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# Sweden: Joint Councils under Strong Unionism

Göran Brulin

## 7.1 Introduction

In Sweden there are no workplace-based arrangements for the representation of employees *independent* of trade unions. There is no second channel providing voice for employees outside the traditional union-employer bipartite system, as this would not be compatible with the "Swedish model" based on collective bargaining. This model implies strong trade unions at both the local and central levels. While the emphasis is on the latter, the model does not preclude strong enterprise- and plant-level employee participation practices. Local union bodies, white- and blue-collar, take part in extensive co-determination procedures, in addition to wage bargaining. The Act on Co-determination at Work provides a general instrument for these procedures, giving local union bodies a participative role somewhere between information exchange and consultation on the one hand, and negotiations and collective bargaining on the other (Iseskog 1990, 76). The absence so far of sanctions in the event of conflict limits the significance of co-determination procedures. Nevertheless, the impact of the act on cooperative practices at the plant level should not be underestimated.

Swedish trade unions have always been skeptical of council arrangements, regardless of their form. With very few exceptions, council-like institutions have historically been rejected. Various arrangements similar to works councils do exist but are not independent of the unions. The latter are strongly present at the workplace, and both the white- and blue-collar unions have workplace sections. Works council co-determination has been viewed as a threat to the

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legitimacy of the collective bargaining system, and as a potential source of greater labor market inequality. The aim of the unions has therefore always been to ensure that all council forms were safely founded in collective agreements. It may, however, be questioned whether this policy can be maintained.

Although the Swedish model is characterized by regulation at the central level, there is no absence of monitoring and enforcement arrangements at the workplace. Co-determination councils, health and safety committees, and board representatives ensure that rules are observed. However, these are all part of the bipartite system. Some arrangements are also functionally linked to corresponding public institutions. For example, the health and safety committees are supported by the National Board of Occupational Safety and Health, and the development of co-determination is supported by the Swedish Work Environment Fund.

Those workplace arrangements in Sweden that resemble works councils should rather be labeled *informal joint councils*. Projects for industrial democracy in Sweden were originally based on joint consultative bodies. Joint councils (*driftsnämnder*) were launched in the 1920s by the Industrial Democratization Commission as the means to democratize Swedish industry. But the proposals were never realized. After the Second World War joint councils were introduced through collective agreement between the largest unions, the LO and TCO, and the main employers' association, the SAF. In the mid-1970s they were replaced by a co-determination system based on collective bargaining. That system is now being transformed into a system of consultation and participation arrangements.

Today, council-like arrangements emerge at an increasing rate in Sweden for practical reasons. They are required or regulated by formal law; typically they are joint employer-union creations that rest on industrial agreement and the Co-determination Act. There is no legal basis for council-like arrangements in Sweden, with the exception of the health and safety committees which are mandatory joint councils.

## 7.2 Institutional Foundations of the Swedish Model

The Swedish model of industrial relations, characterized by a highly centralized bargaining system and strong social parties independent of the state, is rapidly changing. This section gives an account of the institutional foundation of the Swedish model, with special attention to works councils and co-determination.

### 7.2.1 Structure of Swedish Labor Market Organizations

Collective bargaining has always been the core institution of the Swedish model.<sup>1</sup> Pay bargaining is normally conducted at three levels. First, there are

1. For a comparison between the Swedish model and other industrial relations systems, see Bratt (1990). For a thorough account of Swedish labor laws, see Edlund and Nyström (1988).

negotiations between the central organizations of business and labor, followed, second, by negotiations and formal agreements between member unions (sometimes cartels of unions) and employers' associations at the industry level, and, third, by company and workplace-level negotiations between employers and workplace union sections on the application of the agreement. The most important functions of the collective agreements are to maintain industrial peace and determine a floor for wages and working conditions, as employers cannot offer their employees conditions inferior to those laid down in the collective agreement.

This whole system is now under great pressure and may be abolished. A rising number of strikes and lockouts, mainly among white-collar workers and public employees, has brought the system into disrepute. Growing wage drift during the 1980s also eroded the legitimacy of the system. New forms of work organization, new methods of rationalizing production, and new payment systems put additional pressure on the model. On the other hand, the social partners accepted a national income policy agreement for 1991 and 1992, thereby preserving and temporarily increasing the centralism of the Swedish model.

