was a 'court' rather than a state agency. Subsequently, the bourgeois government announced plans to abolish corporatist representation.

The shift of the political climate to one more friendly to the employers has encouraged SAF to work for a profound 'change of system' by ideological and political means. Intense public campaigns have been used to spread the market ideology and to improve the electoral prospects of liberal and conservative parties. Withdrawal from government bodies has given SAF more freedom to pursue its aims, particularly since one of its targets is the state apparatus itself. SAF regards representation on government bodies as contributing to the legitimation of public sector expansion: while the confederation was attacking high taxes and advocating cuts in public expenditure, its representatives in the large welfare bureaucracies were consenting to levels of expenditure exceeding even those recommended by social-democratic governments! (Rothstein 1988b).

SAF's ideas on privatization and deregulation – which it sees as making representation on government bodies less important – have influenced not only the new bourgeois government but the former social-democratic administration as well: an indication of the effectiveness of SAF's strategy of influencing the ideological climate. This is manifested in the increasing pressures on the Post Office and other state-run organizations to 'professionalize' their boards by appointing

people with business competence. Another example is the new 'Privatization Commission', made up exclusively of business representatives.

Another motive for ending corporatist arrangements has been to reduce the power of unions. In the discussion preceding SAF's final decision to withdraw from corporatist bodies, the Working Life Fund (financed by payroll taxes to support improvements in the working environment) was cited as an example of 'socialist economic planning under the guise of corporatism' (*SAF-tidningen* 26 and 38, 1990; 1, 1991); SAF argued that decisions over the allocation of such resources should be left to individual employers. The dismantling of the corporatist system is aimed at breaking economic and other bonds between unions and the state – as with the abolition of subsidies to unions (see below). The apparent success of the policy is shown in LO's decision to withdraw from most government bodies in 1992.

At the same time, growing internationalization and the increasing importance of the European Community make corporatist representation less urgent from the employers' point of view, by diminishing the significance of nation states especially in small countries dominated by large firms, like Sweden. Future Swedish membership of the EC will increase the importance of European bodies for Swedish employers, while that of Swedish government agencies is likely to diminish.

The decline of corporatism has meant that other means of influence, such as political campaigns, lobbying, and participation in informal advisory groups and expert commissions (by business representatives rather than SAF officials), have achieved greater prominence. The increased emphasis on influencing governments directly, rather than operating through state agencies, is closely related to SAF's new 'political' strategy. Its central principle is to intervene at a relatively early stage of the decision-making process in order to influence the policy agenda and avoid becoming a 'hostage' to policies devised elsewhere; in short, to move from a defensive to an offensive posture.

## The Transformation of Swedish Industrial Relations

The erosion of the principle of self-regulation through the growth of legislation in the 1970s was followed in the 1980s by the undermining of another traditional pillar of the 'historic compromise': the value placed on industrial peace. The 'great conflict' of 1980 shocked those who believed that massive strikes and lockouts were a thing of the past. The 1980 dispute can be seen as a logical consequence of long-term processes, above all the rapid growth of public sector and white-collar employment, leading to growing heterogeneity and a change in power relations in bargaining (see below). The conflict also expressed a change of approach by employers, with the adoption of the more militant line of action advocated by big transnational firms. A few years later the same group of industrialists led the way in decentralizing collective bargaining with the aim of abolishing centralized wage negotiations.

### **From the LO-SAF Axis to a Multitude of Bargainers**

The 1970s were a decade of fundamental change for the bargaining parties. Already in the 1960s, the expansion of white-collar and public sector employment had generated powerful new union blocs threatening LO's monopoly. A number of bargaining 'cartels' of white-collar unions were founded whose strength was based on high white-collar union density and the extensive rights to strike granted to public sector workers in 1966. Bargaining cartels are federations of national unions performing common negotiating tasks. Their bargaining functions are thus similar to those of LO. They have their own governing bodies, congresses, officials, strike funds, etc.

By the mid-1960s the government and SAF were no longer able to deal with white-collar and public sector unions on a different basis from LO unions. Employers encouraged centralized bargaining analogous to that between LO and SAF. In the public sector, only bargaining cartels and union confederations were allowed to negotiate under the 1966 reforms that granted full bargaining rights to state and municipal workers. In the private sector, the efforts of SAF to coordinate the negotiations of LO and TCO unions were less successful. With the growing capacity of white-collar workers to take strike action (Faxén et al. 1988: 404), SAF's constitution was amended in 1963 to permit lockouts of white-collar workers.

Coordinated private sector bargaining was not achieved until 1977, although gradual centralization within the ranks of white-collar workers had started well before then. From 1957, SIF (the Swedish Union of Clerical and Technical Workers in Industry, representing most technicians and other white-collar workers in manufacturing and construction) negotiated directly with SAF about general wage increases. In 1973, SIF and a number of other white-collar unions (including SALF, the TCO supervisors' union, and HTF, representing employees in commerce) founded the cartel PTK to bargain with SAF. The next step in the centralization process was the establishment of coordinated bargaining between LO, PTK and SAF in 1977, with SAF the driving force (Elvander 1988a: 49; Martin 1985).

In the public sector a considerably more complex pattern emerged despite the strong centralizing ambitions of the government. The main union cartel in the state sector, TCO-S, was founded in 1967, almost immediately after the concession of full bargaining and strike rights to government workers. The LO state employees' cartel was transformed into a new union, SF (Swedish State Employees' Union), in 1970. In 1977 the rapidly growing Municipal Workers' Union (Kommunal) replaced Metall as the largest LO union (excluding pensioners) (see table 3.1). The bargaining cartels KTK and SACO-K were founded in 1976, covering municipal white-collar unions affiliated to TCO and SACO respectively.

Coordination between the many public sector bargaining cartels left a great deal to be desired. In contrast to the private sector, no organized



**Table 3.1** Membership of important union blocs and bargaining cartels in Sweden

Year	Private sector		State sector		Municipal sector	
	LO <sup>a</sup>	PTK	SF	TCO-S <sup>b</sup>	Kommunal KTK <sup>b</sup>	
1970	1,149,308	-	145,305	175,926	231,247	-
1975	1,232,681	422,796	149,049	236,975	339,947	183,000 <sup>c</sup>
1980	1,153,947	495,107	157,068	265,360	514,515	237,306
1985	1,184,967	516,432	160,341	266,414	632,941	297,719
1990	1,155,795	555,020	149,698	250,536	636,671	325,059

<sup>a</sup> Only private sector unions affiliated to LO, i.e. total membership except for Swedish Social Insurance Employees' and Insurance Agents' Union, SF, and Kommunal.

<sup>b</sup> 1 January 1991 reorganized and amalgamated into TCO-OF.

<sup>c</sup> 1976.

Source: A. Kjellberg (DUES project, Lund).

cooperation was established between TCO and SACO unions. The newly attained right to strike was used considerably more frequently, especially by white-collar workers, than the government had intended or anticipated: the majority of legal conflicts since 1966 have occurred in the public sector (Elvander 1988a: 39). A contributory factor is that white-collar unions within this sector do not embrace the ideology of cooperation with employers and the state. Within LO the balance of power has shifted in favour of public sector unions (Kommunal and SF).

Public sector unions and bargaining cartels gradually coordinated their actions (Martin 1985; Elvander 1988a). From 1970 to the early 1980s TCO-S and its LO counterpart, SF, jointly pursued a wage policy favouring low-paid workers. The high-water mark of union cooperation was reached in 1980 when for the first time LO and TCO public sector organizations (SF, Kommunal, TCO-S and KTK) coordinated wage negotiations. Together they comprised a substantial proportion of Swedish union members. Common action enabled them to seize the initiative and play a prominent role in the bargaining round, and they became known as the 'Gang of Four'. Their high wage demands led to the collapse of PTK's proposal for a 'social contract' combining low wage increases with reduced marginal taxes. LO, which had at first been prepared to accept low pay increases, was forced to adopt the high wage demands of the Gang of Four, provoking the 'great conflict' of 1980.

### **The Great Conflict of 1980 – At the Confluence of Centralizing and Decentralizing Forces**

The great conflict of 1980 may be seen as the outcome of two contrary but parallel processes: centralization within the group of white-collar and public sector unions, and fragmentation of the union system into a few blocs relatively equal in strength: LO (manual workers, private

sector), PTK (white-collar workers, private sector) and the 'Gang of Four' (LO and TCO public sector unions). Thus LO no longer occupied a dominant position. Instead a complicated pattern of alliances and conflicts between union blocs emerged. Likewise, in the employers' camp, while SAF continued to dominate the private sector, a number of parallel, and often badly coordinated, actors emerged. The growth of public employment increased the significance of SAV (the National Collective Bargaining Office), which represents the government as employer, and of the municipal employer organizations. In short, centralized bargaining between LO and SAF no longer occupied such a privileged position as in the 1950s and 1960s when the export sector was unchallenged as a wage leader. The large number of top actors resulted in considerably more complex negotiations.

In addition, the economic situation in 1980 was quite different from the earlier period of LO-SAF dominance. From 1976, real wages were falling. With inflation rising following the second oil price shock, political confrontation over wage-earners' funds, and a bourgeois government in power, SAF called for a pay freeze, and called a lockout of 750,000 LO members. The conflict accelerated the transition to decentralized industrial relations; indeed, it has been argued that SAF's lockout was intended to achieve such an outcome by provoking government intervention that would undermine the system of centralized negotiations (Martin 1985: 320-2).

The 1980 conflict also led to intensified tensions between union blocs, especially between public and private sector unions. It is remarkable that the bourgeois government did not assist the moderate bargaining approach of private sector unions (cf. Martin 1985: 318); by rejecting LO's calls for reduced taxation of low incomes it removed the incomes policy solution from the agenda. Disunity between LO (with its low-paid members) and PTK (with more highly paid members) on the question of income differentials prevented the two organizations from reaching a common negotiating position. Consequently, the LO-PTK cooperation established in the 1970s collapsed.

### **Disputes over Union Wage Policy – An Obstacle to Common Action**

The 1970s and 1980s were decades of growing disunity between unions. LO's concept of solidaristic wage policy had already been modified in the 1960s to denote a general levelling of wages, rather than 'equal pay for the same job', and the new policy was successfully pursued from the mid-1960s through large increases in minimum wages (Jonsson and Siven 1986: 12). 'Compensation clauses' were introduced for LO groups less favoured by wage drift; subsequently, special low-wage elements began to be distributed among low-paid workers. As a result, wage dispersion with respect to industries, workplaces and individuals within workplaces declined. Equalization between industries ceased about 1980, but total wage dispersion continued to decrease for some years.

Table 3.2 Bargaining cartels and union blocs by sector and category

<i>Category/sector</i>	<i>private sector</i>	<i>public sector</i>
manual	LO (private sector unions)	SF (LO), Kommunal (LO)
white-collar	PTK (TCO/SACO)	TCO-S, KTK (TCO) SACO-S, SACO-K

LO's 1971 congress proclaimed that equalization of wages should be extended to the whole labour market (Elvander 1988a: 35–6). This presupposed that the white-collar unions would adopt a version of solidaristic wage policy. While these unions were, with the exception of SACO unions, influenced by solidaristic norms, they applied them only *within* their ranks and firmly opposed diminished wage differentials between white-collar and manual workers. The issue generated considerable tensions between LO and TCO/SACO unions. Upon this conflict was superimposed a further division between public and private sector unions and bargaining cartels.

