Why no wage solidarity writ large?
Swedish trade unionism under conditions of European crisis

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1. Introduction

Hopes that the global financial crisis would call time on the neoliberal era and prepare the ground for an alternative socio-economic paradigm have come to naught. This is not least the case in Europe, where the euro-zone crisis has engendered, in the words of former Commission President Manuel Barroso, a ‘silent revolution’ of further market deepening through policies of privatisation and austerity (Ryner 2015). The reasons for this are not primarily intellectual in a narrow sense. Credible analyses and critiques abound of the fallacies and costs of neoliberal euro-zone crisis management and alternatives have been articulated. These have been based on rationales and prescriptions close to those traditionally associated with European trade unions, within the framework of which functional and individual income equality and aggregate demand expansion would reinforce one another, with a significant role for the public sector and solidaristic wage policy. Such a policy-package is now supposed to work on a continental scale, in a vision in which the idea of a progressive ‘social Europe’ is realised (for example, Lavoie and Stockhammer 2013; Stockhammer, Durand and List 2016). The problems reside rather in the difficulties of mobilising coherent overarching European agency, in a terrain – as charted in this book – of variegated industrial relations systems, embedded in national and regional economies in which the impacts of the crisis have been uneven and asymmetrical (Jäger and Springler 2015).

This problem is illustrated not least by the case of the Swedish trade unions, which on the face of it still enjoy considerable power resources, have a long and relatively successful history of realising at the national level the sort of policies that heterodox economists are now advocating at the European level, and which for that matter make frequent appeals to international solidarity. Advocacy of a solidaristic wage policy *writ large* – that is, similar heterodox policies on the larger European scale (for example, Schulten 2002) – is rare and controversial in Sweden. Swedish responses to the crisis tend to exemplify national competitive corporatism and its entrenchment in Swedish trade unionism. Hence, in the search for a way out of the collective action problems of European trade unionism, the Swedish case is symptomatic of the problem rather than the solution.

We explain why this is the case through the following three sections of this chapter. Section 2 accounts for the transition to competitive corporatism in Sweden as well as its perceived vindication and attendant consolidation during the global financial and Eurozone crisis. It is demonstrated that Swedish trade unionism and industrial relations have been characterised by continuity since 2008. The formative
transformations from the post-Keynesian Rehn-Meidner model rather took place in the latter part of the 1980s and the first half of the 1990s, in the course of the build-up of another asset-price bubble that resulted in the so-called Nordic banking crisis. Section 3 explains this phenomenon with reference to power resource theory. It is argued that, although trade union relational power resources, especially institutional and to some extent discursive ones, remain comparatively plentiful in Sweden, loss of structural power has reshaped hegemonic preferences among Swedish trade unions. These preferences have been adjusted to what is seen to be the increasingly uncompromising imperatives of the Swedish export sector, which at the same time remains capable of integrating the interests of large segments of Sweden’s organised labour. The changed stance and leadership of the Swedish metalworkers’ union is central in this regard. At the same time, Swedish trade unionism is not monolithic and there are important counter-currents to metalworker-led competitive corporatism. Some of these advocate more post-Keynesian solutions but others a purer form of neoliberalism. There are very few signs, however, that these are generating alternative sources to European agency. To understand this, it is important to appreciate the powerful enduring welfare-nationalist discourse that continues to shape Swedish civil society, not the least on the left. These dynamics are explored in section 4 of the chapter.

2. Competitive corporatism vindicated?

Swedish wage bargaining in the 1950s and 1960s was dominated by the major trade union confederation LO’s wage policy concept, the Rehn-Meidner model, named after two LO economists. This model was in many respects impeccably post-Keynesian. The success of the Rehn-Meidner model was both a consequence and a cause of the comparatively plentiful power resources of the Swedish labour movement. It was a consequence, because high union density rates and a social democratic ‘natural party of government’ generated its political conditions. It was a cause, because the institutional configuration of the Swedish welfare state, of which it was the pivot, served to reproduce and cumulatively enforce these power resources (Himmelstrand et al. 1981; Korpi 1983; Esping-Andersen 1985; 1990; Higgins 1985).

Wage bargaining was centralised to the confederation level in 1954 on the initiative of the employers, who, in the wake of the Korean War, wanted to contain inflation. However, soon the initiative within the centralised system passed to the trade unions (Fulcher 1991: chapter 8). With full employment, a friendly Social Democratic government and high union density rates with a large degree of intra-union ideological cohesion, a very ambitious wage policy programme was possible. The Rehn-Meidner model articulated solidaristic wage bargaining to, among other things, macroeconomic, labour market and social policy in a successful social democratic project (Ryner 2002: 55-98). The state pursued full employment policies, which strengthened the negotiating power of unions. Unions used that power to exert a profit squeeze and functional income redistribution from capital to labour (see
By deploying the principle ‘equal pay for equal work’, solidaristic wage policy also reproduced trade union unity by equalising wages within the working class, as the link between the marginal productivity of particular sectors and enterprises and their wage setting was severed. This exerted transformation pressure, whereby vanguard high value added sectors were favoured.

