

## **Unions, management and the government: the Swedish model**

Bengt Persson\*

Since the beginning of industrialisation Sweden has been known as a society where consensus and cooperation has dominated in the industry. This paper deals with some of the fundamental cornerstones in the building of the Swedish model and the welfare system. It starts in the late 1800s when strikes were common and shows how the next 100 years went on into consensus and cooperation. Nowadays is the normal condition in the relation between Unions, management and the government.

Is it a fact that there is no conflict in Sweden between labour and capital; that the consensus and spirit of cooperation that have prevailed for over 50 years as the cornerstones of Swedish industry have caused conflicts to be buried? We often hear that the Swedish model is supposed to be dead, but is it rather that the Swedish model has stifled conflicts in the labour market and caused the Swedish labour movement to move from confrontation to collaboration?

Stick to your guns! Metal workers' union boss joins forces with management in the battle with the government.

The chairman of the metal workers' union, Göran Johnsson, accuses all Swedish politicians of being ignorant of what is really happening in companies. 'Of course, industry should have a say in issues to do with future growth, for example about nuclear power. Politicians should learn from the ongoing cooperation in trade and industry, . . . There are forces at work in industry actually seeking cooperation with the unions. The politicians should take a page from their book. We hope to be able to negotiate a collaboration agreement in March–April covering conditions applying both to industry and the rules concerning negotiations themselves.'

The background to his statement can be found in the anger expressed by the chairman of the Confederation of Swedish Industries, Bert-Olov Svanholm, at the government's refusal to listen to the arguments of the industrial community. The points at issue are the energy supply, taxation and training. 'It's a long time since relations between the politicians and industry were as bad as they are now', said Svanholm (*Dagens Industri*, Feb 1997).

Göran Johnsson believes that a new consensus must be achieved. 'It's a question of carrying out a policy designed to improve Sweden's position in the international welfare league. We have fallen from third place to sixteenth in the OECD league. Just keeping

\*Högskolan Dalarna, CITU, Sweden.

Sweden in its present place is a major challenge for both politicians and us on the labour market.' Rather surprisingly, the union boss recommends cooperation between the Conservatives and the Social Democrats (*Dagens Industri*, 26 February 1997).

This short quotation from one of the leading industrial periodicals in Sweden includes a number of interesting viewpoints: future growth, cooperation, poor labour relations, consensus, improving Sweden's position, welfare, challenges for politicians and parties involved within the labour market. How has this attitude within the Swedish labour market developed? In this paper, I will attempt to give an account of how conflict turned into cooperation.

### **Labour and capital**

In Sweden, the separation of labour and capital began with industrialisation. As early as 1770, Adam Smith (1993) had shown in *The Wealth of Nations*, the efficiency benefits to be gained when companies introduced a division of labour. The theories arising from this were put forward by Taylor (1967) in *The Principles of Scientific Management*, where he calls attention to the importance of management taking greater responsibility for production in companies. Taylor argued for rationalisation and job organisation within industry—the goal being to improve the utilisation of resources in American industry (Lundin, 1988, p. 5). Braverman is of the opinion that Taylor's intention was not to find the best way of performing work in general. What he sought was the solution to the specific problem of how best to control a labour force that feels alienated from work forms in the prevailing system and which is subjected to purchase and sale like any good (Braverman, 1989, p. 85). It was a question of a day to day exercise of power, of managing production and the means by which jobs were to be carried out in work places that were owned but by no means felt to be controlled by the employers (Forsman, 1989, p. 40). The relationship between work and production techniques received an indelible stamp of capital's striving towards stemming the flow of knowledge and information within society, of excluding workers from an area of life where they could exercise some power and control over production. Employers wanted to create a monopoly over information by firmly establishing ties between themselves and scientists and engineers and then handing out portions of this information to the workers as they saw fit (Forsman, 1989, p. 50). Taylor claimed to know better than experienced businessmen how companies should be run. Since then, this knowledge has characterised business and economic research at colleges, universities, and institutes of business and technology (Sandkull, 1995, p. 8). Taylor's ideas were based on the working conditions that prevailed during industrialisation's infancy and created a counter-force to the development of the labour movement. But bad conditions created for workers by the industrial society contributed to an increased solidarity among workers in Sweden. From the end of the 1870s, local conflicts between workers and employers became more and more common. The membership of Swedish unions increased from 15,000 in 1895 to 230,000 in 1907. The growing strength of the unions created demands for improved living conditions, better wages and social benefits. At first, attempts were made to settle differences by means of agreements between workers and employers; these attempts often failed and Sweden was one of the countries in Europe hardest hit by strikes and lockouts.