One division over wage strategy concerned the treatment of wage drift, that is increases in earnings beyond those negotiated in collective agreements. In the mid-1970s, a number of technical devices were introduced to compensate white-collar and public sector workers for the fact that manual workers in manufacturing had greater opportunities to benefit from wage drift. The introduction of such clauses worked against LO's aspirations to decrease pay differentials between manual and white-collar workers. Since 1970 pay relationships between the main blocs – LO, PTK and the public sector – have been characterized by periodic swings of about 5 percentage points. On the whole, however, pay increases tended to develop in parallel (see table 3.3).

### **Intensifying Wage Competition and the Strengthening of Centrifugal Forces**

The limited success in equalizing wages across union blocs caused increasing problems for LO in urging members to practise wage restraint and 'social responsibility'. With more militant groups demanding substantial wage increases, LO was forced in turn to revise its claims upwards. Thus solidaristic wage policy, based upon the privileged position of the LO-SAF axis, lost its role as an alternative to incomes policy. Accelerating pay competition between competing union blocs, combined with declining economic growth, resulted in a divergence between real and money wages, further sharpening conflicts between the blocs. After the wage explosion of the mid-1970s, real wages fell until the mid-1980s.<sup>2</sup> Increasing real wages since 1985 have meant that average hourly real wages after tax were about the same in 1990 as in

1980; however, real wages of households climbed 13 per cent in the 1980s owing to increased employment.

Another consequence of high nominal wage increases and inflation was to transfer the issue of income differentials from the industrial to the state arena. Conflicting interests of manual and white-collar unions were expressed in arguments about the reduction of marginal taxes (exceptionally high in Sweden). While the political parties, including the social democrats, were keen to attract the expanding number of white-collar voters through proposals for tax cuts, LO maintained its opposition to them.

The increasing proportion of workers in 'protected' industries – public and private – enabled them to challenge the traditional wage leadership of the competitive 'C-sector' under LO and SAF: as mentioned, the public sector took over the position of wage leader in the 1980 bargaining round. An explosive tension thus developed between the expanding weight of the protected sectors and the increasingly strategic role of the C-sector in the Swedish economy, manifested in conflict over the issue of wage leadership. The changed locus of union power, and the dimin-

**Table 3.3** Contractual wage increases and wage drift in manufacturing industry, 1975–91

Year	Manual workers			White-collar workers		
	(A)	(B)	(C)	(A)	(B)	(C)
1975	10.5	7.5	18.0	14.3	2.2	16.5
1976	7.9	5.4	13.3	11.2	2.5	13.7
1977	3.7	3.5	7.2	7.1	1.8	8.9
1978	4.8	3.2	8.0	5.6	2.2	7.8
1979	4.4	3.8	8.2	5.9	1.9	7.8
1980	6.1	3.2	9.3	6.3	2.4	8.7
1981	5.9	4.2	10.1	4.5	2.9	7.4
1982	4.1	3.5	7.6	3.5	2.9	6.4
1983	3.8	2.9	6.7	3.3	3.5	6.8
1984	6.2	4.1	10.3	3.7	5.8	9.5
1985	3.8	3.7	7.5	2.6	3.9	6.5
1986	3.9	3.5	7.4	4.3	3.3	7.6
1987	-	-	6.4	2.0	4.1	6.1
1988	3.4	5.0	8.4	2.3	4.8	7.1
1989	4.5	5.6	10.1	4.1	6.3	10.4
1990	2.8	6.7	9.5	3.0	6.4	9.4
1991	2.3	3.1	5.4	-	-	-

(A) = contractual wage increase

(B) = wage drift

(C) = (A) + (B) = total wage increase

Source: *December Report*, Konjunkturinstitutet 1991: 66; and *Preliminär nationalbudget* 1992: 47.

ishing ability of LO to implement a policy of wage restraint, also reduced the value of 'centralized' bargaining for the employers.

Paradoxically, the partial success of solidaristic wage policy contained the seeds of decentralization. Decreasing wage differentials within each of the main blocs of workers but unchanged relations between them caused a widening gap between skilled workers and lower-level white-collar workers (Jonsson and Siven 1986: 14). The largest private sector LO union, Metall, feared losing members to SIF as a result of the growing wage gap; a concern aggravated by new labour processes blurring the boundaries between manual and white-collar work in several workplaces. Indeed, since terms of employment are determined by union membership in Sweden, many skilled workers left Metall to join SIF to benefit from more favourable contracts. This was one reason for Metall to accept the engineering employers' (VF) initiative for decentralization.

Employers experienced the 'distortion' of wage relations as problems in recruiting skilled workers, leading VF, the dominant body within SAF, to break away from economy-wide negotiations in 1983. Centrifugal forces also took hold within the 'LO family', although LO itself continued resolutely to defend centralized bargaining and solidaristic wage policy.

### **Decentralization as an Employer Strategy in the 1980s and 1990s**

Since the beginning of the 1980s, Swedish employers have increasingly challenged centralized bargaining. One motive has been concern over general labour costs. In the 1950s, macro-economic considerations had led the employers to force the unions to accept centralized bargaining. Three decades later, it was argued that central agreement functioned as a 'floor' for wage increases, rather than as a 'ceiling' (even though in practice wage drift had been a phenomenon of earlier years as well), and total wage costs were seen as a serious problem for Swedish industry in its attempts to remain competitive. Moreover, the triumph of 'solidaristic' norms at local level meant that measures intended to reward skilled workers and other special groups have often been applied across the board (Faxén et al. 1988: 221, 236), leading to additional wage drift and aggravating the problem of total labour costs.

A second motive has been the desire for greater flexibility at local level. Workplace negotiation in Sweden, as in other Scandinavian countries, has played a prominent role, but it has taken place within a framework established by centralized bargaining, allowing central principles and norms to be transmitted to local level, and imposing uniform and inflexible provisions across a wide variety of different local conditions (Albåge 1987). As noted above, the erosion of differentials made it difficult for companies to recruit and retain skilled labour, and diminished employers' ability to use pay as a management tool for promoting economic performance and productivity within the enterprise (Östman

1987). In 1984, the difference between the wages of the highest and lowest decile of manual workers in manufacturing was 34 per cent (though it had risen to 45 per cent by 1990), compared with as much as 210 per cent in Britain and 490 per cent in the USA (*Produktivitets-delegationen* 1991a: 197). This compression has taken place, according to SAF, at a time of divergence in skill and knowledge requirements of different kinds of work. Increasingly, therefore, employers have argued that pay systems should be adapted to the specific conditions of the workplace through decentralized wage determination, free from the constraints imposed by higher levels.

While pure piecework systems have continued their long decline, result-based pay systems – both collective and individual – have become increasingly popular since 1980. There has also been a change in the nature of ‘fixed’ payment systems. New schemes reflect the blurring of the distinction between white- and blue-collar work. Manual workers increasingly receive the same type of fixed pay as white-collar employees, that is differentiated with respect to tasks and individual performance.<sup>3</sup> This has paved the way for the introduction of so-called employee agreements at local level (see below).

The growth of new pay systems for manual workers is illustrated by a recent survey by Metall (1992). In 1991, 55 per cent of employees received some form of payment by results, usually comprising a basic fixed component, with a personal supplement and a bonus. Twenty-seven per cent received fixed pay, while only 17 per cent were on piecework (of which under a third were on ‘pure’ piecework schemes). In some sectors, unions have successfully resisted new pay systems: in construction, for example, half of union members were on traditional piecework, the others received fixed wages. There has also been an expansion of performance-related systems among white-collar workers. Rare before the 1980s, ‘bonus systems’ affected one in four SIF members in 1989 (Nilsson 1990: 17–23).

Companies have introduced profit-sharing and convertible debenture schemes as devices for increasing employee commitment, and for retaining staff in tight labour markets. At the end of the 1980s, about one in eight manual workers and one in five white-collar workers in the private sector were covered by profit-sharing; the figure was as high as 22 per cent for Metall members but only 15 per cent for SIF members (LO 1989a: 43–5, 77–80; Elvander 1991b). Convertible debenture schemes, first introduced in 1983, spread very rapidly in 1987–8. In the enterprises where such schemes exist, 40 per cent of manual workers and 70 per cent of white-collar workers hold shares. The unions are divided in their attitudes to these developments. LO and TCO are critical, arguing that the schemes undermine solidaristic wage principles and risk increasing the power of employers, while workplace unions – reflecting the attitudes of employees – are often more positive. However, individual pay components cause serious difficulties for workplace unions (Metall 1992: 47–8): there is much discussion of the fairness of such

elements and of whether they are consistent with solidaristic pay policy. As a result, some workplace clubs (local union organizations – see below) do not participate in the implementation of personal pay supplements, and control over this important element of local pay determination rests completely with supervisors.

However, the path to the ultimate goal of completely decentralized pay determination has been far from smooth. Externally, employers have faced resistance from union confederations, and the policy of social-democratic governments of 1982–91 aimed at preserving or even strengthening centralization. Internally, they have been undecided over objectives. The collective employer interest in wage restraint, implying a degree of central coordination of pay determination, appears to be incompatible with a full-blooded decentralization strategy, at least in countries like Sweden with high union density and low unemployment (Elvander 1988a; 1988b: 5). As a result, they have followed a 'zigzag' path towards decentralization, tacking between different priorities. Uncertainties and divisions over strategy also reflect the different interests among employers: notably, those competing in international markets, led by VF, and those in sectors oriented to the domestic market, for example distribution, hotels and restaurants. VF's insistence on the right to conduct pay bargaining autonomously – and to establish its own strike and lockout fund – reflected the dominance of large, export-oriented transnationals led by Volvo. These were particularly anxious to break with standardized pay determination in order to introduce wider skill differentials and local productivity-based increases. Some associations in SAF were more inclined to retain coordinated bargaining, at least in the form of central pay frameworks.

Despite the Metall-VF breakaway in 1983, the remainder of the private sector was still covered by centralized bargaining, and, at the insistence of LO, the compensation clause was retained. None the less, the 1983 agreement between LO and SAF, in contrast to its predecessors, did not contain detailed provisions circumscribing the scope of industry-level agreements (Elvander 1988a: 94). Another sign of the fragmentation of the centralized system was that SAF signed agreements of different duration with LO and with PTK, as a way of obstructing LO's proposal for coordinated bargaining between the three bodies (Elvander 1988a: 103–4; Faxén et al. 1988: 319). Finally, industry negotiations no longer took place under a peace obligation as in the 'era of centralization' from 1956 to 1982.