The profit squeeze, then, served redistribution objectives, while facilitating capital accumulation of a particular sort. Here, boosting general effective aggregate demand through full employment policy, an increased wage share, wage equalisation and public investments were central. At the same time, concern over union fragmentation because of wage drift incentivised union strategy to prevent the development of excessive demand. In particular, there was a concern that if profit rates became too large because of excessively expansionary macromacroeconomic policy bottlenecks would be generated that would make some firms offer wages over the going rate, which would counter wage equalisation, reduce transformation pressure and fragment the collective power of trade unions, while lower productivity growth would reduce the policy space for fortuitous compromises with employers.

Selective labour market policy played a crucial role in the overall policy mix, as did a whole plethora of capital controls and selective incentives intended to increase the marginal propensity to invest and hence to ensure adequate supplies of labour and capital, despite low profit rates (for example, Hedborg and Meidner 1984; Pontusson 1992). Tax policy was also a key part of this policy mix. High corporate taxes were important both for redistributive purposes, to contain high profits in firms that gained from solidaristic wage policy, and to generate revenue. Corporate tax was quite high in the 1950s and 1960s, fluctuating between 45 and 57 per cent; it stayed high in the 1970s and 1980s, before some important tax cuts between 1988 and 1994. Between these years, the typical corporate tax paid was cut from 57 to 28 per cent (Henrekson and Stenkula 2015 dataset, Figure 3.1). In the course of developments, a large public service sector emerged as consequence and instrument for the decommodification of labour and as a source of employment (Esping-Andersen 1990). Together, these measures formed a comprehensive ensemble of policies that countered what Kalecki (1943) had identified as the generic social and political drivers towards unemployment and underconsumption in capitalism (Ryner 1999; 2002).

One crucial thing to note in the Swedish case was the extent to which the distribution between capital and labour at the macroeconomic level was a direct object of negotiation and trade union strategy in the Rehn-Meidner model. In other words, the macroeconomic

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1 This interpretation goes against the very influential interpretation of western European corporatism in the post-war period as beneficial for economic performance through the channel of wage moderation, an interpretation associated with analyses by Katzenstein (1985), Eichengreen (2007) and others. The more recent and comprehensive empirical investigations of wages and wage shares by Bengtsson (2014, 2015) contradict this interpretation. In particular, Bengtsson (2015) studies wage policy in Denmark, Norway and Sweden since 1950 and shows that of the three, Sweden was the country with the most pro-active wage policy in the post-war period, and, conversely, with the most rapid turnaround in favour of capital incomes in the 1980s.

2 Overall, taxation moved similarly, with the tax-to-GDP-ratio increasing from 20 per cent in 1950 to 27 per cent in 1960, 37 per cent in 1970, 46 per cent in 1980 and 51 per cent in 1990 before starting to decrease during the neoliberal re-evaluations of the 1990s. In 2015, the tax-to-GDP ratio was 44 per cent (Henrekson and Stenkula 2015 dataset, Fig. 1.2.).
‘corridor’ for wage increases was the result of direct negotiations between workers and employees at the confederate level. In other words, the Rehn-Meidner model was directly applied by LO’s Secretariat, Representative Council and ‘Small Delegation’ in bargaining with employers, while informing macroeconomic policy through the union–party links (Meidner 1973; Kugelberg 1985). This is in contrast with the more indirect application of solidaristic wage policy in the German case, where convoy bargaining at the sectoral level was central to ‘expansive wage policy’ and squeezed aggregate profit shares by ensuring that the high-profit sectors and regions become wage-leaders as they settled their agreements first (Gourevitch et al. 1984; Swenson 1989).

First of all, the reason why the idea of a European solidaristic wage policy has so little traction in Sweden is in part because it no longer applies at the national level either. The main changes in the collective bargaining system took place during the asset-price bubble that developed after the liberalisation of capital markets in the late 1980s and above all in the aftermath of the ensuing crash – the so-called Nordic banking crisis in the early 1990s. This crisis led to severe drops in GDP from 1992 to 1994 and a very dramatic increase in unemployment, from the typical levels of 2–3 per cent before the crisis since the 1950s to typical levels around 7–9 per cent after the crisis. In the wake of this economic crisis, economic policy as well as wage policy were fundamentally reformed (see Lindvall 2006). Before the crisis, the asset-price liberalisation reforms in 1985 generated exactly the sort of wage-drift/leap-frog bargaining and union fragmentation that the Rehn-Meidner model warned would be the result of excessive aggregate demand stimulus and overheating when combined with attempts at wage restraint through incomes policy (Ryner 1994; Elvander 1988; Ahlén 1989).