When the Swedish Confederation of Trade Unions (LO) and the Swedish Employers' Confederation (SAF) were formed in 1898 and 1902, respectively, the institutional means were put in place for solving the most important problem in labour market policy,

that of industrial peace at the central level. The early twentieth century was, as explained above, characterised by a very high frequency of strikes and lockouts (Johansson, 1989, p. 19). The threat that disputes within the labour market might lead to mutual extinction was very real and both parties were therefore compelled to recognise each other as negotiating partners for the sake of self-preservation. One consequence of this was that agreements reached just after the turn of the century achieved nationwide application and created the necessary conditions for more effective cooperation between the parties.

In 1906, in the famous October compromise between LO and SAF, the workers were granted the right to form unions, while LO recognised the right of employers to hire and fire and to manage and allocate their staff (§32). The conditions necessary for fruitful class compromise appeared and an important consensus in this collaboration was on the need to preserve peace on the work front and to protect the development of industrial capitalism. It was a matter of creating procedures for negotiation to enable both parties to cope with the problems and antagonisms occasioned by industrial production and technical development without the strike and lockout weapon being abused (Johansson, 1989). The fact that the parties negotiated at the central level made it more difficult to oppose unionisation, and strikes easier to control.

Already, at this point, a division appeared between the spheres of interest of workers and employers. Employers managed labour organisation, pay and control systems within companies, in accordance with §32, while unions came to deal with working hours, pay and insurance, and problems of an overall character. In Sweden, the creation of the right to form and join unions gave rise to the division of labour market issues into internal and external spheres. At the same time a desire for increased welfare created a shift in perspective from conflict to consensus, which meant that both parties were considered to have a mutual interest in enterprise. The opportunity now existed to create the necessary conditions for collaboration between labour and capital. This was based on a mutual desire for efficiency measures to be carried out which would increase profits for employers and give employees shorter hours and better pay.

The formation of the Social Democratic Party in 1898 created the opportunity for combined political and union agitation and this contributed to union development in a very tangible way.

### **Early working conditions**

In the early industries, skilled workers of various trades were brought together. Many of these trades had long traditions to fall back on. These tradesmen felt that they had certain skills, working methods, experiences, ways of thinking and know-how that belonged only to their crafts. Among many skilled workers there existed a feeling that they shared a common past, an age-old tradition of skilled craftsmen which was germane to their feeling of self-esteem (Magnusson, 1987, p. 137). Occupations had different levels of status so that a hierarchy existed with 'unskilled' workers at the bottom. This sense of rank manifested itself, for example, in unskilled workers seldom being on first-name terms with skilled workers, even after many years of working together.

With the advent of newer and faster means of communication (steam boats, railways, the telephone and telegraph), Sweden became more internationalised and employers became more interested in rationalisation and increasing efficiency. These ideas for rationalisation, many of which came from the United States, both created and re-created the industrial working class. The age of the worker with comprehensive skills within his

independent trade, began to wane. The new industrial workers received a more collective work experience than the older tradesmen; they were more easily replaced and worked on assembly lines at an increasing work tempo. The specialised trade unions to which the skilled workers belonged were progressively replaced by organisations more or less open to all workers. Nevertheless, in these early days of industrialism there continued to exist a certain pride in being a skilled worker, not just working for capitalism but as security for the future. Workers took pride in a job well done, and this, together with the traditions from the agricultural community, created a strong working class that used the union movement to build a better society with increased welfare for all.

### **The Swedish welfare state**

The changing attitudes outlined above were not confined to workers, unions and employers; the Social Democratic party also showed a growing interest in increased production and efficiency measures to ensure greater welfare. Few decisions can have had greater significance for the labour movement than the introduction of the 8-hour working day (1919). The unions claimed that scope for a reduction in working hours could be created by increased efficiency measures. In the debate, technical advances and efficiency measures came to be regarded as instruments creating opportunities to improve profits in trade and industry which also benefited workers in the form of increased wages and higher living standards.