From 1984 onwards, Swedish bargaining rounds oscillated between centralization and decentralization (see table 3.4). Employer attitudes remained ambivalent. Apart from VF, most associations favoured some coordination of bargaining as a means of controlling total wage costs, especially when decentralized negotiation failed to deliver moderate pay settlements, as in 1984. Thus they adopted a positive stance on central agreements in the 1986–7 pay round. The Volvo president Pehr Gyllenhammar – despite having previously been the principal advocate

of decentralized bargaining – played a leading role, holding an informal meeting with the LO president and the finance minister that resulted in a top secret agreement and paved the way for two-year central framework agreements (Borgström and Haag 1988: 240–1). Centralization was partly seen as a way of incorporating white-collar wage drift within the centrally determined pay norm. Since wage drift above a specified level would be deducted from the following year's contractual increases, this was a way of damping total wage costs. (PTK's willingness to regulate wage drift centrally was motivated by the weakness of white-collar

Table 3.4 Collective Agreements, 1980–93

Duration	Sector			
	LO-SAF	PTK-SAF	National Government	Local Government
One year 1980	x	x	x	x
Two years 1981/1982	x	x	x	x
One year 1983	x <sup>a</sup>		x	x
Two and a half years 1983/1985		x		
Two years 1984/1985			x	x
Varying lengths 1984- 10–27 months) <sup>b</sup>	(x)			
One year suppl. contract 1984/85		x		
Recommendation one year 1985 <sup>c</sup>	(x)			
Half a year 1985		x		
Two years 1986/1987		x		
Recommendation two years 1986/87 <sup>c</sup>	(x)			
Two years 1986/1987			x	x
One year 1988 <sup>b</sup>	(x)	(x)		
One year 1988			x	
Two years 1988/1989				x
Two years 1989/1990	x	x	x	
One year 1990				x
Renegotiations <sup>d</sup>		x	x	x
One and three-quarters of a year 1991/93 <sup>e</sup>	(x)	(x)	x	x

<sup>a</sup> Excl. Metall-VF.

<sup>b</sup> No central agreements, decentralized negotiations between industry-level unions and employers' associations.

<sup>c</sup> LO-SAF recommendations to industry-level unions/employers' associations.

<sup>d</sup> PUG (*prisutvecklingsgaranti*) price indexation clause 1990.

<sup>e</sup> 1 July 1991 – 31 March 1993 with variations between national unions within LO-SAF and PTK-SAF areas.

Source: *Konjunkturläget hösten 1991* (Konjunkturinstitutet 1991): table 17.



workplace organizations.) While central agreements circumscribed the use of pay as a tool of management – as for example with the favourable treatment of low-paid workers in the 1986–7 round – reduced local pay supplements could also be used to encourage local unions to accept profit-sharing, bonuses, and other alternative pay systems, despite the continuing hostility of the national unions; and indeed, the rapid introduction of new wage systems at the workplace represented a breakthrough in the employers' strategy of decentralization.

On the other hand, employers experienced central pay norms – as in 1985 or 1986–7 – as a constraint on their freedom of manoeuvre at local level, particularly in a period of tight labour markets. When central bargaining in its turn failed to contain wage costs – as in 1986–7 when wage drift in the LO-SAF bargaining area exceeded the pay norm by several percentage points – pressure would once more be exerted for a return to decentralization, particularly by the export-oriented employers. Thus in 1988, negotiations were completely decentralized as they had been in 1984. In 1989, the tensions within the employers were manifested in a split between VF, which wanted to continue to bargain alone, and the other associations, which preferred central negotiations as a way of containing accelerating wage costs. In practice, VF's two-year agreement for 1989–90 was very similar to those negotiated centrally by SAF on behalf of other employers' associations.

Thus the transition to a decentralized system of pay determination in the private sector is uneven and incomplete. Moreover, enterprise-based pay systems are likely to generate new tensions. Pay differentials between firms may be eroded by the strong tendency to follow wage leaders – employer imitation has been a major factor in wage drift (Faxén et al. 1988: 110–11, 199–202), facilitated by the high concentration of Swedish industry and the coordination of pay between companies and plants within conglomerates (Olsson 1991: 103). Thus considerations related to the profitability or productivity of an individual unit may yield to external factors. According to econometric analyses of wage drift, three-quarters of the yearly variation is attributable to macro-economic variables (number of vacancies and unemployment, prices, etc.) and is unconnected to industry- or enterprise-specific factors (Faxén et al. 1988: 234–7).

Developments were less ambiguous in the public sector, where employers responded to expenditure constraints with management reforms aimed at promoting efficiency and lowering costs, often by the adoption of techniques borrowed from the private sector. These pressures led employers to adjust pay more closely to labour market conditions (especially to facilitate the recruitment of senior officials and technical experts), and to take the initiative in individualizing pay determination (Elvander 1988a: 230–2; 312–16). In 1986, compensation clauses, which had been contained in almost all public sector agreements since 1975, were abolished. Moreover, structural reforms led to the break-up of the state

sector into a number of sub-sectors with separate bargaining systems, weakening the cartels organizing public employees.

### From Self-Regulation to State Regulation

Paradoxically, while the government as employer had taken significant steps towards decentralized bargaining in the 1980s, government political intervention became a further recentralizing force. Intervention was motivated, as in the formative period of the 'Swedish model', by a concern for economic stabilization.

The escalation of direct government intervention in collective bargaining in the 1980s has to be seen in the light of a broad set of developments undermining the foundations of the classical Swedish model. First, as has been seen, the appearance of powerful organizations of white-collar and public sector workers weakened the basis of LO-SAF cooperation and of the solidaristic wage policy which had functioned as an alternative to a government incomes policy. Wage competition between the blocs accelerated, and Swedish wages began rising faster than in other European countries in the early 1980s. The increasingly transnational character of large Swedish enterprises magnified the significance of even moderate wage increases and accordingly the pressure on the government to intervene. Another consequence of the end of LO-SAF domination was that the potential for multiple conflicts increased; another facet of the Swedish model, industrial peace, was therefore undermined, giving the government another motive for intervention in pay determination.

In the 1970s, the threat of a wage-price spiral in the wake of the first oil shock had prompted the government to call the 1974-5 'Haga talks' at which the unions were asked to accept pay restraint in exchange for reduced marginal tax rates (Martin 1985: 285, 290-3). When the social democrats returned to power following the bourgeois interregnum of 1976-82, they were determined to pursue the economic policy of the 'third way' and to reject the austerity policies that were causing very high unemployment in several countries. They also rejected traditional Keynesian demand management as increasingly inappropriate for an internationalized economy. The essence of the 'third way' was to promote investments by high profits and low nominal wage increases. The principle means of transferring resources from wages to profits was a 16 per cent devaluation in 1982. In this respect social-democratic policy followed that of the preceding bourgeois governments which had devalued the krona in 1977 and 1981. Supported by LO and subsequently also by TCO, this devaluation proved to be the only substantial success of social-democratic 'incomes policy' in the 1980s (Elvander 1990: 16). Private sector employers were prepared to concede large rises to highly paid white-collar workers, despite reduced marginal tax rates: this was the case in 1983, when the government had to introduce additional tax

changes benefiting LO groups – the so-called 'LO rebate'; in addition, since 1983, union subscriptions have been tax-deductible. More generally, decentralization in any case muted the impact of pay norms. Further problems were caused by the government's lack of success in restraining the pay of its own employees: in 1984, public employers broke the proposed 6 per cent pay norm which public sector unions took as a floor rather than ceiling, an event that prompted the reorganization of the body responsible for representing the state in pay negotiations.

These difficulties led the government to promote the return of centralized bargaining through the 'Rosenbad talks' before the 1985 bargaining round. The aim of the talks was to get unions and employers to agree a 5 per cent pay norm for 1985; and although no formal accord was reached, none of the parties opposed the norm. In return, the government offered tax concessions favouring low-paid workers: the 'purest instance of a fiscal policy trade-off during the 1980s', according to Elvander (1990: 14). It also legislated on 'renewal funds' which were to be used for training and research. They were intended to encourage pay restraint in sectors or firms with high profits (Rehn and Viklund 1990: 309–10); similar techniques had been adopted in earlier years to prevent high profits from influencing wage drift (Martin 1987: 113–14). The introduction of a much diluted version of wage-earner funds at the end of 1983 and of special investment reserve funds in 1983 and 1984 also forced firms to reduce disposable profits. Subsequently LO-SAF and PTK-SAF negotiations led to agreements within the norm, although they were considerably less detailed and restrictive than earlier central contracts.

Government intervention in the 1985 pay negotiations marked the high point of 'negotiated incomes policy'. The integration of wage negotiations and political decision-making challenged the principle of self-regulation. LO feared that union authority in the eyes of members might be undermined if state intervention were required to ensure coordination of bargaining. In addition, there was a danger that national unions would appear superfluous in a situation where low nominal wage increases were combined with relatively high wage drift (Elvander 1988a: 181). In 1986–7, therefore, although centralized bargaining was restored, the parties agreed to return to the Swedish model of 'free collective bargaining', and government action was less pronounced.

Despite the failure of both decentralization (as in 1988) and centralization (as in 1989–90) to slow wage drift in these years of economic expansion, the government's role was relatively passive towards the end of the 1980s. At the beginning of the 1990s, however, the picture changed completely. Early in 1990 it became clear that price rises would exceed the rate of 4 per cent at which the unions' right to renegotiate the 1989–90 contracts was triggered. The government convened a meeting (the Haga talks) at which it called for a return to centralized bargaining and a restrictive two-year agreement. But VF, and SAF, refused. Instead, the SAF president proposed a two-year pay freeze, in return for em-

ployer acceptance of a price freeze and dividend ceiling (Feldt 1991: 456). The social democrats then prepared the most far-reaching intervention in the history of Swedish industrial relations. In concert with top leaders of LO and affiliated unions (except Kommunal), in February 1990 the government announced a two-year general pay freeze and strike ban, with increased fines for wildcat strikes, and ceilings on prices and dividends. The proposal, widely regarded as a violation of basic trade union rights, aroused a wave of protests from rank-and-file members and from many local union branches and workplace organizations. This forced union leaders to dissociate themselves from the initiative, leading the government to resign (though a new social-democratic government was formed).

The collapse of its proposal forced the government to look for more consensual methods to contain the wage-price spiral. A 'national mediation commission', the Rehnberg Commission, composed of a national mediator and one representative each from SAF, LO, TCO and SACO, was appointed in March 1990. Having failed to get the parties to agree to low pay increases for re-negotiations in 1990 and for the new 1991 agreements, the commission was given a new mandate in September 1990: to persuade parties to accept a two-year 'stabilization agreement' (1991-2) intended to cover the whole labour market. Most organizations approved the 'Rehnberg agreement' setting out the framework of industry bargaining. The provisions prohibiting local negotiations in 1991 and stipulating that any wage drift would be subtracted from 1992 increases were initially resisted by PTK unions SIF and HTF; the 1988 SIF strike had been over the question of union influence on local wage-setting. The unions were forced back to the negotiating table by SAF. The efforts of the PTK unions to encourage their workplace clubs to conclude local deals exceeding the Rehnberg terms were thwarted by strong employer discipline and the downward turn in the economy. In engineering, the Metall-VF agreement was delayed by the union's argument that local wage increases related to changes in work organization and improved productivity should not be considered as wage drift.

At first sight, SAF's role in encouraging the Rehnberg agreement was ironic in view of its fervent adherence to decentralized bargaining. In practice, the Rehnberg agreement could be seen as encouraging a form of 'super-decentralization' since by avoiding local negotiations, local pay determination would be a matter for individual employer prerogative, and hence become a more effective tool of human resource strategy. In the breadth of its coverage, however, the Rehnberg agreement represented a 'super-centralization' of bargaining: all unions except CF and the Transport Workers' Union (a rebellious LO union) concluded agreements within its terms. But this too was in SAF's favour, since pay competition was reduced and a non-fragmented bargaining model temporarily restored, removing a major SAF objection to central negotiations. Private and public employers formed a close alliance to support the agreement which they saw as a way of holding back the high nominal

wage rises of the previous years' tight labour markets. The abrupt move from economic boom into recession means that the aims of the agreement are likely to be achieved.

