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NEGOTIATING  
ISSUES IN SWEDEN,

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On Monday, February 8, 1988, 100,000 Swedish white-collar industrial workers returned to their jobs, ending after three weeks the largest private sector white-collar strike/lockout in Sweden's history. Members of the Swedish Union of Clerical and Technical Employees (SIF), an industrial white-collar national union, went on strike because their demand for greater local union influence over local wage setting was not met. In the end, workers went back to their jobs without their main goal being achieved; instead, they had to settle for a second wage board to which local union grievances over wages can be brought.

These workers struck against companies belonging to the manufacturing/engineering industry's employers' association, whose members include such important Swedish export companies as Volvo, Saab-Scania, Alfa-Laval, Electrolux, and IBM. In total, the strike affected between 300,000 and 400,000 workers, including some in Norway whose firms supply the Swedish industries involved.

## Historical Background

To understand why this is an important issue for the union, some background on Swedish labor policy is necessary. Since the 1950s, Swedish labor unions have advocated a solidaristic wage policy. This policy requires that workers in different firms receive equal pay for equal work irrespective of their industry's ability to pay.

The goal of this policy is two-fold. First, it would drive out low-productivity firms since they would have to pay higher wages than they could afford; and it would reward high-productivity firms with higher profits, since they would pay lower wages than they could afford. The high-productivity firms would then use the profits to invest in more plant and equipment and to expand employment. This policy would thus include strong economic growth and full employment without inflation brought about through labor shortages.

The second goal was to bring about a more equitable wage structure. Equity in wages and the government's active labor market policy, which provides job placement services and training programs, helped to ease the pain of workers' relocation brought about by the solidaristic wage policy. Over the following three decades, the aim of this policy moved further toward egalitarianism, with the focus on improving the wages of low-paid workers.

Swedish unions were able to pursue their solidaristic wage policy on a nationwide basis because of a centralized bargaining structure. Until the 1980s, the process of wage determination would generally start with the blue-collar workers' labor confederation (LO) establishing a wage framework with the employers' confederation (SAF). This framework set wage increases for all blue-collar workers. The white-collar labor confederation (TCO), to which the industrial white-collar union SIF belongs, would not negotiate directly with the employers' confederation for its members, as the blue-collar confederation did. However, a cartel of industrial white-collar national unions would bargain with the employers' confederation or one of its member associations for industrial white-collar workers.

With a solidaristic wage policy and centralized bargaining, workers should be assured of equal pay for equal work. However, wage increases or "drift" did occur outside the centralized wage frame. Most often the wage drift took place on the local level as individual firms offered workers wage supplements. The practice of wage drift created wide wage differentials between white-collar workers within firms as well as between firms. For example, in one firm salaries for white-collar workers range from \$1,020 per month to \$6,120 per month. High-wage workers tend to get higher wage increases than low-wage workers.

Local unions are concerned about fairness and adequate incomes for low-wage workers. Employers on the other hand want to be able to raise the salaries of workers who are in high demand on the labor market, or to reward workers whose performance is especially good. They feel that the wage solidarity policy has

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led to wage compression which is detrimental for attracting qualified workers.

## The Major Bargaining Issues

The original demands of the industrial white-collar union, SIF, included a 2% across the board wage increase plus an inflation adjustment. The amount of wage increase, however, was not the issue for which the union struck. SIF demanded greater influence for local unions on local wage determination, and wage drift, including the right of local unions to negotiate how wage increases would be divided among different workers within a firm. Management strongly rejected this union demand.

SIF then softened its position by asking for an impartial chair to be added to the wage board. The wage board is a judicial body which handles wage disputes between employers and unions. It is composed of representatives of labor and management. Presumably an impartial chair would give more support to labor's views. The employers' association refused to agree to that demand and the union then went on strike. Negotiations made little progress, for two weeks, when the employers then locked out 50,000 workers.

## The Agreement

The collective bargaining agreement which labor and management finally signed gives an across the board wage increase of 1.9% to all union members retroactive January 1, 1988. In addition, there is a general increase of 0.4% as of January 1 and 0.5% as of October 1 which will be divided up among different classes of workers within firms according to local employers' policies. The agreement also established a new wage council to examine individual wage disputes between local unions and employers. It appears that the new council will act as an appeals board. The composition of the new wage council will be similar to that of the existing wage board.

Although the industrial white-collar union characterized the negotiations as having neither a winner nor a loser, the fact is that even with the strike, labor did not get its demands met. The establishment of a new wage council is far from giving the union direct local level influence on local wage increases. In addition, the new council is essentially the same as the existing board. The problem with the existing board is that employers have greater influence on decisions, and with the new board, this will probably continue.

As for wage increases, although the union received more than the initial offer of the employers' association (2.3% versus 0.9%), it obtained no cost-of-living allowance and thus no guarantee of an improvement in real wages. The head of the negotiating team for the union, Stig Ahlin, believes that when local bargaining wage increases are added to the central bargaining agreement, workers will see an increase in real wages. However, the employer association's negotiating chief, Ake Nordlander, assumes no such thing and maintains that employers will resist local wage demands.

## Conclusion

This recent labor dispute is an indication of major changes taking place in Swedish labor relations. Sweden is a small export-dependent European country. It has pursued two goals which some feel to be mutually exclusive, full-employment and international competitiveness. With good economic growth and unemployment rates of under 3.5% since World War II, Sweden has been successful, due for the most part to close cooperation between labor unions and employers' associations.

During the 1970s, Sweden experienced higher wages and prices, falling exports, and slower economic growth, as did other Western countries during this period. The relatively good relationship between labor and management began to worsen. In the 1980s, Sweden's economy recovered largely as a result of devaluations of the currency.

The government, however, does not plan to continue to use devaluations as a way for Sweden to retain international competitiveness. The government wants wages to be restrained. Firms want wage structures to be flexible so they can provide incentives for workers—especially workers who produce internationally traded goods. Unions want fair and higher wages for all workers.

Sweden's success in its labor relations and economic performance has been due to the ability of the government, private industry, and labor unions to compromise and create policies that benefit all parties and the economy. Changes in the international economic environment as well as domestic economic developments have made compromise more difficult. The recent strike by SIF industrial white-collar workers is one example.