The introduction of universal franchise in 1921 came to mean that political power lay within the reach of the Social Democratic party and, thus, with the labour movement. During the 1920s, the Social Democrats presented a radical party political programme with a clear focus on economic policy and national economic change. According to the new party programme, the state would take over ownership of all natural resources, industrial enterprises, credit institutions, means of transport and communications necessary for a planned economy. The design of the programme for nationalisation, however, clearly indicated that state acquisition of industry would be a long and drawn-out process. By the end of the 1920s, the Social Democrats discovered that neither Swedish society nor, indeed, the Social Democratic party were ready for such radical ideas. The tone grew milder and soon the objective was that the working classes should try to gain as large a slice of the cake as possible. The result of this was that the Social Democratic party abandoned nationalisation and, instead, a new policy began to take shape, focusing more on income distribution and financial planning.

In 1932, the Social Democratic party under the leadership of Per Albin Hansson was able to form a government, leading to a general increase in government intervention. As early as the 1920s, Per Albin Hansson coined the phrase 'Folkhemmet' (approximately, the welfare state). The mission now was to create a welfare state and, for this, distributional policies, rather than socialism, were required. To achieve these objectives, it was necessary for the union movement to act as an active and progressive force in the Swedish economy, working to develop society to secure good provision for all Swedish people, which in its turn meant the creation of a strong economy. The idea of a welfare state was to give all citizens the same basic protection. Even if the policies involved a limitation of individual freedoms, it was thought that the state's responsibility for the well-being of its citizens was more important. Swedish welfare policies came to include unemployment insurance, basic retirement pensions, maternity assistance and preventive health and sick care, all under the auspices of the state.

The increased state involvement in the field of social policy was financed by a change in taxation policy, which was used as an instrument to reduce class differences by means of progressive tax rates. At the same time, tax opportunities were created to allow companies to make write-offs and adjust their balance sheets, to facilitate the retention of savings within the company and to stimulate companies to expand production and employment, thereby raising living standards and also increasing tax revenues.

In the mid-1920s, membership in LO was approaching 500,000, making it an organisation to be reckoned with in the balance of power in the country. LO's growth implied that there existed a mutual interest among all spheres of power—labour, capital and state—to unite behind a dynamic economy. A process then began to turn the labour movement into a political force, putting industrial growth and a desire for reform at the top of its agenda.

### **Early attempts**

The unions' main policy was to concentrate on the lower wage earners. This concentration on raising minimum wages and improving working conditions, especially for lower-paid workers, increased during the structural changes that took place during 1921–23 and 1930–32. During these periods of crises, those groups that received the best and most advantageous wage increases had to bear the greatest burden of the employer's wage reductions. This was the first attempt towards a more unified wage policy where those groups that were able to afford more were required to pay more.

During the great structural upheaval of the second half of the nineteenth century, almost 25% of the population of Sweden, primarily agriculture workers, had emigrated to America. This created significant social problems in Sweden. Towards the end of 1920 and the beginning of 1930, the conditions in Swedish agriculture were again transformed. Rapidly growing international farming production led to a general price decrease of agricultural products in Sweden. The state, aware of the problems that were created from earlier structural rationalisation, was now forced to intervene to retain agricultural farming jobs by retaining the old structures. The state tried to isolate the Swedish market from falling world prices by regulations. These consisted of import controls, price regulations, subsidies, production control and the establishment of strong agricultural cooperatives. Behind these strategies lay the basic ideas of a welfare system for all, embraced by the unions and society in general.

### **State intervention**

In 1928, the Minister of Health and Social Affairs convened a conference of the state, LO and SAF to discuss industrial peace and possible cooperation between the parties. Afterwards, the parties declared that the industrial peace conference of 1928 had been successful and that in the future it would be possible for labour and capital to be regarded as two factors having equal rights in the production process. Both SAF and LO had taken a positive attitude towards continued collaboration. The result was the creation of the so-called Industrial Peace Delegation, whose task it was to investigate how the parties could promote a consensus policy. But with the depression of the 1930s, class cooperation ceased due to increased unemployment. The efficiency measures, previously so cherished

by employer and union alike, were held responsible for the high unemployment rate of over 20%.

### **The Saltsjöbaden Agreement**

Collaboration was resumed with the negotiations on the Saltsjöbaden Agreement of 1938, where it was agreed that the state should take responsibility for unemployment. As a result of this state involvement, SAF and LO could devote their energies to maintaining efficient and friction-free production. The Saltsjöbaden Agreement has been regarded as a first step towards a labour market characterised by cooperation and consensus in order to achieve economic balance and growth, in what has come to be called the Swedish model. Central to the relationship between employer and employee, between capital and labour, was the parties' promise to respect agreements entered into, the so-called collective wage agreements. The recognition of collective wage agreements was not only a recognition of workers' freedom of association and cooperation, admittedly on very unequal terms, but also a recognition of the fact that the parties had the will to follow agreements entered into and to cooperate in their implementation.