Fragmentary tendencies had emerged already in the 1970s, after public sector employees acquired the right to bargain in 1965 and public sector unions became significant in
the union movement. But these developments assumed different proportions and generated qualitative changes in the course of the development of the 1980s bubble. Employers had succeeded in using the increasing fragmentary tendencies during the build-up of the bubble in the 1980s to drive a wedge between unions and break up corporatist forms of collective bargaining, in favour of the sectoral – or for them, even better – the firm level. The departure of the metalworkers and their counterpart Verkstadsföreningen from the centralised system, having become dissatisfied with its inflexibility on local wage formation, marked the starting point (Ahlén 1989). Fifteen tumultuous years followed, with switches between sectoral bargaining and attempts at recentralisation, characterised by high inflation and little improvement in real wages. (As we see in Figure 1, the increase in the capital share during the neoliberal epoch is concentrated to the years 1981–86 and 1992–95.) LO conceived this as a particularly insidious version of a wage-drift dynamic as all instruments for preventing overheating, apart from generating unemployment, were being dismantled (LO 1986). And indeed, the full employment policy that had been in place since Ernst Wigforss’ first Keynesian budget in 1932 was abandoned in 1990 as a result of inflationary pressures, interpreted as grounds for rejecting Keynesianism and turning to Monetarism with price stability as the overarching goal of monetary policy (Lindvall 2006). After the asset-price bubble burst, this was followed by substantial welfare state retrenchment in response to rapidly deteriorating fiscal balances.

It was against this backdrop that trade unions not only acquiesced, but played a leading part in accepting competitive corporatism as the lesser of possible evils and in order to attempt to influence its particular form. Because of cycles of wage drift and leapfrog bargaining, wage determination had become increasingly inflationary through the 1970s to the 1990s. This threatened the traditional organisational autonomy of unions and employers’ organisations as state official state mediation became increasingly prevalent (culminating in the so-called Rehnberg Commission). State-led mediation lowered nominal wages and inflation in 1994 and 1995. Against this pressure, the tripartite committee ‘Edin Group’ chaired by LO’s chief economist agreed on the so-called ‘Europe norm’ whereby it was agreed that profit rates were no longer something that could be squeezed as per the Rehn-Meidner model. Rather, the corridor of possible wage increases was seen as exogenously defined by the overall rate of inflation in the EU plus Sweden’s rate of long term productivity growth. It was accepted that any attempt to challenge this corridor would result in central bank intervention that would increase unemployment.

The ‘Europe norm’ provided the basis for the 1996 Industry Agreement (Industriavtalet, or IA) – a common agreement for all bargaining units in industry – and within LO through the so-called LISA project (Danielsson Öberg and Öberg 2015; Andersen et al. 2015: 147). The IA wage-setting order is that the IA is closed first in each bargaining round and all other agreements follow the IA norm with regard to the size of wage increases in percentage terms. Hence, the LO Secretariat coordinated wage bargaining and distribution within the wage earner collective on the basis of what the ‘Europe norm’ allowed (Lindberg and Ryner 2010; Ryner 2013). Thereby, corporatist collective bargaining was retained in a more informal and sectoral form, but – and quite in line with European developments at the time – with a decided shift towards supply-side
oriented competitive corporatism (Bieling and Schulten 2003; Schulten and Ryner 2003). While some elements of the Rehn-Meidner model were retained and even became a reference point for Lisbon Agenda best practice – such as selective labour market policy – their effect was completely recast when parted from post-Keynesian commitments such as full employment as a macroeconomic commitment and functional income redistribution as a collective bargaining objective.

This development towards competitive corporatism where profit and price levels are treated as exogenous in looser sectoral coordination has often been described as a Germanisation of the Swedish industrial relations. This is true with a qualification. The traditional German convoy model was much more geared towards maximising the wage share than this new Swedish system. Whereas the identification of wage-corridors at the macroeconomic level as referents for bargaining had been a comparative strength of the Rehn-Meidner model, in the new situation it became an effective tool for wage restraint.