Apart from collective agreements on wages and working conditions that are concluded for a limited period, a number of permanent agreements have existed for many years. In 1938, the main employer and worker organizations, the SAF and the LO, reached the so-called Saltsjöbaden Agreement, which codified negotiating procedures and the handling of disputes. There are also several *cooperation agreements*, most of them concluded in the 1940s between the SAF and the LO. Some of these were terminated in conjunction with the passage of the Act on Co-determination at Work in 1976. The act was supposed to be supplemented by a central agreement on co-determination; it was not until 1982, however, that the Agreement on Efficiency and Participation was actually signed.

The dominant central union organization is the Swedish Confederation of Unions for blue-collar workers (LO). It was formed in 1898 and has 24 member unions which together organize more than two million workers. (The population of Sweden is 8.4 million.) The largest member unions are the Local Government Workers Union, the Metalworkers Union, the Union of State Workers, the Retail Workers Union, and the Building Workers Union. The LO has urged several of its affiliated unions to amalgamate to make the negotiating system work better. In the fall of 1991 a planned amalgamation of three industrial unions failed.

The main organization for white-collar employees is the Swedish Confederation of Unions (TCO) with more than one million members. Organizational density among salaried employees is almost as high as among blue-collar workers. The largest of the TCO's 21 member unions is the Union of Salaried Employees in Industry. Next are the Local Government Salaried Employees Union and the Government Salaried Employees Union. The Swedish Union of Foremen and Supervisors withdrew from the TCO in 1980 but returned in 1985.

There is a third central organization with 25 member unions, the Central Confederation of Professional Unions (SACO). Its largest member unions are the National Union of Teachers and the Union of Graduate Engineers. Other strong SACO unions are the physicians' union and the union of lawyers. The SACO is organized along professional lines. Historically, its member unions were, with a few exceptions, divided by occupation rather than by industry (Lundh 1991, 2). The LO was reorganized according to the industrial union principle at the beginning of the twentieth century, whereas the TCO has both professional and industrial unions.

To coordinate and centralize bargaining, unions form "negotiating cartels." In the private sector a cartel may involve unions from different central organizations, in particular the TCO and SACO. As the significance of the central bargaining model is decreasing, so is that of the cartels.

The dominant private sector employers' association is the Swedish Employers' Confederation (SAF). It was formed in 1902 in reaction to the creation of the LO. Its largest member associations are the Swedish Engineering Employers' Association, the Retail Employers' Association, the SAF General Group, and the Building Employers' Association. There are plans for a radical reorganization of the SAF, aimed at amalgamating its 36 member associations into seven to nine negotiating groups to improve services to member companies while at the same time enabling affiliation fees to be reduced.<sup>2</sup> The SAF believes that the division between blue- and white-collar workers and the occupationalism of the SACO are antiquated, arguing that a modern production organization requires only one category of employees—referred to as "co-workers"—and individualized employment relations. The breakdown of the old Swedish model and the need for new structures are also illustrated by the fact that the Metalworkers Union and its counterpart on the employer side have in recent years preferred to conclude their agreements ahead of the LO and SAF.

The Swedish public sector is large compared to most other OECD countries, employing about one-third of the Swedish workforce. Public sector unions won full rights to negotiate and strike in 1966. There are three employers' organizations covering the public sector, the State Employers' Negotiating Agency (SAV), the Swedish Association of Local Government Authorities, and the Swedish County Councils Association.

### 7.2.2 Cooperation Agreements

The Saltsjöbaden Agreement codified a structure that made possible increasingly comprehensive collective regulation of working conditions. It was followed by cooperation agreements on special subjects. One of these was joint councils; others were vocational training and safety and health. In 1992, the

2. For further information, see *European Industrial Relations Review*, no. 217 (February 1992).

last remnant of the Saltsjöbaden spirit, the cooperation agreement on safety and health, was renounced by the SAF.

The Joint Councils Agreement, concluded in 1946, was a compromise in the ongoing debate on industrial democracy. The spirit of Saltsjöbaden that had ended the adversarial industrial relations of the 1920s made the unions accept the idea of joint councils, in line with international efforts to establish works council systems after the Second World War. While the LO had proposed joint councils at all levels of the enterprise, which were to include white-collar workers, the system that was finally accepted was almost identical with that proposed by the SAF. Joint councils were formed only at the company or plant level, and the TCO was excluded (Johansson 1989, 268).