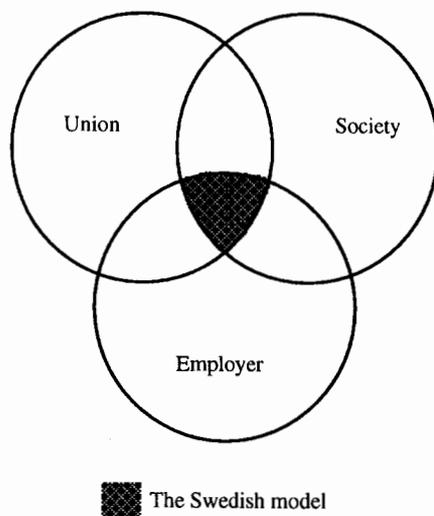
The level of union membership in the metal industry, for instance, had reached 80% in 1939 and the number of LO members was approximately 975,000. Agreements reached on the labour market came to include a large part of the working population, so that they had great impact.

In the decade following the Saltsjöbaden Agreement, a series of collaborative agreements were made. These contributed to a general social model including wage solidarity with low-paid workers, structural rationalisation and an active labour market policy. The parties within the labour market were given responsibility for industrial peace, wage setting and efficiency measures. The state took responsibility for those affected by rationalisations within the labour market by means of unemployment insurance, training schemes and relocation grants.

### **The golden years**

The LO, in the 1950s and the early 1960s, came to deal largely with allocating the available wage increases resulting from efficiency measures and structural changes. Since wage negotiations were carried out mainly on the national level, the conditions necessary for carrying through the principle of wage parity also improved. Even in industries exposed to heavy competition or where profits were poor, the employees were to have the same wage increases as successful industries. The effects of this policy were considerable. The less profitable enterprises were rapidly eliminated from the market, which speeded up the process of structural change. In this way the policy of solidarity in wage setting contributed to strengthening Swedish competitiveness. The negative social consequences were, however, considerable. The concentration of the economy in the major urban regions meant that the state had to implement a policy of regional aid to slow down the depopulation of the countryside. For those who were forced to move, however, various grants were available to facilitate relocation.

The development of the public sector during the 1950s and 1960s also had considerable consequences for employment. The expansion of the public sector was only made possible by the mobilisation of the extensive labour reserve consisting mainly of



**Fig. 1:** *The Swedish Model.*

housewives. The proportion of women employed in the public sector was, thus, unusually high, as was the proportion of part-time workers.

### **The democratisation process**

At the close of the 1960s, discontent became evident at the workplace, aimed at companies and unions which for a long time had put all their interest into sweeping rationalisations of the work environment. This discontent gave rise to more or less spontaneous action by workers against the industrial system. A number of wildcat strikes—the LKAB (a state-owned iron mine) strike was the most publicised—broke out. Other methods were also used to protest against the industrial system, for example calling in sick or changing jobs. Workers could stay away from their jobs without significant financial penalties, since lost wages were largely offset by sickness and other benefits. This behaviour has been related to the introduction of MTM, USM and other types of wage systems used to increase efficiency rates in industry, and the fragmentation of work into simple, narrowly defined, closely controlled tasks, readily performed by highly interchangeable workers. One might say that Taylorism was the dominant system in Sweden in the late 1960s. This was the negative side of the Swedish model.

The 1970s came to be characterised by leftism in general and anti-capitalism in particular, one expression of which was the demand for grass-roots democracy. The centralist system created within the unions and the state was felt by many to be an unwieldy, bureaucratic monster. At the same time, ideas of equality and demands for grass-roots representation led to demands for democracy at the workplace, student democracy and company democracy (Myhrman, 1994). The unions saw the business leaders' right to freely manage and allocate work, the so-called §32, as one of the main causes of discontent. To bring about change and to democratise working life, LO sought the help of the Social Democratic party (SAP), to legislate for increased

participation for employees, since a negotiated agreement was considered to be out of the question.

The political system reacted quickly to the manifest dissatisfaction with work conditions coming from the shop floor at this time. The two most widely discussed measures taken were the Co-determination Act of 1976 (MBL) and Employee Investment Funds. These two acts are the exact opposite of each other. MBL is based on cooperation, while the Employee Investment Funds law is based on socialising successful companies. A number of other laws were also passed:

*The Security of Employment Act, 1974* provides protection against unfair dismissal and requires an employer to show cause for dismissing employees.