The Rehnberg agreement represents a new type of centralized industrial relations in Sweden. First, centralization was restored under the auspices of the state. Second, the absence both of central negotiations between employer and union confederations and of workplace bargaining meant a departure from the combination of centralized and decentralized elements characteristic of the Swedish model. The unions' room for manoeuvre was reduced in two ways: their normal role at the peak level was exclusively assumed by the commission itself; and at workplace level employers were assigned a monopoly role in wage-setting. The three-tier system of bargaining was thus replaced by negotiations at a single level – between national unions and employer associations – circumscribed by the central framework stipulated by the Rehnberg Commission.

The initiatives of the Rehnberg Commission might be described as a mixture of the 'negotiated income policy' of the mid-1980s and the proposed coercive measures of 1990. Before the commission – itself tripartite – presented its final proposal, it sounded out the views of the unions and employers. But 'tripartite' interaction was backed up by threats of more far-reaching state intervention should the parties fail to comply with the commission's demands. Thus collective bargaining in the early 1990s assumed a more 'corporatist' form than ever before in Sweden. Corporatist concertation on the Rehnberg model could be regarded as an attempt to counter the tendencies to a more and more 'disorganized' or fragmented system of collective bargaining (cf. Lash 1985; Lash and Urry 1987). More properly, however, the commission represented an expansion of state regulation of collective bargaining, in response to the increasing breakdown of the old system of centralized self-regulation. But elements of self-regulation were retained: the implementation of the Rehnberg agreement was left to the parties themselves. In the background, LO and SAF played an important supporting role; the SAF by putting pressure on affiliated associations not to permit local agreements, in close cooperation with public employers and the government. As a result, the alternative – of compulsory legislation – was avoided.

Everything seems to indicate that the Rehnberg agreement will be a parenthesis in Swedish industrial relations. Bourgeois governments have traditionally failed to win the trust of the LO unions – the last bourgeois government was unable, for example, to forestall the 'great conflict' of 1980. The current government, headed by a conservative prime minister, is committed to liberating market forces. However, despite rapidly rising unemployment which has in some cases depressed wages even during existing contracts, the deep-rooted 'full employment' ideal in Sweden is likely to prevent the government from using unemployment

as a major tool of pay stabilization; thus state financial support for the Labour Market Board has continued to increase.

It is uncertain whether the Rehnberg approach will be followed by some new form of coordinated negotiations or by decentralized bargaining. In marked contrast to the 1970s, the employers have seized the initiative for change in the 1990s. They have launched an offensive aimed at reducing the power of the unions. One telling manifestation is that SAF is reducing the amount of data that it compiles on wages, which will make wage comparisons more difficult. The employers also want to weaken the unions' capacity to strike and sap their economic resources. The employers' objectives have influenced the policy agenda of the bourgeois government. A series of measures have been taken or are planned: union dues will no longer be tax-deductible; subsidies to unemployment funds have been reduced; and union education has been hard-hit by the suspension of 'co-determination money', the huge subsidies provided to unions for education related to the Co-determination Act. Planned changes in labour law, many of them drawn from an SAF list of desiderata, will make the law more oriented towards the individual worker and will further reduce union influence, particularly in the area of industrial conflict. Proposed changes include the strengthening of provisions for compulsory mediation through the mediation institute and greatly increased fines for wildcat strikes; these demands are almost identical to proposals put forward by a commission appointed by the social-democratic government, but withdrawn after union protests on that occasion, on condition that the unions accept the Rehnberg agreement! A third SAF proposal is for pre-strike ballots of union members. Furthermore, the right to strike of public sector workers is increasingly being questioned (SOU 1991: 109). One possible government measure, the introduction of compulsory unemployment insurance, would break the traditional link between the unions and unemployment funds, thus removing one of the strongest incentives for union membership.

Increased state regulation of union affairs, together with decreased state subsidies, is likely to facilitate the success of the employers' decentralization strategy. The significance of workplace industrial relations will increase, and it is clear that union priorities will have to change and organization will have to be decentralized. In contrast to the 1930s, when the parties agreed to the Saltsjöbaden agreement in order to forestall state intervention, in the 1990s SAF appears to prefer state regulation to a new basic agreement. An indication of this is the employers' cancellation in 1991 of the central LO-SAF-PTK agreement on the working environment. At the same time, SAF is planning an organizational concentration at the level closest to the individual enterprises, the industry associations. By mergers the number of affiliated associations will be reduced from 35 to 9 to form a 'massive front' for supporting firms under the decentralized pay determination anticipated after the

Rehnberg interlude. Thus a new combination of centralization and decentralization seems likely, posing a serious challenge to the unions.

## Swedish Unions Between Cooperation and Disunity

### Inter-union Tensions in the 1980s and 1990s

The union movement has experienced serious tensions since the early 1980s. The rise of the public sector 'Gang of Four' symbolized the end of private sector hegemony, while the divisions among private sector unions were demonstrated by the collapse of the LO-PTK alliance after only three years. This reflected strains between manual and white-collar unions over 'compensation clauses': should white-collar workers be fully compensated for the wage drift of manual workers in manufacturing? SAF was able to play off LO and PTK against each other (Elvander 1988a). In 1981, following a strike and lockout of 250,000 PTK members, SAF achieved its objective – supported by LO – to cut compensation to 80 per cent. Two years later, however, SAF allied with PTK against LO on the issue of pay differentials.

A rapprochement between LO and PTK took place following the Rosenbad talks, and in 1986 there was coordinated bargaining between LO, PTK and SAF for the first time since 1978. Closer relations reflected PTK's attempts to strengthen its own internal cohesion by giving priority to low-paid members. But this did not suppress the conflict of interests between the PTK unions. Given the weakness of workplace union organization, it was market forces and employer preferences, rather than union pay equalization policies, that determined local pay increases of white-collar workers. This led SIF to demand greater union influence on pay determination at local level. But despite a three-week strike in 1988, followed by a lockout, SIF failed to achieve its demands. VF stood firm, and the other PTK unions supported VF's views on pay differentiation. For the first time since 1973, each PTK union (SALF, CF, HTF and SIF) negotiated separately with SAF (although there was a degree of coordination between SIF and Metall in negotiations with VF). With all the PTK unions advocating, from their different perspectives, extended negotiating rights at local level (including in the case of the service sector union, HTF, the local right to strike), PTK was facing dissolution as a bargaining organization.

Cleavages also began to appear within the public sector 'Gang of Four', particularly between the more militant TCO cartels TCO-S and KTK, and the LO unions SF and Kommunal. In 1983 the issue of compensation clauses split the Gang of Four – the LO unions choosing loyalty to their confederation and to the newly-retained social-democratic government, rather than their public sector allies. Isolated, TCO-S failed to sustain the existing compensation ratio.

Tensions recurred during the 1980s, interspersed with phases of enhanced public sector collaboration. At the time of the Rosenbad talks,

for example, the loyalty of SF and Kommunal to LO and the government again proved stronger than their public sector identity, leaving TCO-S to fight a lone strike and lockout. However, the strains within LO between public and private were merely postponed. Conflict broke out in 1986, yet again over compensation clauses. The two public sector LO unions in vain demanded clauses guaranteeing that their members' pay would not lag behind the private sector, and Kommunal, with its many low-paid members, also resisted increased decentralization of public sector bargaining which favoured the two SACO cartels.

Decentralization, and the transfer of teachers from the state sector to local government, led TCO-S and KTK to merge at the beginning of 1991 into a coordinating body, TCO-OF, comprising six 'mini-cartels', each with bargaining and strike rights. Similar decentralization has occurred in SACO: the cartels SACO-S and SACO-K have been replaced by smaller cartels or 'sectors'. Many of TCO-OF's mini-cartels are dominated by a single national union. Moreover, dissatisfied unions have the right to negotiate on their own (both the police and the nurses' unions had threatened to leave their respective cartels in the mid-1980s). These changes aroused fears of public sector dominance among TCO's private sector unions, and conflicts have been further complicated by the blurring of borders between the public and private sectors as a result of the conversion of state trading authorities to corporate status. However, efforts are being made to overcome such problems; for example, a merger of SIF and the Civil Servants' Federation (ST) is in preparation.

Thus the 1980s may be characterized as a period of growing inter-union tension, both between public and private and between manual and white-collar unions. The high union density of the expanding occupational groups of white-collar and public sector workers means that a substantial shift in the balance of power has been occurring within the union movement. This shift has been all the more visible for the fact that manual and white-collar workers are organized in separate unions, cartels and confederations in Sweden. The conflicts between unions have been played out, as was seen above, through increasingly intense scrutiny of each other's pay movements and bargaining outcomes.

### **The Rise and Decline of Union Density**

Swedish union density is among the highest in the world, having grown almost continuously since the mid-1920s (Kjellberg 1983; 1990). While white-collar density at first lagged behind manual, by the 1970s the gap had been eliminated. Also notable is the fact that the female unionization rate, until the 1980s significantly below the male rate, has now overtaken it. This is associated with the fact that most women are employed in the public sector, where density in the 1980s outstripped that in the private sector (see table 3.5).

In 1986, density reached a peak of some 86 per cent. Since then, however, the figure has fallen, to about 82 per cent in 1990. The decline



affected both manual and white-collar workers, especially in the private sector. How may one explain this new phenomenon? One argument commonly used to explain cross-national trends in union membership is the structural transformation of the labour force, with the contraction of traditional union strongholds and the expansion of occupations, industries and regions with low union densities. The high overall union density in Sweden reduces the explanatory power of this argument. Union decline in Greater Stockholm, the region where this tendency is most pronounced, might partly be attributed to the rapid expansion of high-tech industries and private services. This, however, is to obscure the role played by other, more basic processes, for example the introduction of new management techniques.

It is more plausible to see falling union density as the result of a combination of economic, political and ideological circumstances. The extremely tight labour market, especially in Greater Stockholm, has considerably improved the position of workers as individuals *vis-à-vis* employers, who tended to outbid each other to offer favourable terms of employment. The tight labour market, the decentralization of wage determination and the expansion of individualized wages for manual workers meant that an increasing proportion of wage drift escaped union control. Furthermore, absolute as well as relative wage drift (the ratio of wage drift to contractual wage increases) reached very high levels at the end of the 1980s (see table 3.5). With exceptionally low unemployment – less than 2 per cent in 1987–9, only about 1 per cent in Greater Stockholm – few people feared losing their jobs. Under these circumstances unemployment benefit funds lost some of their value as an incentive for union membership. In contrast to Denmark, where unemployment benefits are also administered by the unions, there has been a rise in the number of workers who are members of a fund without

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Table 3.5 Union density (% membership/employed workers) in Sweden, 1975–91

	1975	1980/81	1986/87	1990	1991
Manual workers					
Men	84	86	87	82	80
Women	67	80	87	81	81
Both sexes	77	83	87	82	81
Private sector	78	82	84	78	77
Public sector	76	86	92	87	87
White-collar workers					
Men	80	84	83	78	78
Women	78	84	85	83	83
Both sexes	79	84	84	80	80

Sources: LO 1989: part 5 (refers to ULF, i.e. surveys on living conditions, SCB; annual averages); AKU (Labour Force Surveys, SCB; first quarter of the year).

being members of the associated union, indicating a weakening of collective norms. However, the overwhelming majority of members of unemployment funds remain union members as well.