While the mission of the joint councils had been to solve problems and enhance rationalization at the firm and plant level, they increasingly came to be viewed by the unions as a potential threat to worker solidarity across enterprise borders. There was also a fear that they might compete with the unions. In negotiations with the SAF, the LO had argued that its representatives would refuse to cooperate with nonunionized workers within a works council system and that therefore the workforce representatives on the joint councils should be elected exclusively by union members (Johansson 1989, 273). The result was the formation of joint councils based on collective agreement between the LO and SAF.

A short time later, the TCO and SAF concluded their own Joint Councils Agreement. Unlike the LO, the white-collar unions accepted the absence of formal connection between the union and the joint councils. Because the white-collar unions were weak at the time, employers were able to insist that all white-collar workers, not only union members, would have the right to vote in the joint council elections and to serve as council members. When at the end of the 1950s the white-collar unions had grown in power, this arrangement was ended and a new agreement gave the white-collar unions the same rights as the LO, excluding nonunionized workers from the joint councils (Nilsson 1985, 146).

The position of the joint councils was weak. The purpose of the agreement was to provide employees with information about matters such as work organization and investment. The joint councils also had a consultative function, although management retained the power to make all final decisions. The unions felt they had no real power on the joint councils and wanted the councils to have a stronger impact on management decision making. When the agreement was revised in 1966, "a provision was added to the effect that an employer wishing to do so could delegate his decision-making powers in certain limited fields to the joint councils" (Edlund et al. 1989, 10).

Yet evaluations of the councils differed. Carlsson (1966, 98), then the LO's education director, gives a positive picture of the system, although he acknowledges that the activity and significance of the councils varied a great deal:

As they are consultative institutions the result depends, to a large degree, on the parties' ability to co-operate; if one of the parties is unwilling, it is probable that the activity will be only formal. And even when the parties are aware of the importance of co-operation they must in addition have the ability to get satisfactory results. They must also learn to regard the enterprise from the viewpoint of the council, instead of regarding it only onesidedly. So far, there is a difference between the work done by the worker representatives on the councils and the work on the board of the local union section. The borderline is not always clear, and is defined by tradition and practical adjustments. There is, of course, always close contact between the workers representatives in the works council and the union section; as a rule the chairman or another union leader is also a works council member.

One may add that as an LO representative, the author somewhat underestimates the impact of the TCO representatives in the joint councils.

The revision of the agreement did not satisfy the unions. At the end of the 1960s, the LO complained that there was no co-determination machinery in Sweden and, in particular, no bodies corresponding to German works councils (Hauser 1971, 11). Swedish councils were said to exist only by virtue of collective agreement, and their chief function was no more than to "provide for an exchange of views and consultation on matters of common interest." In the absence of sanctions for noncompliance with the agreed procedure, Swedish councils in practice often failed to allow for satisfactory co-determination. The LO concluded that it was necessary to secure a better balance of power between the two sides by extending the right to negotiate to all matters at all levels where decisions are taken and by creating a general obligation for the employer to negotiate. "In other words, the employer should be compelled to enter into negotiations at the time when he takes a decision, and not, as has been the case up to now, only when implementing a decision already taken, usually only at the direct request of the unions. In important decisions which are likely to have adverse social repercussions which are difficult to correct at a later stage, the unions should also have a right of veto" (Hauser 1971, 18).

In the beginning of the 1970s the LO still hoped to revitalize the joint council system. Arne Geijer, the president of the LO, argued that the union movement should stick to its role as an independent, external, and primarily claim-making party, again expressing the LO's fear of collusive entanglement through works councils. But Geijer continued that there was also room for much closer management-union cooperation inside the firm: "Work councils must be given a proper picture of their companies' true situation. The most logical development would be for the councils gradually to take on responsibility for questions of long-term planning" (1971, 5).

In subsequent years, however, joint councils gradually came to be regarded as inadequate by the unions. Janérus (1989), a secretary in the LO industrial democracy department, argued that the launching of joint councils in Sweden had been a mistake. The introduction of the solidaristic wage policy in the mid-

1950s had made the role of the joint councils unclear. The emerging Swedish model driven by central bargaining, solidaristic wage policy, and structural rationalization measures above the plant level had, according to Janérus, made the council system redundant. As unions perceived rationalization, in line with the theories of LO economists like Meidner and Rehn, as an objective force above the realm of the local plant, the joint councils lost their mission.