*The Promotion of Employment Act, 1974* requires employers to notify the public labour market authorities of planned cut-backs in manpower and to enter into discussion about the proposal.

*The Worker's Protection Act, 1974* reflects the widening interest in the social and psychological aspects as well as the physical aspects of hazards at the workplace. Prescribed safety stewards for almost all workplaces.

*Legislation on paid educational leave, 1975* gives the unions substantial rights in the interpretation of the Act and over the appropriate education and training activities which may be arranged.

*Employment Representation on Boards Act, 1976* entitles unions to select two members to company boards.

*Work Environment Act, 1977* extends union participation in the design of work organisation and changes in the work environment and provides funding for joint union-management projects.

### **MBL: the Co-determination Act**

The law on co-determination, passed in 1976, is built on the basis of the Collective Bargaining Act. Both employee and employer have a legal right to form associations and to handle issues through those channels without interference from the opposite party. The law grants the right of negotiation with a view to regulating relations between employer and employee. The most significant addition to the new law is the introduction of rules making it possible for employees to gain influence in labour and company management by means of negotiation and agreements. The rule which for many years characterised relationships between partners in the labour market—that the employer had the sole right to manage and allocate labour and freely hire and fire—was relaxed by a new regulation expressing the necessity for collective agreements on the right of co-determination for employees. The union organisations responsible for collective agreements were given responsibility for arbitration on disagreements on the statutory obligation to work and on the application of the agreement of co-determination. In addition, the position of the unions was improved on issues not regulated in agreements on collective bargaining by reinforcing the right to negotiate and the extending of the right to be informed. The idea is that employee influence should be asserted in all issues concerning relations between employer and employee (Bergquist, 1976). Now unions have the opportunity to negotiate agreements extending joint determination to any workplace issues, including hiring and firing, work assignment and disciplinary matters.

### **The Employee Investment Funds**

The Employee Investment Funds (EIF) act dealt mainly with LO's demand that employee influence should not only be based on work but also on ownership of capital. The problem of excessive profits resulting from the policies of solidarity in wage setting contributed in a decisive way to the creation of EIF. EIF was not intended to deal primarily with matters dealt with by MBL, but specifically to provide a new opportunity not only for making the decisions which are more democratically arrived at within enterprises, but which affect a company's relations with the community as a whole, with consumers, local authorities, and so forth. In short, the funds were intended to make it possible to reach, in a democratic way, those investment decisions which affect what is to be produced and where. Thus, it can be argued that the funds would involve a new stream of democracy in industry, lying between the two levels that had been attempted so far: government industrial policy on the one hand, and labour law providing for co-determination within enterprises on the other. (Meidner, 1978). The funds were closed in the early 1990s, when a right-wing government took office, and the money within the funds went towards research and development.

### **State influence**

On the whole, the period from 1950 to 1975 was without major problems, since growth was steady at this time. In 1975, however, an acute crisis occurred due to a combination of structural and economic problems. In order to cope with these problems, state involvement increased considerably, partly because of the devaluation of the Swedish krona in 1976, 1977 and twice during the 1980s to counteract high Swedish cost levels. At the same time the state sought to minimise the effects of the structural crisis in employment. Traditional measures such as relief work, training and grants in various forms were implemented. The state was also involved in restructuring industries, especially the steel and shipbuilding industries. With the establishment of Swedish Steel AB and Swedish Shipbuilding AB, jobs could be saved in areas affected by shut-downs. At the same time regional political measures, sometimes in the form of redistribution of job opportunities, acquired great significance. This was achieved to a great extent by relocation of government offices to areas affected by redundancies and by new development grants. Unions and employers alike contributed to minimising the effects as much as possible by utilising voluntary redundancies and early retirement. A combination of unemployment benefits and early retirement made it possible for many people to retire at the age of 58. In connection with the structural crisis, MBL and EIF formed the basis of a new climate of cooperation between employer, employee and the state. But the lower productivity of Swedish industry and a desire to democratise the economy resulted in a number of programmes targeted at organisational change, the objective of which was to attempt to solve some of the problems which all the parties felt existed in the economy.

### **Change and development programmes**

Another reason for the Swedish joint programmes is the long tradition of collaborative experience accumulated in the working of 'the Swedish model'. It is from this perspective that the joint programmes URAF, the Development Programme, and LOM should be regarded.