The decline in union density has occurred in an ideological and political climate increasingly unfavourable to the unions, notwithstanding the presence of a social-democratic government until 1991. The ideology of equality and solidarity has entered a state of crisis, called into question in practice even by its traditional supporters: the unions by their acceptance of increased wage dispersion, and the social-democratic party by tax reforms particularly favouring those with high incomes. The dramatic widening of divisions between rich and poor during the 1980s was accentuated by the social-democratic policy of the 'third way' which stressed the importance of high profits. Wage competition and inter-union conflict have promoted 'group egoism' at the expense of common action and solidaristic norms, and have weakened the unions' public standing. The increase in demarcation disputes between unions, encouraged by new labour processes and the increasing 'corporatization' of public agencies, has also undermined their public image (Nilsson and Sandberg 1988).

The dissolution of established norms has also been hastened by conflict between the two wings of the labour movement. At times the relationship between LO and the social-democratic government has been so strained that it has been referred to as the 'Wars of the Roses'. Both have lost ground among their potential supporters. In the September 1991 elections, the social democrats suffered their most severe defeat since 1928; the share of votes for the 'socialist bloc' was the lowest since the introduction of universal suffrage. Part of the explanation is the reduced space for a traditional social-democratic reform policy since the 1980s, as a result of lower economic growth and accelerated internationalization: in 1989, the social-democratic government abolished exchange controls, and in 1991 it linked the Swedish krona to the ecu and applied to join the European Community. Changes in the social structure (expansion of white-collar workers, increased social heterogeneity) have led to a reappraisal of the traditional principle of equality in social policy and the taxation system. Thus the long social-democratic hegemony in Sweden has broken down, hastened by the successful ideological offensives of SAF and the bourgeois parties.

In parallel, solidaristic wage policy has gradually lost ground to market forces and new management strategies, a development facilitated by the decentralization of bargaining from 1983. By 1989-90 wage dispersion was back to the levels of the mid-1970s, reversing the substantial wage compression up to 1982-3 (Hibbs 1991). Greater inequality of incomes after 1983 may be one cause of the fall in union density four years later: the weakening of the cement of solidaristic norms is likely to have enlarged the space for individualistic behaviour.

A third trend break - from declining to increasing real wages - took place in the mid-1980s. It might appear paradoxical that union density

turned downwards as real wages began to rise. However, as mentioned above, the average hourly real wage (after tax) was about the same in 1990 as in 1980, implying a stagnation of real wages during the decade as a whole. Moreover, the unions' role in wage increases was constrained by repeated government interventions resulting in fixed limits on contractual wage increases, and by the rising proportion of wage drift, promoted by the same factors which explain the increased wage dispersion: market forces, decentralization of collective bargaining and new management strategies.

## Workplace Organization

### Tasks of Union Workplace Organizations

In Sweden, as in other Nordic countries but in contrast to Germany, the Netherlands and other continental countries, union workplace organizations rather than works councils are the dominant form of worker representation at workplace level. Works councils existed in Sweden from 1946 to 1977 (and in one or two places thereafter), but employee representatives were elected by the unions, and their tasks were limited to exchanging information and advice. They were products not of legislation but of an agreement between LO and SAF, reflecting the spirit of cooperation following the Saltsjöbaden agreement. In the radicalized climate of the 1960s and 1970s, they proved completely inadequate to channel workers' increasing demands. Following the MBL (Law of Co-determination, which was passed in 1976 and came into effect the following year), LO and TCO withdrew from agreements on works councils as a way of putting pressure on the employers to conclude co-determination agreements (which were finally achieved in 1982). The unions shocked the employers by also withdrawing from the Saltsjöbaden agreement, although the sections on bargaining procedure and third-party intervention were retained.

Since the end of the nineteenth century, union workplace organizations have played a significant role in Sweden, especially among manufacturing workers. Almost from the beginning, workplace 'clubs' were completely integrated into the national unions and their local branches. In the phase preceding national collective agreements, the strategy of national unions was to play off individual employers against one another. This necessitated close cooperation between different levels of the union under the firm leadership of national headquarters.

Following the establishment of industry-wide bargaining at the beginning of the twentieth century, union workplace organizations retained important negotiating tasks. National contracts had to be adjusted to local conditions. In addition, the widespread use of piecework required more or less continuous activity on the part of workplace organizations. Another prominent function was membership recruitment, although it was weakened by the replacement of dues collectors with check-off

arrangements. In recent decades 'production' issues have been given higher priority, but 'distribution' issues still are of outstanding importance; both these areas are to an extent regulated by law.

The *distribution* functions of union workplace organizations include the negotiation of workplace contracts (on pay, working hours, etc.) within central and/or industry agreements. These negotiations take place under a peace obligation, but they are sometimes backed up by spontaneous wildcat strikes. Union representatives are prohibited by law from encouraging or participating in such action. In those, mainly small, workplaces without union clubs, negotiations are carried out by officials from the local union branch, which also assists union clubs where necessary. In addition, workplace organizations have the task of protecting members' interests in the operation of piecework systems, the introduction of new pay systems, profit-sharing arrangements, and so on. Finally, under the 1974 Law on Employment Security, they negotiate about redundancies. The *production* role (cf. Sandberg 1989) of union clubs covers the election of health and safety representatives and committees; dealing with issues affecting the working environment; influencing the design of work organization and new technology and participating in project groups, joint committees and company boards.

Workplace organizations also have competence in the settlement of conflicts over the interpretation and application of laws and agreements (so-called 'legal disputes' or disputes of right, in contrast to 'conflicts of interest'). According to the MBL law, the union interpretation of the provisions of agreements on co-determination, and on those concerning the individual's obligation to work, takes preference over that of the employer in the event of disagreement (Edlund et al. 1989). This right also applies in some other areas, although not in pay issues. 'Central negotiations' conducted by national unions and employer associations are sometimes required to solve legal disputes. Ultimately they are settled by the labour court.

A final set of functions concerns the representation of members in the workplace, handling individual grievances and problems. In large workplace clubs, 'representative assemblies' are organized for elected representatives, with smaller clubs, and sub-units of large clubs ('group organizations'), arranging their own meetings of union members. Clubs organize workplace study circles and courses on union matters, labour law, and such other topics as languages. Workplace union organizations are responsible for coordination and information exchange with local union branches, and for cooperation with other workplace unions; in large enterprises, cooperation may take place across plants.

Since the 1970s the tasks of union workplace organizations have grown in scope and complexity. This reflects the decentralization of collective bargaining from the 1980s and the expansion of labour legislation in the 1970s. The latter has meant that negotiations often take place within a more legally defined context set by 'framework' laws, as on co-determination. A third factor is the growth in union aspirations to

influence production issues. A recent survey of committee members of LO clubs indicates that 75 per cent are willing to spend more time on production issues, such as working environment, work content and job satisfaction, as well as on training (LO 1989b: 52–3). According to a general survey of LO members, the average member still considers that the most important tasks are the traditional ones of pay, job security, and protection against loss of income in case of sickness and unemployment (LO 1989a: part 1, 47–50, 61–2, 78). There is one exception – working environment – which is given almost the same priority, but when it is defined more narrowly in terms of issues relating to the labour process, such as ‘influence over one’s own work’ and ‘development of job content’, its importance drops sharply. Thus there is a certain divergence of view between members and activists on the weight to be given to production issues.

Union workplace organization is widespread (Molin 1991), and deals with an expanding number of issues of increasing complexity. This activity requires a large number of union representatives. In 1988 nearly one in eight LO members performed some task for their union, about the same proportion as ten years earlier. For the white-collar members of TCO and SACO unions, usually employed in smaller workplaces than manual workers, the proportion of union representatives was even higher, about 20 and 22 per cent respectively (LO 1989a: part 4, 17, 30, 92). About 85 per cent of all LO clubs either failed to elect a complete club committee, or had difficulty in doing so, possibly a reflection of the onerous and complex nature of such work which requires considerable knowledge of labour legislation (LO 1989b: 116–17). However, as many as one in five LO members (excluding those already elected) are prepared to be union representatives if asked (LO 1989a: part 4, 29). Thus there is a substantial, if poorly exploited, reservoir of potential union activists.

The facilities of union clubs tended to improve in the 1980s. Employer resistance to union activities during working time was at least partly overcome, as a result of the new labour legislation of the 1970s (especially the 1974 Law on Shop Stewards) as well as subsequent agreements. A quarter of LO clubs hold all membership meetings during working time; in manufacturing industry the figure is as high as 40 per cent.

The availability of paid time off may contribute to the relatively high level of attendance at meetings, but may also conceal a lack of membership interest in union matters. An indication of increasing passivity is the declining participation in study circles arranged by unions. Calculations for LO show that one in seven LO members attended such circles in 1980–1, fewer than one in ten in 1988–9. Survey findings also reveal declining membership confidence in unions among manual as well as white-collar workers. Between 1980 and 1990 the proportion of members who were ‘fairly’ or ‘very confident’ in trade unions in general fell by about 10 percentage points (LO 1991b: 279). Despite the extensive network of union workplace organization, most Swedish workers see

little scope for influencing the actions of the local union, a further expression of the cleavage between members and unions. A smaller but still significant proportion doubt the union's ability to influence workplace conditions (Petersson et al. 1989: 124–5): a reflection, no doubt, of the continued supremacy of employers only partially reduced by the legislation on co-determination.

### **Unions in the Workplace: Stagnating Influence or the Extension of Co-determination?**

The first half of the 1970s, when the unions were on the offensive, saw the introduction of a body of labour legislation aimed at improving the position of labour at the expense of capital. Great hopes were invested in the 1976 MBL as a means of increasing the influence of union workplace organizations. The law recommended that employers and unions conclude agreements on 'co-determination' – on terms of employment, organizational and technical change, and so on; and it required employers to negotiate (a requirement enforceable through the labour court by largely symbolic fines) before coming to final decisions on major changes in operations, working conditions or terms of employment affecting union members. Unions were also entitled to negotiate on other issues of relevance to their members, and their right to information was reinforced.

The law contains a built-in contradiction between the legal *requirements* on employers to negotiate – reflecting the employers' resistance to negotiations on co-determination, and the *recommendation* to regulate co-determination by agreements. Although unions have a right to participate in the decision-making process, the employers are free to act as they think best provided that they have first informed the unions and given them an opportunity to present their views. Thus the unions faced the obvious risk that employers would refuse to negotiate seriously, creating the impression of powerless unions. Critics have called the MBL law a 'hooter': once the employers have hooted they have fulfilled their obligations.

Thus the impact of the law depended on the attitudes of the employers, and ultimately on power relations in society. While central co-determination agreements were concluded fairly quickly in the public sector (MBA-S 1978, for government workers; MBA-KL 1980, for municipal workers), the negative stance of private sector employers delayed agreement until 1982. The private employers were encouraged in their resistance by the presence of a bourgeois government for the first time in 44 years. The social democrats' removal from office meant that government intervention could not be used to put pressure on the employers (Simonson 1989: 136–7), and the new political and ideological climate allowed the militant new leadership of SAF to influence public opinion. The struggle against wage-earner funds played a significant role in this, knitting together the bourgeois camp around an issue of

high symbolic value. The labour movement was forced on the defensive, partly because TCO divisions on wage-earner funds prevented a common front with LO.

The profound shift in the political and ideological climate was clearly reflected in the 1982 'Development Agreement' on co-determination (UVA), concluded between SAF and LO/PTK after six years of negotiations (Schiller 1988a: 101–25). The UVA represented a victory for the employers and the maintenance of the status quo (Schiller 1988b; 1988a: 118). The agreement stressed the common endeavour to improve the efficiency, profitability and competitiveness of enterprises, rather than specific rights of co-determination. Thus the unions were obliged to abandon their radical positions of the 1970s and return to the earlier policy of cooperation.