It was against this backdrop that Swedish trade union practices and industrial relations endured through the financial crisis and the Great Recession, and indeed played their part in crisis management. The recession was deep but short in Sweden, with a contraction of –0.7 per cent of GDP in 2008 and –5.1 per cent in 2009. However, already by 2010 output rebounded with 5.7 per cent growth in 2010 and 2.7 per cent in 2011. Since then, growth has not been spectacular but steady at an average annual rate of 1.6 per cent (OECD 2015: Annex Table 1). With little exposure in US subprime markets, the crisis was transmitted to Sweden indirectly after the collapse of Lehman Brothers through rising funding costs, declining asset prices and the stalling of world trade. In addition, the crisis revealed exposure of Swedish banks to toxic assets in the Baltic states.

Nevertheless, recovery in Sweden’s main export markets helped end the recession fairly quickly, together with relatively robustly enduring domestic demand, and rather aggressive, but short-run, expansionary fiscal and monetary policy. According to the OECD, the accumulation of budget surpluses before the crisis had put Sweden in a good position to let the automatic stabilisers do their job and discretionary fiscal stimulus (tax cuts) work ‘without incurring any reputational costs’ (OECD 2011: 18). But above all, monetary policy in the form of aggressive interest rate cuts (larger than those in the United States and the euro area) and a range of unconventional monetary policies3 played a crucial role. The collective bargaining system played its role here by containing headline inflation pressures as the 2010 wage round delivered ‘moderate wage pressures ... and well anchored long term inflation expectations’ (OECD 2011: 23). Indeed this has

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3 These included longer terms credit facilities by the Central Bank to commercial banks, a credit facility to non-financial companies in exchange for commercial papers as collateral, reduced collateral requirements, extension of eligible counterparts, swap agreements with the US Federal Reserve and the ECB, longer term credit facilities denominated in US dollars, special liquidity assistance, strengthening of foreign exchange reserves, and the issuance of Central Bank debt certificates. Measures taken by other government bodies than the Central Bank included increased deposit guarantees, bank guarantee and capital infusion programmes, a stabilisation fund for the financial system, the issuance of Treasury Bills, and special financial support for small business and exporters through ALMI (a government owned financing and business development agency). Most of these measures were temporary, or phased as demand waned with the recovery (OECD, 2011: 41-42).
been delivered with such vigour that for the past couple of years, there has been fear of
deflation, and in February 2015 the interest rate entered negative territory, at a level of
–0.10 per cent; at the time of writing, the interest rate is –0.50 per cent.

Hence, the Swedish case conforms quite well with the ideal type of a nationally oriented
competitive corporatism, which has been rather passive or unreceptive to calls for
more coordinated and heterodox Europe-wide measures. This has material reasons.
To be sure, developments in Sweden are far from ideal for the trade union movement.
Unemployment rates are stuck at historically high levels of about 8 per cent, wage
shares have fallen and rates of poverty and inequality have increased (albeit from low
base-levels). Anaemic growth rates, despite negative interest rates, and a ballooning
asset bubble suggest a dysfunctional financial market. Ironically, the nature of these
dysfunctions is accounted for with great eloquence by one of the main architects of
the 1985 deregulations (Franzén 2014). Nevertheless, there is a clear belief that the
current arrangements are the best within the limits of the possible and the rather quick
recovery from the financial crisis is seen as vindicating this. The current system is
compared favourably with the inflationary 1970s and 1980s, which was characterised
by trade union fragmentation and decomposition and a lack of real wage growth.
By contrast real wages have increased in aggregate terms since the inception of
competitive corporatism between 1995 and 2008. It should also be pointed out that
recent research suggests that there is a positive feedback loop between exports and
domestic consumption in the Swedish growth model that is not present, for instance,
in the German one. Sweden, in contrast to Germany, has been successful in developing
significant high-end ICT-based service sector exports (including research and
development services, marketing, telecommunications, data, information services,
transport and intangible rights [patents and licences]), with significant multiplier and
accelerator effects on domestic employment and consumption (SCB 2015; Baccaro and
Pontusson 2016; Erixon 2015). In other words, despite increases in inequality and
unemployment, a large segment of Swedish workers are integrated in the growth model
through the labour market and many unions see benefits to the current system.

3. Competitive corporatism explained: weakening power
resources and structural change

The transformation of the industrial relations system and trade union strategy, from the
Rehn-Meidner model to competitive corporatism, is therefore reasonably interpreted
as a defensive retreat reflecting a weakening of the power of Swedish unions.

This is not, however, immediately obvious when we consult some of the conventional
indicators of power resources. According to power mobilisation theory, one crucial
indicator is union density rates. It is certainly the case that it has decreased in recent
years. However, it peaked as late as in the 1990s, and the current rate of about 69 per
cent (in 2015) is not only high in an international comparative perspective, but as high
as the average of 69 per cent during the 1960s and the ‘golden age’ or the Rehn-Meidner
model (Kjellberg 2016: 71–72.) The collective bargaining coverage rate tells a similar
and, if anything, an even more puzzling story. In 2013 it stood at 89 per cent, having
peaked at 94 per cent as late as 2005. By contrast, it was 75 per cent during the golden age of the 1960s, 78 per cent in 1970, 85 per cent in 1975, 88 per cent in 1980, 91 per cent in 1985 and 1990, and continued increasing throughout the 1990s and up to 2005 (ICTWSS 5.0).