*The URAF Programme (1969–75)*

This programme was one result of work motivation studies carried out in Swedish industries. Interest in sociotechnical alternatives of organising work in autonomous groups, as practised in Norway, had increased in Sweden. The URAF sociotechnical experiments thus dealt with the following six topics:

- job design and work organisation in the manufacturing sector;
- the function of supervision;
- production planning and preparation;
- organisational development in the service sector;
- personnel policies;
- the representation system.

LO and SAF supported the introduction of group work at the workplace, but the intensity and degree of involvement required of the workers differed. LO perceived the URAF experiments with autonomous work groups as a method of increasing the degree of employee participation and influence at an important decision-making level (Sandberg, 1982). The unions believed that decentralisation meant pushing decision-making issues onto the shop floor, away from the middle and central levels of the organisation. They believed that the system where production work and organisation issues were decided and implemented from above should be replaced by a democratic order, in which the workers concerned should be guaranteed co-determination. Unions argued that company efficiency and effectiveness could only be attained through this participatory process. SAF did not consider the hierarchical form of organisation ineffective, but agreed that there were other problems that needed to be addressed. This was the start of the sociotechnical era.

*The Development Programme (1982–87)*

New technology, work organisation and working environment constitute the three pillars on which this programme is based. It aimed to develop companies that put people first and enabled them to take part in the development process, and encouraged the development of an environment and work organisation in which job satisfaction, responsibility and learning came naturally to all employees. As a result of improved education and greater prosperity, people at all levels made more exacting demands on the content of their work. The programme also aimed to provide scope for influence, responsibility and the development of skills, and to provide an opportunity for the utilisation of knowledge and experience and for learning and further development. People now expected a different kind of leadership to that previously experienced, a leadership encouraging participation and involvement. The programme dealt with these issues in more than 40 companies. The two main goals of the programme were:

- to investigate the possibilities of developing job content and work organisation as well as high productivity and competitive capacity in conjunction with the introduction of new technology; and,
- to make constructive, quality-enhancing contributions to the projects and to help disseminate the result to both the private and public sector.

*The LOM Programme (1985–90)*

The idea of the LOM programme was to achieve change through a democratic dialogue.

It also focused on a holistic view of organisational change. The purpose of LOM was to create labour–management development projects in leadership, organisation and co-determination. Introducing new forms of work and enterprise organisations constituted the primary goal agreed upon by labour as well as by employers and, in doing so, research played a major guiding role. The basic idea behind LOM was the development of communicative competence, mobilising the communicative and creative potential of as many participants as possible on the basis of equal rights for all. The LOM programme had three goals:

- bringing about research and development work at workplaces within all parts of the labour market;
- supporting the development of skills primarily within those spheres involved in action-oriented research in the economy;
- exchanging information of experiences in various areas and stimulating cooperation among companies, public administration and researchers.

The LOM's catchwords were communication and democracy and the idea that it must be genuinely possible for all concerned to participate. All the people in an organisation are equal and participation in the programme should be voluntary. Exchange of experiences and learning from each other took place through conferences at all levels between companies and public institutions, within organisations at the various workplaces and at work meetings.

#### *The Working Life Fund (ALF 1990–95)*

This fund was planned by the state and paid for through taxes on employers with the express objective of improving working life. Altogether, the fund distributed about 11 billion Swedish krona to more than 25,000 workplaces. Researchers, consultants and those involved in the practical process participated in the projects and studied the particular needs of each enterprise, which was to select its own approach when introducing the required changes at the workplace. Four major objectives constituted the core of the changes developed by the fund:

- work organisation and productivity;
- rehabilitation of long-term sick employees;
- improving the physical work environment;
- competence development.

The main aim of the ALF was to become a programme for the development of work organisation.

#### **Employers and the right of co-determination**

Wage earners' influence through workers laws and participation in various projects has often changed their relationship towards the employer. How have employers responded to this change? Levinson (1997) shows in an article in *Arbetsmarknad* that, as recently as 1984, a majority of employers were positive to co-determination and felt that it enriched leadership and was useful when making changes. Studies from 1992 (SOU, 1994, p. 141) show that employers continue to have a positive attitude towards co-determination. A clear majority, as many as 55%, feel that the law of co-determination (MBL) increases company efficiency in many ways. A survey from 1996 shows how this positive attitude

towards worker co-determination within industrial companies' executive management strengthens rather than weakens the company. When weighing the pros and cons of the effect of MBL for their company, 75% of Swedish industrial leaders were positive. Cooperation with workers results in reforms that are more firmly established and more quickly expedited. This seems to be the view of the majority of industrial leaders. Such surveys often show that employee influence through unions speeds up decision-making. Very few industrial leaders feel negative about employee influence. It is often asserted that employers feel that rules and regulations restricting their right to control and direct work lead to a deterioration of the work climate and give the unions too much power. Levinson (1997) shows that this is not the case. On the contrary, he shows that union participation makes for quicker decisions that are carried out with more dedication.