### 7.2.3 Works Councils and Labor Law Reforms of the 1970s

The official report of the commission that investigated the labor laws and launched the Co-determination Act (Arbetsrättskommittén 1975, 16) states as a general principle that all questions touching upon the employment relationship should be open to co-determination proceedings based on negotiation. Unions are given a right to be informed, and a primary obligation is created for employers to negotiate on any matter before carrying out major changes.

The committee's original proposal (Arbetsrättskommittén 1975, 39) provides for possible co-determination procedures through a works council set up by the local parties. Two different procedures were suggested to regulate the formation of a works council. According to the first, councils were to be set up on the initiative of either a union or the employer. According to the second, a works council could be created only on union initiative. Neither of these suggestions was finally accepted. The act that finally passed Parliament was based on the view of the LO and TCO representatives of the commission.

The representatives of the unions rejected the creation of a legal right for the employer to initiate works councils (Arbetsrättskommittén 1975, 945). In a dissenting opinion, the union representatives agreed that unification of different employee organizations at the plant level was desirable. This, however, should not be imposed by works council legislation. Instead, it was to be left to the parties themselves—that is, the different unions and the employer—to organize co-determination on the basis of the negotiation principle. Co-determination through legally based works councils was said to be suited only for countries with comparatively weak unions; the strong Swedish unions would not benefit from it, and the parties should be free to develop co-determination procedures on their own without legal guidance.<sup>3</sup>

## 7.3 Legislated Reform

In 1977 the Joint Councils Agreement was superseded by the Co-determination Act. Unions in Sweden as well as in other countries had become radicalized at the end of the 1960s. Union leaders came under increasing pressure from the rank and file and began to demand reforms at the workplace. Unrest in the labor market and more frequent unofficial strikes forced the

3. It is widely believed that at the time the Swedish unions were also motivated by a desire to create a more radical co-determination system than the German *Betriebsräte* system.



unions to seek legislative solutions when negotiations with the SAF did not yield substantive results. The Social Democratic government, closely allied with the LO and eager to stay on good terms with the TCO, was prepared to push union demands through Parliament. Legislation of this kind on industrial relations matters represented a major deviation from the Saltsjöbaden model.

Most of the existing labor legislation was introduced in the 1970s, including legislation on co-determination, workforce representation on boards of directors, and health and safety. These laws, as well as subsequent agreements between the social partners, have shaped the procedures for cooperation and co-determination in Sweden. There are no alternative bodies to the unions for the exercise of co-determination. It is only the unions at the local and central levels that are the legal representatives of the organized employees, collectively and sometimes individually. Nonunionized employees are only indirectly represented.

### 7.3.1 Health and Safety Committees

There is, however, one exception to the normal negotiation and bargaining procedures. On health and safety matters, employees in workplaces with more than 50 workers are represented by safety representatives on joint health and safety committees. The Work Environment Act obliges safety representatives to act for *all* employees, unionized and nonunionized. Representatives are, however, appointed by the union, in line with the basic premise of Swedish industrial relations that workers are represented by unions.

Health and safety protection is regulated by law and, in addition, by special agreements between the unions and employers' associations. The law determines both substantive measures of health and safety protection and the rights and obligations of safety representatives. Responsibility for the working environment, including measures of a preventive nature, rests primarily with the employer. The Work Environment Act has recently been sharpened, forcing the employer to take a comprehensive view of health and safety matters and work organization.

Compliance with work environment legislation is supervised by a central authority, the National Board of Occupational Safety and Health, on which the social partners are represented.<sup>4</sup> The board maintains regional bodies, the labor inspectorates, which also include representatives of the social partners. It is empowered to elaborate the rules of the Work Environment Act by issuing general implementation orders of a binding nature, some of which carry penal sanctions. In special cases, the labor inspectorate can issue an injunction to secure compliance with work environment regulations.

The fact that there are special health and safety committees causes certain problems. The co-determination system greatly overlaps the health and safety

4. Representation of the social partners may be canceled by the present, nonsocialist government. In February 1991, the SAF decided to withdraw from all government boards.

system, as matters involving work safety issues are also covered by co-determination (Brulin and Victorin 1992, 157). For example, the work environment agreement between the SAF and the LO-PTK<sup>5</sup> gives employees in the covered sector a majority on health and safety committees, with employee representatives recruited proportionally from the different unions according to their strength at the workplace. Decisions are made by majority, but committees should seek consensus first. Decisions with financial implications for the company require unanimity (Edlund and Nyström 1988, 72). The special rules for the SAF and LO-PTK sector are based on the Co-determination Act.