The UVA nevertheless implied some change of approach on the part of employers. At the political level, employers faced the prospect of a new social-democratic government; they also perceived a need to involve union workplace organizations in efforts to raise productivity and win back market shares lost by Swedish export industry. Another motive was to avoid the bureaucratization of decision-making caused by the MBL; an agreement was expected to facilitate smoother and more flexible arrangements. Finally, a number of labour court judgments on the implementation of the MBL had gone in the unions' favour.

The UVA emphasizes the common interest of employers and unions in realizing the potential of the individual worker and in changing work organization in order to increase productivity and pave the way for more stimulating jobs. As in the 1946 agreement on works councils and other earlier cooperation agreements, the economic performance of enterprises is given top priority; co-determination is seen as a means of attaining this goal, rather than a value in itself (Simonson 1989: 181). A section on the 'Development of the Enterprise' lays down information and co-determination procedures in the areas of work organization, technical development and the economic situation of enterprises. The area originally given highest priority by the LO and the PTK, personnel administration (that is issues of manpower planning, recruitment, employment, induction and training), is excluded (Simonson 1989: 152, 179–80, 185; Schiller 1988: 117–18). A wide array of forms of co-determination, through negotiations at different levels and through participation in joint bodies and projects, allows considerably more flexibility and adjustment to local conditions than the procedures established by the MBL law. Employer objectives of decentralized decision-making – and co-determination – are given due weight in the UVA. One example is the introduction of 'workplace representatives' within small enterprises (appointed by unions at workplaces without union organizations), reducing the need for MBL negotiations with local union branches.

The approach of the UVA was largely based on ideas on flexibility and decentralization originally drawn up by SAF's technical department in the mid-1970s. SAF had discussed devolution of decision-making

to first-line supervisors and lower management as a way of forcing unions to decentralize their own activity within companies (Schiller 1988b). Improved contacts between workers and supervisors would reinforce the development of cooperative relationships within sub-units of plants. These ideas were followed up by experiments aimed at increasing the job satisfaction of the individual worker, and by the spread of systems of devolved management with relatively independent operating units coordinated by sophisticated central financial control systems.

For the unions, decentralization of decision-making and co-determination under the UVA brought the risk of fragmentation, and even the appearance of alternative forms of organization. From the unions' perspective, the UVA could be seen as an instrument for adapting the co-determination system to the employers' strategies of decentralization, while maximizing union influence on the process. The agreement acknowledges the right of unions to participate in the planning of work organization, with the aim of enriching and enlarging the jobs of individual workers, and in improving the work environment; in addition, workers 'should be given opportunities to participate in planning their own work'. According to Schiller (1988b) the unions were successful in maintaining their traditional position as representatives of the work force and the agents of co-determination.

None the less, the UVA appears potentially to open the way to a degree of dualism between unions and individual workers or groups of workers (cf. Hart and Hörte 1989: 66). Such dualism may also be the consequence of the new employer strategies of decentralization. Brulin (1989) argues that one management aim is to establish direct relationships with employees as a way of winning their loyalty and weakening the position of unions within the enterprise. Companies have used ideological as well as organizational means: for example, the creation of a corporate culture to increase workers' commitment to local managements, and the restructuring of organizational hierarchies into relatively autonomous units and work groups. Such developments might challenge the position of unions built on solidarity between workers across plant and enterprise borders, and the enterprise would then become a 'political arena' of struggle over the loyalties of workers. However, only one of Brulin's three case studies appears fully to support his thesis.

The concept of political arena is also suggestive of the potential conflict between the direct influence of workers on management, and their indirect influence, through the union. However, these two forms of influence do not necessarily conflict. Svensson (1984), in a case study of the single-establishment engineering company Almex, demonstrates a close interaction between influence through the representative union workplace organization, autonomous work groups and individual self-determination. The Almex case is special in that the initiative for democratization came from 'within' and 'below', from the workers themselves. Once the union workplace organization had been democratized, there was an upsurge in membership activity and the development



of a multi-level union strategy to increase worker influence in the plant through high-level union co-determination, 'direct' influence via production groups, and the freedom of individual workers to plan their own work.

The Almex case illustrates how direct and indirect forms of influence may reinforce each other in the presence of an active union workplace organization; with a less active union, a dual structure may arise, undermining workers' support for the union. However, apart from some high-technology and service companies, the aim of new management strategies in Sweden – in contrast to the USA – has not been to create union-free enterprises but rather to encourage the union's loyalty to the individual enterprise: a local form of corporatism (Brulin 1989: 63). To the extent that these efforts are successful, they will erode the strong solidaristic element in Swedish unionism. The combined centralization and decentralization of the union system would be replaced by a far-reaching fragmentation, especially if wage negotiations are concentrated at enterprise and workplace level. Fears about the emergence of a multitude of disparate models at local level led the unions to postpone negotiation on local co-determination agreements until a central settlement had been reached. At the beginning of the 1980s, however, local developments were slipping away from LO control (Simonson 1989: 179). The UVA may thus be seen as a reflection of union efforts to secure as much uniformity of rules as possible in the circumstances.

None the less, central uniformity did not prevent a considerable diversity of arrangements at enterprise and workplace level. While the employers' aspirations for decentralized industrial relations have been one driving force of change, workplace unions have also at times been the promoters of new forms of work organization, improvements in the working environment, and other changes. There are, however, considerable differences between workplaces in the extent of union activity, particularly with respect to co-determination issues. The cases studies reported by Brulin (1989) suggest that in some case unions have acted to contain the erosion of worker solidarity as a result of the organizational initiatives of employers; in others, their aim has been to modernize workplaces (in order, for example, to secure jobs, improve the working environment); in still others, they have remained passive in the face of changes initiated by employers (probably these are not experienced as a threat to solidarity).

The heterogeneous pattern of co-determination may also reflect the slow growth of local agreements. In state and municipal sectors detailed central agreements on co-determination have restrained activities at local level, but even in manufacturing relatively few local agreements have been signed despite the flexible character of the central UVA; most have been in large workplaces with strong unions (Edlund et al. 1989). Instead informal arrangements are widespread, in accordance with the preferences of many employers. In many cases, both parties prefer informal solutions, as these may go beyond the scope of the UVA.

Edlund et al. (1989) argue that all bipartite arrangements, rather than just formal agreements, should be included in assessments of co-determination. On this basis they conclude that 'there has been a genuine shift in favour of more bipartite decision-making' at workplace level (p. 30).

However, these conclusions are based on only two case studies – the Swedish Post Office Administration and the Volvo plant in Olofström. In the former, co-determination is extensively formalized, with a concentration on form rather than content. In the second half of the 1980s decentralization took place within the Post Office. A large number of joint committees and expert groups on issues such as work organization resulted in the involvement of workers at an earlier stage in the decision-making process; however, regular negotiations continue to dominate employer-worker relations. On the negative side, the employer's 'de facto dominance is retained or accentuated' (Edlund et al. 1989: 48) by reorganization, as modern information technology increased the centre's control over financial and personnel management. At the same time, the transfer of co-determination activities from the centre to the periphery of the Post Office has fragmented the union perspective on change.

In contrast, co-determination at Volvo Olofström takes place largely through joint bodies rather than through traditional negotiations. This reflects the decentralized and flexible character of the UVA, compared with the state sector agreement, the MBA-S, which emphasizes the role of negotiations between local union and management. At Volvo there are a number of 'partnership and co-determination groups' parallel to the lower levels of line management, but management considers them too slow for communicating important information to subordinates. Information is therefore increasingly given directly to the workers. Thus line management is taking over the functions of co-determination groups, and direct participation of workers tends to replace union participation at this level. As a result, the decisive contact between management and unions has shifted to the top co-determination body in the plant. Another source of discrepancy between enterprise and unions concerns the existence of a multitude of unions at the plant: while Metall alone organizes manual workers, there are three white-collar unions (SIF, SALF and CF). Management would prefer a single union, particularly since inter-union boundaries are increasingly out of alignment with work organization.

The partial transition to the 'direct democracy' model at Volvo Olofström seems to contradict – or at least reduce the significance of – the conclusion of Edlund et al. that the long-term effect of the legislative reforms of the 1970s has been to expand bipartite decision-making at workplace level. They admit (1989: 67) that the initiative 'has for the time being passed to the employers, as regards both the transformation of production and work organisation and the machinery of co-determination'. The UVA may be seen as marking this shift away from the

unions who were the driving force behind the introduction of the MBL law.

Surveys of the development of co-determination fill in the picture. The study by Hart and Hörte (1989) deals with 'the stagnation of co-determination' in 1978–85, while the empirical data used by Levinson (1991) stems from 1982–3. The first, based on surveys in 1978, 1980 and 1985, indicates a trend break about 1982, the year the UVA was concluded. A period in which co-determination became 'established' (1977–82) was followed by a 'phase of stagnation' from about 1982 through to the end of the period of study. Co-determination in the form of negotiation expanded rapidly in the early years of the MBL law (1978–80), but subsequently diminished somewhat in scope. The average number of co-determination negotiations per workplace union was 11 in 1978, 22 in 1980 and 19 in 1985. In contrast, the average number of negotiation *issues* declined over the period, partly as a result of the improved labour market situation. The scope of information given to the unions by employers decreased between 1978 and 1980; in the public sector this development continued after 1980.

In the 'phase of stagnation', the employers changed their strategy towards co-determination: the duties of negotiation and information were increasingly performed through 'integrated' arrangements, that is by joint negotiating committees established by management in cooperation with unions – for budgets and finance, personnel administration, rehabilitation of employees injured at the workplace, etc.; and by union representation on company boards and other management bodies. Unions also participated increasingly in project groups, possibly a manifestation of the employers' aspirations to increased flexibility expressed in the 1982 UVA agreement.

The early years of the MBL law, indeed of the 1970s as a whole, meant a departure from the strong Swedish tradition of cooperation between unions and management at central level. The surveys demonstrate, however, a remarkable continuity of cooperative relations at the workplace. Despite the intention of the unions nationally to abolish the system of joint committees, which were seen as an outgrowth of works councils, committees in private-sector firms largely survived the introduction of the MBL; some works councils also continued to hold meetings. However, there was a fall in the proportion of joint bodies with decision-making powers, particularly health and safety and personnel administration committees. These results suggest that the MBL reform did not fundamentally change the established system of co-determination. Neither did the UVA agreement introduce a completely new model. More or less formal agreements on co-determination existed before the UVA and even before the 1976 MBL in many workplaces, although a sharp increase occurred 1980–5, especially in the public sector.

The system of co-determination has become more complex as a result of the growing number of decision-making organs. This has widened the scope for local union participation and influence, but at the same time

has made additional demands on union resources, by requiring more union representatives and increased union coordination and monitoring. The growth of 'integrated' and decentralized forms of co-determination from the 'phase of stagnation' may have strengthened union workplace activities, but may also have led to increasingly heterogeneous union policies across workplaces. There is a risk that the growing involvement of unions in company decision-making processes will weaken their effectiveness as interest organizations in the eyes of their members.