Part of the reason for declining power despite these still rather favourable aggregate figures has to do with trade union composition, which has changed dramatically in recent decades. These changes have resulted in a diversity of preference, which makes it increasingly difficult to unite around a coherent policy concept such as that of the Rehn-Meidner model in the post-war period. A word of clarification is needed. In Sweden, the distinction between arbetare (blue-collar worker) and tjänsteman (white-collar worker) is fundamental in terms of collective agreements and trade union organisation. While up to and including the 1980s a vast majority of unionists were members of the Social Democratically-inflected blue-collar union confederation LO, today a majority of union members are in the white-collar confederation TCO or the professionals’ confederation SACO.

Today, the average white-collar employee is more likely to be a union member than the average blue-collar worker: unionisation was 74 per cent for the first group in 2015 and 63 per cent for the other (see Table 1). Equally important in this regard is the increased sectoral variation in union density. Generally, unionisation is higher in the public than in the private sector: 81 and 64 per cent, respectively in 2015 (Kjellberg 2016: 12). Furthermore, as we see in Table 1, differences are large within the private sector. In manufacturing, 76 per cent of blue-collar employees are union members, but from there the rate declines to 65 per cent in construction and only 51 per cent in private services. The divergence between sectors is not entirely new but became much more pronounced after the unemployment insurance was reformed in 2006. Since unemployment insurance is administered by unions (the Ghent system), when the centre-right government of 2006–2014 made it more expensive to be a member of the insurance scheme and differentiated fees according to union-specific unemployment, membership in unions with high fees and high unemployment dropped significantly (Kjellberg 2016: 32–53). Among white-collar workers, from 2006 to 2015 union density decreased by only 3 percentage points, from 77 to 74 per cent. Among blue-collar workers, on the other hand, union density decreased by 14 percentage points, from 77 to 63 per cent. This strengthens the long-term trend of white-collar unions growing relative to the blue-collar union LO.

The large shift in the composition of unionists since the 1980s means that a certain level of union density – say, 70 per cent – does not mean the same thing today as it did in the 1960s, when unionists were much more homogeneous socially and ideologically. As Pontusson (2013) has pointed out, the social composition of unionists has important implication for the unions’ political preferences. Sweden is a good case in point.
But such an explanation of reduced power resources only takes us so far. Unity of purpose always had to be politically constructed and the very raison d’être of solidaristic wage policy and the Rehn-Meidner model was to provide institutional means for doing so. From that point of view, the growth of TCO- and SACO-organised white-collar workers is not a new phenomenon but rather became a salient reality as early as the 1960s. It is standard fare in comparative welfare state research based on power resource theory that welfare-state universalism, for which the Rehn-Meidner model was pivotal, was for a long time a rather effective institutional mechanism for integrating white-collar employees into the social democratic project and hence helping to constitute a social democratic ‘extended working class’ (Himmelstrand et al. 1981; Esping-Andersen 1985; 1990). Hence a more comprehensive explanation needs to address the question of the weakening institutional power of Swedish trade unions.

But here, too, the empirical evidence is far from straightforward. Institutional power resources are, on the face of it, those that have been the least weakened. While the centre-right government of 2006–2014, as already mentioned, made membership in unemployment insurance more expensive, thereby hurting union density among workers, they did not touch labour legislation. The major labour law reforms of the 1970s (MBL, LAS, FML) still basically stand: elected unionists have the right to do union work during paid working time, lay-offs should follow the last in-first out seniority principle, and so on. Regarding the right to secondary strikes and boycotts, employers are frustrated by what they perceive as too wide union freedom to start labour conflicts (Karlson and Lindberg 2009: 57). A report from an employer-friendly think tank has highlighted that a group of small or medium-sized unions are responsible for a large proportion of conflicts: the electricians, the dock workers, the Syndicalist Union, the construction workers, the painters’ union and the transport workers (Lindberg 2006).
Formally, the institutional power resources of the unions have not been dismantled; they have not been attacked head on. But of course institutional change need not be so obvious and drastic. In the language of Thelen (2009) we can distinguish between change through dismantling – the wholesale replacement of an institution with another – and change through erosion or dualisation. When it comes to the seniority principle for layoffs (included in the 1974 Law on Employment Protection), an exception has been made for companies with fewer than 10 employees (a reform in 2001, when the centre-right parties united with the Green Party). More importantly, the prevalence of short-term contracts has increased dramatically in the 2000s, thus rendering regulations applying only to full-time workers less influential. In 1997, employers got the right to hire up to five persons on fixed-term contracts without stating a specific reason. In 2007, employers were given the right to hire any number of people like this (Berglund and Esser 2014: 64). After two years, people on a fixed-term contract should get a permanent position, but if their status has changed during those two years (for example between two types of fixed-term contract), this does not apply. The share of employees on fixed-term contracts increased from 13 per cent in 1995 to 16 per cent in 2012 (Berglund and Esser 2014: 65). The Swedish labour market has seen significant dualisation since the crisis of the 1990s and even optimistic domestic observers of the ‘Swedish model’ view this development as a potential cause for further institutional disruption (Lundh 2002: 272, 278–79).