### 7.3.2 Act on Board Representation

In 1972 the Act on Board Representation for Employees in Joint Stock Companies and Cooperatives was passed after long and divisive discussion. The act was revised in 1976 and 1988. According to the new Worker Directors Act, employees of companies with more than 25 workers are entitled to appoint two members to the board of directors, and three members in companies where more than one occupational group is present. Worker directors have the same rights as other board members (Edlund and Nyström 1988, 46). At non-unionized companies, of which there are very few, the law prescribes elections. Normally, worker directors are appointed by the unions.

The purpose of the act was to give employees both information and influence on the company. Workforce representatives are always in the minority and may not take part in discussions relating to negotiations with the unions. There had been concerns in the 1960s that worker representatives would be torn between loyalty to the enterprise and loyalty to their fellow employees. "These misgivings, however, were dispelled once an extensive program began to unfold for the development of employee participation, board representation being just one of several instruments, which meant that it could be used and controlled more adequately" (Edlund et al. 1989, 16). Generally, board representation has come to be regarded as a means of keeping the union informed, rather than of directly influencing corporate decision making.

In 1990 the subject of divided loyalties returned when many of the workforce representatives had become "owners." Rapid development of equity options systems and employee share ownership had begun to blur the distinction between workforce and shareholder representatives on boards of directors. The broad recruitment of union members added to this, in that many of the managers of personnel departments have a union background (Gehlin and Nilsson 1985) and quite a few supervisors have been active members of an LO union section before advancing in their careers (Larsson 1984, 117). The scope and implication of this "mix" of roles are unknown.

5. PTK is a white-collar negotiating cartel of the TCO and SACO unions.

### 7.3.3 Shop Stewards Act

Another arrangement that has supported decentralization of industrial relations and closer contacts between unions and employers at the workplace is the Shop Stewards Act of 1974. The act entitles elected workplace union officials to a "reasonable" amount of paid leave from work to discharge their union duties and keep in touch with the members. Paid leave also gives workplace union officials an opportunity to get involved in informal joint committee activities.

Full-time shop stewards are, however, becoming a problem for the legitimacy of the unions, the fear being that they might lose contact with other workers. The choice of a shop steward at the Kiruna/LKAB local of the Mineworkers' Union not to take full-time leave for union duties, challenging an established behavior among union officials that has recently been much debated in the union journals, was given great public attention in the fall of 1989.

### 7.3.4 Co-determination System

As stated before, one purpose of the co-determination legislation was to avoid forms of co-determination similar to works councils. Democratization of working life was supposed to take place inside the bipartite system, strengthening the role of formal negotiations and producing collective agreements. Nearly all aspects of the employment relationship are therefore in principle open to co-determination proceedings. Yet, the right to negotiate has to some extent been limited, in that negotiations are supposed to be cooperative. Also, while the unions are given an opportunity to influence decision making in the hope that the two sides will arrive at consensus, the employer still has the final decision.

The Co-determination Act of 1977 was strongly opposed by employers, and it took a long time before supplementary collective agreements specifying the intentions of the act were signed. Many observers believe, however, that the employers have benefited from the co-determination system and from the obligation it imposes on them to negotiate. Negotiations often influence the unions as much as they influence the employer, if not more (Blomquist 1982). Smart employers turn the negotiations into a continuous seminar on the economic situation in general, and that of the firm in particular. Union representatives sometimes feel that they are being held hostage by the co-determination procedures. Also, legal provisions for sanctions in the event of employer noncompliance are weak and diffuse. Disputes are supposed to be settled by the parties at the industry level, and some procedural matters may be brought to the Labor Court or, in the private sector, to an arbitration board. An employer who has failed to inform the unions in time may be fined by the Labor Court. If he has informed them, however, it is very hard for the unions to change his decision.

In general, the act is seen as providing for information and consultation rather than co-determination in a strict sense. A comparison of the Swedish co-

determination system with the German works council system concludes that “the local union’s right to be consulted on various issues does not include an obligation that management also reach agreement with the union. And in this respect the rights of German works councils—on a narrow range of questions that are subject to full co-determination and conciliation—are perhaps stronger” (Thelen 1991b, 212). This crucial point was not changed by the collective agreements concluded on the basis of the Co-determination Act.