The complexity of co-determination is emphasized by Levinson (1991). Management and unions in a large number of parent companies and their subsidiaries were asked about the role of unions in 'strategic changes' at company and local level. Somewhat surprisingly, there was fairly frequent cooperation between unions representing different subsidiaries or plants within big companies (38 per cent of both manual and white-collar unions); the proportion was much higher in companies with at least 500 employees. This indicates the creation of a new form of union structure based upon union workplace organizations. Unions appear to be more active in strategic decisions at central (corporate group) level than at local level. Union influence at central level is exercised predominantly through board representation, followed by informal contacts for LO unions and joint bodies for TCO unions. At local level negotiations are considered most important, followed by board representation. Finally, union influence is larger in big companies than in small ones. Taken together these results demonstrate a complex pattern of co-determination, most actively exerted at the central level of big companies (at least with respect to 'strategic changes'). The 1976 law giving rights of board representation to union representatives appears to play a significant role in this context.

Levinson's study confirms the findings of Hart and Hörte on the variety of co-determination methods, according to the level of decision. The survey by Levinson also demonstrates considerable variation in union activity and methods according to the different phases of the decision-making process: initiation, preparation or development, decision-taking, and implementation. Unions are not very active in the first two phases, although they often participate. At none of the parent companies or their subsidiaries investigated did unions initiate the change. Nor did they often take the initiative in preparing decisions: only in one in ten cases did unions prepare decisions or present alternative courses of action. Union participation and influence were at their peak in the phase of formal decision-taking, but by then management was often already committed. In this phase negotiation was the most common method used. LO and TCO unions tended to agree that their limited influence was at its greatest in stages three and – to a slightly lesser extent – four of the process, and their perceptions were roughly shared by management. There was also a consensus that the degree of union influence was modest: at its peak on decisions to do with the

working environment (at both parent-company and local level), followed in descending order of importance by the introduction of new technology, major investments and the appointment of managers.

About 90 per cent of managers believed that union influence – exerted principally through their advisory functions – was neither too large nor too small. Seven out of ten managers saw union participation as facilitating work-force reductions. By contrast, about half LO union representatives, and 40 per cent of TCO activists, wished to increase union influence, especially on the relocation of business.

Levinson's conclusion is that 'co-determination has not led to any dramatic changes of power relations' (1991: 149). The unions' weak point appears to be their passivity in the early phases of decision-making. If they are to increase their influence, unions will have to be better prepared and able to put forward alternatives; this presupposes a deeper knowledge of the company and of the economic conditions under which it operates than is generally the case, although other studies have shown that unions are sometimes able to develop such knowledge (cf. Sandberg 1984).

### **The Transformation of Work Organization**

Swedish employers have had several motives to change work organization. First, in a small export-oriented economy highly exposed to international competition, employers are under increased pressure to achieve flexibility and reduce costs. Second, extremely low unemployment – the principal objective of social welfare policy since the 1930s – has meant recruitment and retention difficulties and added to pressures on labour costs. Third, the highly developed welfare system has led to serious problems of sickness absence.

Berggren (1990: chs. 18–19) emphasizes such social and labour market factors as important agents of change in his study of the Swedish car industry (Volvo and Saab/Scania) between 1970 and 1990. Volvo's efforts to apply 'small-scale manual technologies', with long cycle times, autonomous work groups and no traditional first-line supervisors, most notably at the new Uddevalla plant, have been confined to its plants in Sweden. The new 'Swedish concept' of work organization and technology has not spread to the expanding Volvo plant in Ghent, Belgium, which operates in completely different social and labour market conditions of high unemployment, less generous unemployment benefits and lower job security.

Like Berggren, Auer and Riegler (1990) conclude that accelerated change in production concepts in the Swedish car industry in the 1980s was caused by an interplay of factors: social and labour market conditions favourable to workers and unions, high union density, the prevalence of union workplace organization, changing product demand, and the adoption of decentralization strategies by employers. In the course of the 1980s, employers increasingly considered Fordist and

Taylorist concepts ineffective. Growing dependence on workers' motivation, stability and competence, and the strength of Swedish unions, especially in tight labour markets, combined to promote change in the Swedish car industry.

In the 1970s the unions feared that the experiments initiated by employers could fragment and individualize co-determination at plant level (Auer and Riegler 1990: 20). The views of the employers gradually prevailed, even if union demands for participation at all levels of co-determination were met by the 1982 UVA. With little alternative but to accept employer-initiated change, the unions directed their energies towards exercising as much control as possible over the process of change. The strategy proved successful, particularly where unions were strong and had cooperative relations with management. At Volvo – in contrast to Saab – management gave very high priority to close, long-term cooperation with the unions: it was no accident that the first UVA at enterprise level was concluded at Volvo. According to Berggren (1990: 422), it was the specific combination of top management 'philosophy', cooperative labour-management relations, and the 'open' technological culture of the enterprise, as well as the social and labour market conditions in Sweden, that made the Uddevalla concept possible.

However, this complexity of causal factors means that Uddevalla may well prove an isolated experiment (Berggren 1990: ch. 19). Indeed, while important changes of work organization have been made in Volvo plants such as Olofström, Borås (buses) and Tuve/Gothenburg (lorries), as well as at the Saab-Scania plant in Katrineholm (buses), the highly traditional Volvo factory in Gothenburg still dominates Swedish car production. The recent impact of the recession on the General Motors-dominated Saab Automobile, as in the closure of the new Saab car plant in Malmö and the return to traditional production methods in Saab Trollhättan, indicates the vulnerability of the experiments in the Swedish motor industry (Svensson and Svensson 1991: 141–59). Changing economic and political circumstances may therefore bring further setbacks in the future.

### **Efforts of Employers and Unions to Integrate Work Organization and Pay Determination**

Despite recent setbacks, leading employers seem prepared to continue and even intensify their efforts to transform work organization and not least to decentralize and individualize pay determination. So-called employee agreements (*medarbetaravtal*) with harmonized conditions for manual and white-collar employees were recently introduced at ABB Service and ABB Atom (the latter only for manual workers but with conditions similar to white-collar workers). These are subsidiaries of the largest 'Swedish' enterprise, the product of the merger between the Swedish transnational ASEA and the Swiss company Brown Boveri. One indication of ABB's prominent position in Swedish industrial rela-

tions is that the managing director of its Swedish operations is president of VF, while company representatives have headed SAF in the past. The conclusion of employee agreements at ABB complements another company-initiated project which introduced 'self-governing groups' as a way of drastically reducing delivery times (*SAF-tidningen*, 34 1991; Steen 1991: 45–61). At ABB Distribution the groups are responsible for the whole cycle of operations, from orders to delivery. The new system currently in operation in about half of ABB's 130 Swedish subsidiaries means more varied jobs, increased responsibility, fewer supervisors, and greater cooperation between manual and white-collar workers. A second objective is to develop a model of 'employee agreements' (starting with the agreement at ABB Service) and to expand their coverage, probably also to other enterprises in the engineering industry.

LO has accepted in principle the introduction of flexible, individualized wage systems among manual workers as a means of encouraging workers to enlarge their skills and open the way for more integrated and varied jobs (LO 1991). But the unions wish to relate wages exclusively to systematic job evaluation, and reject the 'subjective' appraisal of individual qualities which would turn pay into an instrument of managerial control. 'Individualized wage development' to promote the development of jobs is preferred to 'individualized wage setting' that creates or maintains job hierarchies (see below). Thus rival principles of pay determination are a potential source of conflict between unions and employers. However, the practical distinction between the concepts appears ambiguous. Unions are also worried that the introduction of employee agreements at enterprise and workplace levels on relatively easy terms may be part of VF (and SAF) strategy to decentralize collective bargaining completely: if agreements at higher levels appear unnecessary to local unions, the position of union confederations and national unions would be seriously weakened. In the current, introductory, phase of employee agreements, tensions have already arisen between Metall and its workplace club at ABB Atom, with the national union complaining that the local agreement incorporates elements of the white-collar workers' contract that are inferior to those of the national metalworkers' contract (*LO-tidningen*, 43–4, 45–6, 1991). The solution to this dilemma proposed by the president of Metall is the conclusion of common national manual and white-collar agreements, to be followed up by local agreements (*Metallarbetaren*, 44–5, 1991).

The accelerated integration of pay determination and work organization over the last few years is likely to lead to a shift in power within unions from national wage negotiators to workplace organizations. The latter will acquire more multi-dimensional or integrated tasks, at both company and workplace levels (cf. Torsten Björkman in *SAF-tidningen*, 36, 1991). Whether or not this process will create fragmented 'company unions' will depend on how successful the national unions are in coordinating and supporting the development of local union expertise to meet the new demands. On 'production issues' the task will be facilitated by

the experience and knowledge gained as a result of the legislation on co-determination, and from local projects on improving work organization and the working environment (Sandberg 1984; Levie and Sandberg 1991; Sandberg et al. 1992). Furthermore, the national unions, especially Metall, have given these issues a considerably higher priority than before. In contrast to the 1970s, the main emphasis is on the content of working life, not on procedures of co-determination (cf. Sandberg et al. 1992): significantly, the first major report of Metall on reforming work organization was called 'Good Work' (*Det goda arbetet*, 1985, partly translated into English as *Rewarding Work*), and it outlined a strategy for the 'Development of Work' on the basis of group-based work organization, integral job training, and the encouragement of job enlargement through payment systems.

The 1989 Metall report 'Solidaristic Work Policy for Good Jobs' (*Solidarisk arbetspolitik för det goda arbetet*) further elaborates the connection between work organization and wage issues. Squeezed between the dismantling of centralized bargaining and employers' efforts to transform pay into an instrument of management, LO unions have to find a new formula of (solidaristic) wage policy; a new union strategy is necessary not only because of the growing problems of traditional solidaristic wage policy but also because of the efforts of employers to individualize wages. At a time of increasing wage differentiation, the union concept of solidarity is reformulated to cover 'production' as well as 'distribution' issues. The new formula is a combined policy on pay and work organization aimed at creating 'Good Jobs'. Through continuous training and a gradual expansion of tasks, the individual worker will benefit from enlarged job content as well as economic rewards. Thus pay differentials are to be used as incentives to encourage workers to climb a skills 'ladder', developing their competence in the performance of an increasing number of tasks within a more flexible and democratic work organization. Work groups in which tasks are horizontally and vertically integrated are recommended as a way of achieving 'rewarding jobs' (cf. Mahon 1991: 306–11).

LO strategy is to move away from the current polarization between a relatively small proportion of stimulating jobs and a growing number of monotonous and physically stressful jobs, often occupied by women, which are associated with high labour turnover and other employment problems. This polarization partly reflected the social-democratic policy of the 'third way' which, in particular through the large devaluations at the beginning of the decade, tended to decrease the pressures for transforming the structure of Swedish industry; but it was also a consequence of the decline of 'basic industries' (pulp and paper, mining) and the expansion of the 'industries of the future' (electronics, transport equipment, pharmaceuticals) with a low proportion of skilled manual jobs and a high proportion of less-skilled manual jobs and of qualified white-collar employment.



There are obvious difficulties in applying the union concept of good jobs. Even at the Volvo Tuve/Gothenburg plant, used as an illustration by the LO inquiry on 'Democracy and Influence', most workers never have the chance to develop their skills. They remain at the bottom of the skills ladder, whose rungs tend to operate as static units rather than offering a gradual enrichment of jobs (LO 1990a). Another problem, emerging at Alfa Laval in Lund, where job enrichment has been widely achieved, is that local pay determination tends to be monopolized by management. Pay rises that result from individual task enlargement are regarded by management as part of wage drift, removing the scope for wage negotiations at workplace level. A third problem, also evident at Alfa Laval, reflects the almost complete separation in Sweden of manual and white-collar workers into different national unions and union confederations. At the Alfa Laval plants in Lund, the dominant white-collar union, SIF, has resisted further development of work groups through fear of losing additional jobs to the manual metalworkers; but the interests of skilled manual workers might also be threatened by the introduction of democratic work organization. Finally, job enlargement is often limited to the use of 'multi-skilled' workers to attain greater flexibility within the framework of a work organization that is otherwise little changed (Mahon 1991: 305).