Thus, trade union institutional power has been weakened but in complex and uneven ways. The full extent of this can be sounded by considering it in conjunction with discursive power within the public policy arena of the state. When LO took the lead in the trade union response to the Nordic financial crisis in the 1990s and the austerity policy that followed and helped to establish the competitive corporatist settlement, it selectively targeted the institutional domains in which unions were discursively recognised as a serious actor (Ryner 2013). Attempts to change labour law and social services provision were forcefully and successfully resisted and though social insurance replacement rates were reduced, the reductions were limited because of effective trade union mobilisation. However, these objectives were achieved through a tactical retreat from policy domains in which the unions did not consider themselves strong enough to be recognised as a serious policy actor. Interestingly, and confirming arguments of depleted agenda-setting capabilities (Baccaro and Howell 2011), this included the domain of macroeconomic policy. Unions deliberately retreated from their critique of financial liberalisation and disciplinary neoliberal monetary policy in the 1980s, although their argument that this would cause an asset-price bubble and ultimately mass unemployment could be considered vindicated. Instead, the ‘Europe norm’ became the anchor through which LO sought – and to a large extent managed – to forge cohesion within the more heterogeneous wage-earner collective, as discussed above.

This reduction of agenda-setting power is significantly related to the crucial power resource that resides in the relationship between the unions and a hegemonic political party. This relationship has eroded significantly since the 1980s (for example, Ryner 1994). Beyond the policy domain, the discursive power of Swedish trade unions is not what it used to be in civil society at large. With a 69 per cent density rate, it is of course...
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still considerable. However, the ideological and intellectual influence of unions is less tangible than formerly. This is of course related to increased union heterogeneity, with many of the SACO unions being fairly well disposed towards conservative economic policy and more. But there is also a striking pattern of often rather unfavourable perceptions of unions. In the major Swedish opinion poll, the SOM poll carried out annually by political scientists at Gothenburg University, in 2013 only 27 per cent of respondents said that they had very large or large trust in unions; 41 per cent claimed to have neither a positive nor a negative view of unions, while 32 per cent said that they had little or very little trust in unions (Holmberg and Weibull 2014: 102). On balance, 5 per cent more said that they had an unfavourable view than a favourable. Media studies scholar Jesper Enbom (2009) has devoted a dissertation to the paradox that while the Swedish union movement is often considered one of the strongest in the world, in surveys back home it seems to have significant image problems. The image of selfish trade union bosses (fackpampar in Swedish) is a well-known cliché in Sweden, even though most employees are still members of unions.

However, the decisive power relationship that has changed is the increased structural power of the capital side (for example, Gill and Law 1989), in the form of Sweden’s increasingly transnationally mobile corporations. It was above all this reality that compelled unions to forge a common wage-bargaining concept anchored in the Europe-norm that by implication accepted increased profit rates as exogenously given (Ryner 2013). Hence, ultimately the drivers behind the transition from Swedish solidaristic wage policy to competitive corporatism reside in changes in Sweden’s nation-state based, relatively undiversified, export-oriented growth model. These changes have been particularly dramatic since the late 1980s and have rendered the aforementioned relational power resources increasingly ineffective and hence explain the more modest preferences of trade unions.