Yet, the act should not be evaluated only on its formal merits. It has changed the climate for co-determination, and there are reasons to believe that the cooperative culture at many Swedish workplaces is related to it. James Fulcher goes as far as to argue that the act “comprehensively changed the legal framework of plant-level industrial relations by abolishing the employer’s rights, institutionalizing worker influence, and ending the superior legal position of the employers. It would be no exaggeration to say that it challenged the capitalist relations of production” (1991, 267).

The intention of the legislators was that the Co-determination Act should be supplemented by central agreements and, subsequently, by agreements at the local level, in line with the traditional Swedish model. In 1978 a central co-determination agreement was concluded for the national government, followed by one in 1980 for local government. It is symptomatic that agreements were concluded first in the public sector, and that these agreements were quite detailed and oriented toward bipartite negotiations. Negotiations in the private sector were more difficult. Private employers did not want an agreement that emphasized negotiations because they regarded direct participation by individual employees as equally important. The private sector co-determination agreement was more in line with management preferences. Its emphasis on efficiency and the parties’ respective responsibility for productivity constitute in many respects a break with the 1970s.

### 7.3.5 Agreement on Efficiency and Participation

The 1982 Agreement on Efficiency and Participation between the SAF and the LO-PTK states that “the forms of participation and co-determination shall be adapted to local circumstances at the workplace. The local parties have a joint responsibility for developing suitable participation and co-determination practices.” On request by one of the local parties, the employer and the local union organization are to negotiate an agreement on the way in which co-determination shall be exercised. According to the central agreement, there are three possible forms of co-determination: (1) negotiations between the company and its local unions in accordance with the Act on Co-determination, (2) “line negotiations,” under which union representatives participate at the various levels of the company’s line organization, and (3) creation of “bipartite participation and information bodies.” According to the central agreement, local agreements must clearly indicate which form of co-determination is chosen. The central agreement also stipulates that when co-determination is exer-

cised in accordance with locally agreed practice, the primary obligation to negotiate and the responsibility to provide information in accordance with the Act on Co-determination must be observed. In reality, very few local agreements were concluded, although the local parties often act as if they have a local agreement. Joint consultative bodies are created for dealing with a particular problem or union representatives are inserted in the ordinary line of management, for example, in semiautonomous work groups, without this having been regulated by local agreement. Arrangements of this kind are viewed by both parties as "bipartite participation and information bodies" or "line negotiations," although they have no formal legitimation. The juridical status of these arrangements is therefore unclear.

In the early 1980s co-determination procedures were much more formalized and conducted through negotiations, especially in the public sector. Increasingly, however, practices in national and local government seem to be approaching those in the private sector (Edlund et al. 1989, 28). Practices that have developed from the Agreement on Efficiency and Participation between the SAF and the LO-PTK have in this way gradually become norms.

Since the passing of the act and the signing of the central agreements, informal participation has become more frequent, partly as a consequence of the agreements and partly in response to new requirements in production. Bipartite negotiations and co-determination bodies are increasingly being bypassed (Edlund et al. 1989, 67). Assured of influence at the general, joint-consultation level, unions have for the most part sanctioned these developments. The new ways of rationalizing production favor informal participation, for example, project group organization or semiautonomous work groups. In some workplaces, the emerging informal structures have been formalized.

Paradoxically, the Co-determination Act that superseded the Joint Councils Agreement now supports arrangements similar to joint councils. Co-determination oriented toward negotiation and collective agreement is replaced with information and consultation arrangements in joint bodies along the line of management. The new forms of co-determination are not entirely independent of the Co-determination Act since local unions have recourse to the act as a legal support in discussions with management. If cooperation in the new informal bodies is not satisfactory, unions may demand negotiations based on the procedures of the act. But this is becoming increasingly unusual.<sup>6</sup> A recent study on the implementation of the Co-determination Act concludes that management opposition to the act has mellowed considerably, and that the unions consider the act as having been effective in its attempt to provide co-determination: "In fact, management has joined hands with the union in ad-

6. After the Co-determination Act had been passed, the LO and the TCO/SACO negotiation cartel, PTK, concluded an agreement on Union Coordination on Co-determination. Similar agreements have been concluded between unions in other sectors. Interunion cooperation made it possible to negotiate the Agreement on Efficiency and Participation.