Powerful white-collar unions assist white-collar workers to resist the equalization of their conditions with manual workers. Elvander (1991b: 235-6, 239) argues that single-status agreements are less common in Sweden than in Britain because white-collar unions are stronger in Sweden.

The 1991 LO congress signalled a major reorientation in its priorities by adopting the 'Good Jobs' notion with the approval of the report 'Developing Work' (*Det utvecklande arbetet*), prepared under the guidance of the president of Metall. LO's attention now turned to pay determination and production issues at the workplace. Its objective was to integrate the two sets of issues, negotiating at the workplace on the quality and content of jobs, as a way of overcoming the quantitative bias of local pay determination (Metall 1992: 5). Both LO and TCO unions are today energetically attempting to develop appropriate forms of workplace union activities going beyond traditional negotiations on wages (cf. Utbult 1991). The employers' decentralization strategy and declining union density have led unions to stress workplace issues 'close to everyday life' and to the expressed wishes of the members. The pressure for change is reinforced by the changing attitudes of young workers and by a higher level of education. Only a minority of manual workers today rate 'economic equality' higher than 'personal liberty', considerably fewer than a decade ago (LO 1991b); while a growing proportion of both manual and white-collar workers emphasize the importance of jobs that promote personal development.

To some extent, workers, unions and employers have a common interest in creating 'good jobs'. On this basis, Brulin and Nilsson (1991a;

1991b) have proposed a new 'Swedish model' and 'historic compromise', based on decentralized industrial relations (a concession to employers) and guaranteeing union influence on work organization and local pay determination. They argue that such a model would promote economic growth (a common interest of the parties). To prevent increasing wage differentials and fragmented wage systems, Brulin and Nilsson recommend that the unions 'develop job classification systems, job evaluation systems and overall wage statistics' (1991b: 344). The proposal is very close to the policy adopted by LO on workplace industrial relations. However, LO still hopes to retain the centralized aspect of collective bargaining. Given employers' resistance, their efforts are likely to be unsuccessful, at least in preserving the old combination of centralization and decentralization.

Apart from the conflicting policies of LO and SAF on the issue of central negotiations, current Swedish industrial relations display cooperation rather than confrontation although with indications of a hardening of the climate (see Conclusions below). The 1982 UVA marked a new era of cooperation but with the employers holding the strategic initiative. The concept of solidaristic work, extending the notion of solidarity from pay to work organization, may be seen as the unions' strategic response. As argued above, however, the implementation of this policy would have potentially explosive consequences for issues of local pay determination and trade union structure, both as regards the distinction between manual and white-collar unions and between local and central levels. Above all, there are obstacles to making 'good jobs' accessible to all workers. If the polarization of jobs between and within workplaces continues, and the differentiation of wages increases, then the reformulated concept of solidarity will lose its substance.

## Conclusions

In recent decades, the Swedish model of industrial relations has undergone profound change. First, private sector employers, headed by the big transnational engineering firms that dominate the Swedish economy, lost confidence in the centralized bargaining system following the abortive 1980 lockout, and have pursued a strategy of decentralization. They have succeeded in seizing the industrial relations initiative in the 1980s and 1990s. On co-determination, a compromise was reached, largely on the employers' terms, in the Development Agreement of 1982, acknowledging demands for flexibility and decentralization. At the workplace, management took the lead in integrating production and wage issues. This process has been facilitated by a general consensus on the need to increase productivity and change work organization. At national level, despite inevitable differences of perspective, the unions have accepted a greater spread of wages provided that individual workers are given the chance to develop their jobs and perform increasingly complex tasks.

'Solidaristic work policy' is replacing 'solidaristic wage policy' as the unions' slogan. At local level, changes in work organization, including such post-Fordist experiments as that at the Volvo Uddevalla plant, have been made possible by the survival, and in some cases the strengthening, of cooperative relations between unions and management at the workplace.

Employers' decentralization strategy proved problematic, however, exacerbating competitive pay bargaining in a system already complicated by conflicting interests among different groups of workers. As a result, employers have tended to oscillate between decentralized and centralized negotiating strategies; while at a decentralized level they have been concerned to increase the scope for management action.

Second, in the face of the disintegration of the established model of industrial relations since the 1980s, the state has increasingly intervened, pursuing two contrasting avenues. One approach, exemplified by the Rehnberg Commission in the last years of the social-democratic government, was to intervene directly in the increasingly fragmented and complex collective bargaining arena in an attempt to restore coordinated bargaining under state auspices, using more or less coercive measures to moderate pay increases in line with the strategy of the 'third way'. While state involvement in the 1980s represented a centralizing counterweight to the pressures of decentralization, more recently state intervention has followed a second avenue, abetting the decentralizing tendencies. Encouraged by SAF, the current bourgeois government has taken up earlier social-democratic proposals and extended them into what might be characterized as a general labour law offensive aimed at circumscribing union power, particularly through the regulation of industrial conflict at the workplace. Although the frequency of illegal strikes since the 1980s has been somewhat lower than in the 1970s, it is considerably higher than before 1970, and the mere prospect of such action may be a powerful incentive for employers to offer concessions to workplace unions. The old formula of centralized self-regulation no longer appears applicable, and the bourgeois government is to introduce massive increases in fines for illegal strikes. It is also planning such measures as compulsory industry-level mediation and pre-strike ballots to control legal conflicts. Legislative intervention is therefore directed at regulating the decentralized relationships that employer strategies have encouraged to develop.

Compared with the 1970s, therefore, the object of state regulation has shifted. Legislation introduced in that decade, in such areas as co-determination and job security, responded to union demands for restrictions on the power of employers with respect to production issues. This agenda has been replaced by employer demands for the weakening of the role of unions: at the political level, at the workplace, and in pay determination in general. In both phases, the traditional emphasis on cooperation and agreement through centralized self-regulation has been abandoned in favour of legislation.

These changes have intensified the challenges facing the unions. Their strength traditionally derived from the combination of high density, very low unemployment, and the absence of rival channels of workplace representation. In recent decades, the cohesion of the labour movement has been weakened and the union system increasingly fragmented by the emergence of new conflicts between different groups of workers – manual and white-collar, public and private. More recently, unemployment has risen sharply to nearer the average of other European OECD countries. Moreover, decentralization has upset the traditional balance of power between different union levels. The 1980 conflict marked the end of the centralized LO-SAF axis, and power has subsequently shifted from the confederations (and bargaining cartels) – additionally weakened by the dilution of corporatist arrangements – to the national unions and their workplace organizations. Other recent developments, such as the efforts of employers to harmonize conditions of white-collar and manual staff through ‘employee agreements’, are likely to accelerate the shift in union power to the workplace and to exacerbate tensions between different levels of the union hierarchy. Strains between manual and white-collar workers are also felt at this level: for example, the existence of separate manual and white-collar unions – each organizing an overwhelming majority of its respective groups of workers – is likely to inhibit the harmonization of working conditions in companies. The expansion of employee agreements will make more urgent the issue of mergers between manual and white-collar unions.

Increasingly, therefore, there is strong evidence that the model will not be able to survive, and indeed one may question whether it any longer exists even today. The expansion of legislative regulation looks like consigning centralized self-regulation – along with other salient features of the classic ‘Swedish model’ – to the past. Even were the current political conjuncture to give way to one more favourable to the social democrats, it seems unlikely that the political agenda would be radically revised since it is a manifestation of more profound, longer-term processes of structural change and decentralization that are not going to be reversed.

## Notes

- <sup>1</sup> I would like to thank the authors of the other ‘Nordic’ chapters, Steen Scheuer, Kari Lilja, Jon Erik Dølvik and Dag Stokland, for their valuable comments on a draft of the section on ‘The “Nordic Model” of Industrial Relations’. The chapter was written in the course of a research project on ‘Trade unions and members in the 1990s’, financed by the Swedish Work Environment Fund.
- <sup>2</sup> Calculations from SCB wage statistics, obtained from Lena Johansson, SCB Stockholm 1991, and *Preliminär nationalbudget 1991*.
- <sup>3</sup> Information from Lena Östman, VF, 1991.

## Abbreviations

AMS	<i>Arbetsmarknadstyrelsen</i> – Labour Market Board
CF	<i>Civilingenjörskörbundet</i> - Swedish Association of Graduate Engineers
DOI	<i>Demokrati- och inflytandeutredningen</i> – Commission of Democracy and Influence LO
HTF	<i>Handelsjänstemannaförbundet</i> - Union of Commercial Salaried Employees
Kommunal	<i>Svenska Kommunalarbetareförbundet (SKAF)</i> – Swedish Municipal Workers' Union
KTK	<i>Kommunaltjänstemannakartellen</i> – Federation of Salaried Local Government Employees (bargaining cartel of TCO municipal unions)
LO	<i>Landsorganisationen</i> – Swedish Federation of Trade Unions
MBA-KL	<i>Medbestämmandeavtalet för kommuner och landsting</i> – Co-determination Agreement for Municipalities and County Councils
MBA-S	<i>Medbestämmandeavtalet för statliga sektorn</i> – Co-determination Agreement for State sector
MBL	<i>Medbestämmandelagen</i> – Act on Co-determination at Work
Metall	<i>Svenska Metallindustriarbetareförbundet</i> – Swedish Metalworkers' Union
PTK	<i>Privattjänstemannakartellen</i> – Federation of Salaried Employees in Industry & Services
SACO	<i>Centralorganisationen SACO (Sveriges Akademikers Centralorganisation)</i> – Swedish Confederation of Professional Associations
SACO-K	<i>SACOs kommunala förhandlingskartell</i> – SACO Section for Salaried Local Government Employees
SACO-S	<i>SACOs statliga förhandlingskartell</i> – SACO Section for State Employees
SAF	<i>Svenska Arbetsgivareföreningen</i> – Swedish Employers' Confederation
SALF	<i>Sveriges Arbetsledareförbundet</i> – Swedish Union of Clerical and Technical Employees
SAP	<i>Sveriges Socialdemokratiska Arbetareparti</i> – Swedish Social-Democratic Party
SAV	<i>Statens Avtalsverk</i> – National Collective Bargaining Office
SF	<i>Statsanställdas förbund</i> – Swedish State Employees' Union (founded in 1970 by amalgamations of LO state sector unions)
SIF	<i>Svenska Industrijänstemannaförbundet</i> – Swedish Union of Clerical and Technical Employees
ST	<i>Statstjänstemannaförbundet</i> – Federation of Civil Servants
TCO	<i>Tjänstemännens Centralorganisation</i> – Central Organization of Salaried Employees
TCO-OF	<i>TCOs förhandlingsråd för offentliganställda</i> – Negotiating Council of TCO for Public Employees
TCO-S	TCO Section for State Employees
UVA	<i>Utvecklingsavtalet</i> – Development Agreement
VF	<i>Verkstadsföreningen</i> – Swedish Engineering Employers' Association; from 1992: <i>Sveriges Verkstadsindustrier</i> – Association of Swedish Engineering Industries

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Note: A list of abbreviations is found at the end of each chapter

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