### **The Swedish model today**

When the government attempts to put state finances on a sound basis, as during the last couple of years, by means of cutting costs in the social welfare system, for example, one might proclaim the Swedish model dead. Reduced unemployment benefits, reductions in child benefits, sick pay, pensions, social welfare and housing benefits would suggest that this is the case. I believe that making such a claim is a great exaggeration: in Swedish working life there exists a consensus, as I have described above, which remains deeply rooted at all levels of Swedish society, whatever the reductions in the social safety-net. There exists a consensus based on good business and good work relations between employers and union organisations. In recent years, several unions, the Metal Workers' Union (1985 and 1989) and LO (1991) have decided on strategies aimed at realising union goals in the areas of productivity, industrial development and competitiveness. Could it be that the economy is entering a new phase of collaboration where good jobs and further training go hand in hand with increasing productivity and rationalisations at the local level?

A number of writers promote the theory that we are now passing from mass production and mass consumption to an era of flexible specialisation. In the new production concepts, their main thesis is that, in order to achieve efficiency, companies must increasingly work in harmony with employees and their capabilities and competence. In the new management philosophy, relationships between the parties are usually described in terms of collaboration rather than negotiation, especially on issues concerning company activities, where the employee is seen as a colleague. The companies' endeavours to involve employees or colleagues directly may be seen as a threat to union organisations. New cooperational relationships between the employer and his *fellow workers* may be seen as an attempt to dodge the unions (Brulin 1989).

A significant element in the new management philosophy is the desire that the view of reality and the values embraced by the management should be shared by all those involved in the company. This is often achieved by means of teamwork between management and employees using development and training initiatives, often in the shape of introduction courses, in-service training quality study-circles, suggestion boxes and development talks.

Today, there is greater interest from the management of companies in introducing various types of Management By Objectives (MBO), combined with a greater element of individual wage-setting. Often ideas from other countries are adopted. There has been interest in the steel industry in investigating the high degree of effectiveness to be found in mini-mills, at which, many writers claim, trust and commitment between management

and labour also prevail. The basic feeling still exists in Sweden that decisions should largely be taken in agreement, even if management achieves its objective in the end. This feeling creates an interest in organisational models involving trust and commitment. In 1997, the Swedish Metal Workers' Union has, in this spirit of unity, signed an agreement with management that makes it more difficult to initiate strikes and lockouts, and to create wage levels that are on a par with other countries in Europe. This agreement has been entered into mainly to keep Swedish industries competitive on a worldwide basis.

### **Worker influence**

Changes have taken place for workers on the shop floor, although most workers would doubt whether this has been extensive. Often it is claimed that changes take place as a dramatic shift: a new approach suddenly comes into force, often as a result of legislation or negotiations between the parties. For me, it is a question of slow change, in which the perceptions of two sides of industry of each other are the basic element. I would like to give one example from the steel industry.

Twenty years ago, when a worker had worn out a pair of working gloves and went to the foreman for a new pair, he had to hand in the old gloves first. The foreman did not rely on the man's story that the gloves were worn out. He had to check the story; he wanted to be in full control of the situation.

Ten years ago, when the democracy debate had been going on at the workplace for some years, a change took place. Then, if a worker went to the foreman, he no longer received one pair of gloves, but the foremen wrote an order for a pack of twelve pairs of gloves. The degree of control had been somewhat relaxed, giving workers more room for decision: I have to change gloves sooner or later; you have given me somewhat greater responsibility.

At many workplaces today, the worker who needs a new pair of gloves no longer needs to go to the foreman. Workers make out their own order to go to the storeroom for new gloves. They can get several packs if they so wish. Has the degree of control been reduced? Hardly. With the help of the computer, the management can see immediately what a worker has taken out of stock. In many respects, the degree of control has increased. But the worker's influence on his/her own work situation has grown; he/she has been given the right to make decisions in a specific situation and has been given increased responsibility.

The situation with the gloves may seem trivial but it serves as an example to show that there is a certain amount of room for individual responsibility and that that possibility gives a feeling of confidence. It is a confidence that makes it possible to have opinions on various subjects in other situations in one's work environment. This security has in many ways grown out of the Swedish model, where workers feel that they have the union and society on their side. Workers dare to take responsibility and perhaps make mistakes because they know that the Swedish model has made it impossible for employees to be fired without due cause and, if a worker should be made redundant, there is a system of social security which ensures that the individual does not fare too badly.