The Swedish practice informed by the Rehn-Meidner model depended on the facilitation and distribution of rents in a niche based export sector. Dominant positions and price-making privileges were developed in certain market segments in which Swedish multinational corporations were market leaders. These had developed out of vertical integration in industries with their origins in the second industrial revolution. Swedish companies were dominant in electrical and mechanical engineering, supplying other industries (for example, ASEA, Ericsson, AGA, SKF, Sandvik). Some Swedish companies developed distinct market positions in mass consumption industries (Volvo and Saab in automobiles in addition to trucks, Electrolux in household electronics and whiteware products, Tetra Pak in agricultural processing non-durable consumption and IKEA in flat-pack furniture). Over time, some developed their position by supplying direct public consumption (Ericsson in telecommunications and Pharmacia and Astra in pharmaceuticals). It is also important to appreciate that high value added raw materials and semi-processed materials (iron ore, steel, pulp and paper) continue to play an important role for Swedish exports. These corporations were connected to no more than three ‘financial spheres’ exerting strategic influence through cross-ownership and the supply of ‘patient capital’. This provided labour and the social democratic state with an amenable interlocutor in joint-coordinated bargaining (Ingham 1974; Mjøset et al. 1986; Ryner 2002: 67–72).
Superficially, it appears that Sweden’s export sector is characterised by continuity. Engineering products, automobiles, pharmaceuticals, semi-processed and raw materials (pulp and paper and iron and steel) produced by large corporations remain dominant, though the export of services has increased rapidly since 2000 and now makes up 30 per cent of total exports (SCB 2015). A total of 70 per cent of exports go to Europe, with Norway and Germany as the main markets; 11 per cent of exports go to Asia and 7 per cent to North America. However, there have been many changes since the 1960s. One of these is the transnationalisation of production of Swedish MNCs, which means that only 30 per cent of their employees are employed in Sweden. In engineering, the domestic share of employment and turnover are much lower (Tillväxtanalys 2015). But this is not the main challenge to the power resources of Swedish unions as they have been relatively successful in negotiating to retain high value added segments within the country.

The main challenge rather resides in changes in the financial structure with attendant effects on corporate governance, which have increased the required rate of return on capital. Financial liberalisation in the late 1980s caused a ‘big bang’, with a massive increase in turnover on capital markets. In addition, foreign ownership by institutional investors increased from 3 to 43 per cent by 2001, with UK and US investors being particularly active (Svensson 2001; Reiter 2003: 112–113). This has completely changed the incentives and terms of corporate strategy. Above all, this represents a major departure from bank-centred strategic ownership. Swedish corporations have even abandoned their cherished preference-share system against the backdrop of pressure to increase shareholder value (Reiter 2003: 113–119). Furthermore, after the 1999 pension reform, the AP pension fund system no longer works as a strategic player on the financial market (Belfrage and Ryner 2009). All in all, against the backdrop of this structural pressure, Swedish unions are treating profit rates as exogenously given and no longer something that can be affected through collective bargaining (Lindberg and Ryner 2010; Ryner 2013).


In this section, we return to the theme of increased trade union diversity in Sweden in order to ascertain whether there are any prospects of change to competitive corporatism in Sweden, and if so, what are the implications for the problems of constituting a collective European agency, as discussed in the introduction.

A starting point for such an investigation is to recall the aforementioned increased diversification of the Swedish union movement that began in the 1970s with the expansion of the public service sector. This is symbolised by the shift in 1977 when the Municipality Workers Union became the largest union within the LO, dethroning the Metal Workers (Lundh 2002: 251). The service sector as a whole has subsequently become larger in terms of employment than manufacturing and construction. Besides this sectoral shift, the shift from a trade union movement completely dominated by the LO to a more diversified one, with white-collar employees and professionals increasing in number and unionisation was equally important.
Given these developments, although strong real wage increases since the inception of the IA gives it a lot of good will, the privileged role of industry in IA and Swedish competitive corporatism is not uncontroversial. The controversy centres on the fact that some fairly large unions are not involved in setting the IA norm and for various reasons they do not want to be bound by it, or be allowed to influence it. Some unions of academic professionals have a long-standing opposition to any general wage agreements that constrain their labour market power to strike more favourable wage deals and they are happy to acquiesce the increasingly common ‘numberless’ agreements – that is, agreements without a common wage increase, where instead wage increases are to be determined on the individual level – for that purpose (Danielsson Öberg and Öberg 2015). By contrast, some heavy service sector unions (construction, transport) with less market-power think that the IA parties are too conservative in their wage policy and that service sector workers are underprivileged because they, unlike manufacturing workers, do not get wage drift (local wage increases over the increases of the collective agreements).

A third and even graver challenge to the IA model is that from women-dominated trade unions – the Swedish labour market is especially gender segregated – in the public sector, who believe that the uniform wage increase norm of the IA order conserves unjust wage differentials. The LO (2015a: 3) in their latest wage report show that in 2014, the average wage for men was 17 per cent higher than the average wage for women, and that the difference in the group of blue-collar workers shrank significantly in the 1960s and 1970s, some in the 1980s, but only slowly since then. It is this lack of further equalisation, explained to a high degree by the strong gender segregation of the labour market, which frustrates women-dominated unions with regard to the Industry Agreement (on the contestation of the IA order see Lyhne Ibsen 2014.)