justing to the changes brought about by the Act, and has not considered this change detrimental” (Dokras 1990, 214). In recent years, Dokras notes, the act has been criticized for not providing the unions with what it had promised. Dokras’s study, conducted mainly through expert interviews, claims to disprove this:

If rapid technological change alters the way in which work will be conducted in future, the Act provides the proper avenue to structure the consequent change in industrial relations. By stressing the negotiation element in co-determination, the Act has paved the way for better industrial relations by avoiding the path of conflict and by giving the unions a say in almost all matters concerning the workplace, and also other changes the next decade will bring for Swedish industry.

#### **7.4 Recent Trends in Swedish Industrial Relations**

Swedish industrial relations are changing. The center of gravity has moved to the local level. Flexible joint council forms of employee representation, ad hoc or permanent, have gained significance. An important factor in this are new methods of rationalizing production (Brulin and Nilsson 1991a, 328). The globalization of the Swedish economy, the ongoing internationalization of Swedish enterprises, and a divided front among employers are also changing the traditional Swedish model (Lundberg 1985), and the change of government and the very deep recession have played a part as well. Unemployment is now rising, although from a very low level. The crucial test for the Swedish model is whether unemployment can be kept down. Even the nonsocialist government that came to power in September 1991 has promised to do everything possible to avoid an unemployment crisis similar to that affecting the rest of Europe. But it has also pledged to abolish the employee investment funds and change the labor laws to promote a more individualized employer-employee relationship.

##### **7.4.1 New Forms of Work Organization and Participatory Structures**

Sweden is still one of the most affluent countries in the world. Swedish firms have become world leaders, building competitive advantage through continuous upgrading. In this, the Swedish industrial relations environment served as a source of challenges and pressures, fostering high-quality management and productive employer-employee relations. The competitiveness debate in Sweden has for the last few years been preoccupied with taxes, wage levels, exchange rates, interest rates, and inflation. Recently, however, more dynamic factors have been considered. Sölvell, Zander, and Porter (1991, 215) argue that “in the long run, high productivity and high wages require . . . upgraded factors of production, increasingly sophisticated customers, strong clusters of supporting and related industries, and tough rivalry. With these pressures and challenges, Swedish firms will be driven to invest in advanced manufacturing

technologies and better products, and to move into less price-sensitive market segments, thereby upgrading competitive advantage and gaining the ability to pay higher wages." As an additional factor one may add new forms of work organization and corresponding arrangements for employee and employer cooperation, as the new methods to rationalize production require the involvement of employees at various levels in the reorganization of the labor process (Produktivtetsdelegationens betänkande 1991, 82).

The Co-determination Act gives unions the right to be informed and obliges the employer to negotiate any changes that are of importance for union members. In practice, this is often conducted in bipartite participation and information bodies called "co-determination councils." The unions are informed about planned changes in the organization of production. In case of a major change, a joint council is set up to make the change process smoother. For minor changes, a project group is created. Joint councils and project groups are often formed on an ad hoc basis, and their members represent a broad range of functions and roles. Very often the employer himself wants some sort of union representation. But he also often requests that the individual not just represent the union but also have a professional view.

Co-determination councils and the various bodies set up by them function as integrated representation and consultation councils. Almost all employees are given representation through their union; the density of union organization is very high, about 80 percent. Still, these are not primarily negotiating bodies. Sometimes disputes within co-determination bodies may be channeled into the negotiation system. But often the unions, having been consulted or informed in a proper way, in the end must accept a employer's decision. There are also workplaces where employee representation is weak. Here the unions get only a minimum of information, in line with the act and the central agreements, and the employer does not let them take part in the planning and monitoring of change processes. At the same time, some employers that used to oppose the co-determination procedures increasingly use them to set up consultative councils to improve communication between management and employees on production issues.

#### 7.4.2 Capital Rationalization and Service Management

A new management strategy is replacing Taylorism in the most progressive Swedish enterprises, aimed at "modernizing" the organization of industrial production. Taylorism is succeeded by more market-oriented, flexible, decentralized, and integrated forms of organization, including arrangements for communication, participation, and co-determination. The core message of the new management strategy is that to be successful, an enterprise must develop strong motivation among its employees. For this, employees must have a part in the organization of their work. Flexibility is the catchword of the new strategy. "Hard" control systems are supplemented with "softer" methods, such as quality circles, deliberately developed corporate cultures, and charismatic leader-

ship. Through computerized information systems, top management is able to control more independent subunits, which often operate as profit centers at different levels of a "flattened" corporate hierarchy (Sandberg et al. 1992, 271).