All this has given Swedish workers a basic security making it possible to discuss and cooperate with company management, without the risk of being put in situations they cannot control due to circumstances over which they have no influence. Those who are critical would claim that the system has created indifferent workers who 'have it so good' that they do not care. Nothing could be further from the truth: there is an ongoing discussion about small matters between management and labour. From the management

perspective, it is most often a question of rationalisations; from the workers' point of view, it is a question of how to gain control over their working situation.

### Conclusion

Together, union organisations, companies and the state, have developed a strong economy. This has been achieved by means of a deliberate division of areas of responsibility. The common aim has been to rationalise Swedish trade and industry in order to create increased welfare by means of an efficient means of production. Successful development has required cooperation and centralised decision-making. By means of this cooperation, the Swedish welfare state was created at the expense of personal freedom.

When the rationalisations of the 1960s gave rise to increasing alienation of the people, a process of greater democratisation was introduced by means of legislation and negotiation. This process of democratisation resulted in greater grass-roots democracy at the expense of the previous centralisation. In the new theories of organisation which focus on the customer, influence at the workplace has been given greater significance. The worker as a human being is the main focus and, by sharing the values of the management, he/she is made to achieve more in a flatter organisation. Changes will, of course, occur, where local union activity will be important to support the individual member's skills' development and in developing the daily work routines.

There are, however, risks involved for relations of trust and cooperation when companies seek to create flat organisational structures in their new work organisations. Several incentives for cooperation seem to disappear with the flat organisation. My opinion is, nevertheless, that even with a new management philosophy it is worth having a good climate of cooperation between union, management and the state. Vulnerability between companies is enormous when rationalisation has gone so far that a great proportion of stock is left lying on trucks and railway wagons, and the opportunity to destroy large amounts of valuable property is presented. In this situation society cannot allow big strikes or lockouts when the possibility is that great values could be destroyed. In this situation, union management and the government are forced to co-operate. The statement quoted above by Göran Johnsson confirms the opinion that the Swedish model of cooperation is not dead but, like the rest of the economy, that it is subject to slow change.

### Bibliography

- Bergqvist, O. and Lunning L. 1976. *Medbestämmande i arbetslivet*, Stockholm, Liber Förlag
- Bladh, M. 1995. *Ekonomisk historia Europa och Amerika 1500-1990*, Lund, Studentlitteratur
- Braverman, Harry. 1989. *Arbete och monopolkapital*, Stockholm, Rabén & Sjögren
- Brulin, Göran. 1989. *Från den svenska modellen till företagskorporatism*, Lund, Studentlitteratur
- Forsman, Per. 1989. *Arbetets arv*, Stockholm, Arbetarkultur
- Johansson, A. 1989. *Arbetarklassen och Saltsjöbaden 1938 i Saltsjöbads avtalet 50 år forskare och parter begrundar en epok 1938-1988*, Stockholm, Arbetslivscentrum
- Larsson, M. 1991. *En svensk ekonomisk historia 1850-1985*, Stockholm, SNS Förlag
- Levinson, Klas, 1997. *Medbestämmande i förändring i Arbetsmarknad Arbetsliv nr 3, 1997*, Solna, Arbetslivsinstitutet
- Lundin, Michael. 1988. *Från byråkrati till deltagardemokrati*, Stockholm, Arbetsmiljöfonden
- Magnusson, L. 1987. *Arbetet vid en svensk verkstad: Munktells 1900-1920*, Lund, Studentlitteratur
- Meidner, R. 1978. *Employee Investment Funds an Approach to Collective Capital Formation*, Oxford, Alden Press

- Myhrman, J. 1994. *Hur Sverige blev rikt*, Stockholm, SNS Förlag
- Sandkull, Bengt. 1995. *Från Taylor till Toyota. Beträktelse av den industriella organisationens organisation och ekonomi*, Linköping, Linköpings Tekniska Högskola EKI
- Smith, A. 1993. *The Wealth of Nations*, Indianapolis, Hackett Publishing Company
- Sandberg, T. 1982. *Work Organisations and Autonomus Groups*, Malmö, Liber
- SOU. 1994. *Arbetsrättsliga utredningar*, Stockholm, Fritzes
- Taylor, F. W. 1967. *The Principles of Scientific Management*, New York, W. W. Norton