Essentially, the sectoral debate about the wage bargaining model pits two opposed arguments against each other. The one favourable to the IA echoes Katzenstein’s (1985: 32) old description of democratic corporatism: ‘Even to the casual visitor the self-dramatisation of smallness is evident, ritually invoked in any interview of sustained discussion by the words, “You must understand that this is a very small country.”’ Sweden is clearly a country of this type, where the phrase ‘we are a small export-dependent country’ is a cliché in political debate. This perception of the country being built by exporting industry supports the wage-leading role of industry in the IA order. The counter-argument is that the unequal power distribution in wage setting implied by the IA order is unfair, and especially that it is unfair to women, whose wage disadvantage compared with men is seen as preserved by the leading role in wage-setting awarded to industry (see Nordström and Granlund 2014).

In the wage round of 2015-2016, LO coordination foundered on exactly the conflict discussed above: unions could not unite on a way of combining equal pay advances with the norm-setting role of industry. Besides this failure in explicit cooperation, the use of ‘number-less’ agreements sidestepping the IA norm is also increasing. By now not only academic professional unions, but especially female-dominated unions in the service sector increasingly use this ‘number-less’ design explicitly to avoid the constraint of industry wage leadership and pursue higher increases. This incenses the manufacturing unions and this conflict is also likely to continue to simmer in forthcoming bargaining.
rounds (Öberg 2014). Given these deep rifts in policy preferences, it is interesting to speculate about what kind of macroeconomic policy the unions will be able to unite on, also related to the changes in the growth model.

In principle, one could consider a post-Keynesian challenge to competitive corporatism emerging not least along the highly segmented gender-axis. There are points of tension between the competitive corporatism of the metalworkers union and public sector unions, as well as other unions facing stiff wage competition, such as the transport union. Given the constraints that have compelled the development of competitive corporatism this is unlikely to be successful at the national level and one would therefore imagine that these unions would be amenable to pan-European wage solidarity, as discussed in the introduction. However, the strong welfare-nationalist character of the Swedish left and the labour movement poses a major obstacle to such developments, given the strong welfare-nationalist discourse. This is manifested not least in the anti-EU movement where the national ‘people’s home’ was seen as threatened by ‘Europe’ (Trädgårdh 2002; see also Sörbom 2012).

Nevertheless, in recent times there has been some movement towards thematising Euro-Keynesian perspectives in Swedish union debates. The construction, transport, electricians’, service and communication workers and painters unions (all except the transport union members of the so-called 6F Alliance) submitted a Motion to the 2016 LO Congress in favour of transnational wage coordination and public investment aimed at increasing the wage share and generating wage-led growth (Jacobsson 2016). At the same Congress, a commission set up at the 2012 Congress submitted its Final Report, discussing wage-led growth though without specific policy recommendations on the subject (LO 2015b, especially 196–199). However, these initiatives have been strongly critiqued and contested by the metalworkers’ union (Jacobsson 2016). Rehashing the competitive corporatist logic, they argue that European coordination around wage-led growth would pose serious threats to the favourable wage developments over the past decade and a half as northern European competitiveness would be put under pressure. With this motivation, the motion was dismissed by the Congress, which pared down issues of distribution between capital and labour and possible transnational wage policy coordination to instead focus more on the issue of wage inequality (von Scheele 2016).

Of course, it is impossible to argue against trade unions’ striving for decreasing wage inequality – not least in light of the gender wage differences discussed above – but it is more disputable that the two policy aims were pit against each other as an either/or choice.

5. Conclusion

Good ideas are no guarantee of success if they cannot be backed up with coherent collective organisation and action. The Swedish case is symptomatic of this problem, which is all too familiar in the contemporary European trade union movement. In the highly fortuitous circumstances of the immediate post-war period, some of the best that European socialist and social democratic ideology had to offer was given real substance in Swedish solidaristic wage policy as codified by the Rehn-Meidner model. It is an
attractive and inspiring thought that a pan-European version could be the cornerstone of a progressive alternative.

This chapter has explained and offered real and material reasons why this thought has so little traction in the Swedish trade union movement, in which, instead, competitive corporatism has become near-hegemonic. There are multiple causes for this but the most important include the structural power of capital, an increasingly fragmented union movement and a deeply entrenched welfare-nationalism.

It is important in this context not simply to dismiss the rejection of a good idea as a mistake. Despite high levels of unemployment and increased inequality and poverty, and an unravelling of what used to be a positive feedback loop between social and institutional power resources, competitive corporatism has served large segments of Swedish workers rather well. This more than anything serves to underline the collective action problem.

References


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All links were checked on 20 April 2018.