The new forms of work organization are not developed in a vacuum. The Swedish manufacturing industry is undergoing a paradigmatic change toward "capital rationalization," pioneered by firms like Asea (ABB) (Björkman and Lundquist 1987, 61). To speed up the throughput of products, one of the main goals of capital rationalization, the organizational design is changed. Since complex hierarchies inhibit a smooth flow of production, capital rationalization encourages decentralization of responsibility and authority. In particular, group work and job rotation are used to speed up the flow of products through the organization.

If capital rationalization constitutes the core of the new management strategy in manufacturing, "service management" (Normann 1984) is its equivalent in the service sector. In service management, image and culture are deployed as management tools. Client-oriented work organization and effective communication with and between employees are used to help achieve consistent quality of service. "Internal marketing" is viewed as equal in importance to external marketing. The leaders of a service organization are to "market" the organization not only to its customers but also to its personnel. According to the service management concept, the most important component of the service system is the staff at the front-line who meet the customer at the "moment of truth."

Do the new methods of rationalizing production favor works council—like structures of participation? It is too early to make a final evaluation of the impact of the new management concepts on communication, participation, and co-determination. The tendencies and reports are contradictory. The Swedish debate on productivity, work organization, and workplace democracy is much affected by the international debate, and especially by the Japanese example. Skeptics expect that the new rationalization methods will turn into a "super-Taylorism" actually inhibiting dialogue and participation. The Swedish discussion now highlights the negative aspects of Japanese "lean production," especially that it makes workers work not only smarter but also much harder and that workers are encouraged to discuss limited productivity-related problems while otherwise performing very standardized and monotonous work tasks.

Three Swedish researchers, after a visit to nine Japanese transplants in the U.S. automobile industry, report a "quasi-military factory regime" (Berggren, Björkman, and Hollander 1991, 4). Although Japanese management talk about small-group activities, job rotation, quality circles, a high level of communication, and so forth, the factories were found to be characterized by discipline and punishment, not at all illustrating a break with the Taylorist paradigm of work organization. Workers are tightly controlled, and operators are trained to become their own time-and-motion study experts to speed up production.



Suggestions for improving the production process are encouraged. But any deviation from standardized procedures is forbidden.

Other researchers and management consultants argue to the contrary that workers in Japan, although there is no legal framework for worker participation in management, are “vocal about management, and joint consultation between labor unions and the company at the enterprise and plant level is remarkably widespread” (Koike 1987, 319). According to the *kaizen* method (Imai 1986) of improving production, now becoming very popular among Swedish managers, communication-oriented and cooperative labor-management relations are decisive in improving productivity. Two main features of the new production model—the “pull system” and employee involvement—might well be labeled post-Taylorist in certain ways. Also, the new emphasis on task uncertainty and worker responsibility does constitute a break with Taylorist rationalization methods (Brulin 1993, 5).

## 7.5 The Swedish Experience: A Scattered Picture

Many Swedish firms, convinced of the importance of improving communication between management and unions, are today setting up joint council arrangements. An extreme case is the management-union advisory board of the president of Volvo. Another arrangement that is becoming increasingly common are management-appointed joint project groups, like those at Alfa Laval, that work on rationalization and work reorganization. Such groups are primarily supposed to take a professional view, but they are also acting as union representatives.<sup>7</sup> New rationalization concepts, especially capital rationalization and service management, are behind the creation of participatory arrangements that, in some respects at least, are in opposition to the Swedish model. Co-determination, based on collective bargaining, is now being transformed into joint consultation and participation, reducing the importance of negotiations and in the long run perhaps weakening the bipartite system.

### 7.5.1 Informal Participation

At Ericsson in Söderhamn, a leftover from the postwar joint council system was transformed into a “plant council,” corresponding to the Co-determination Act, which replaced the old central agreement on joint councils. There are two main differences between the old joint council and the new plant council. Today, the council’s agenda is set jointly by management and union representatives, while in the past, it was determined solely by the employer. Also, the working committees are jointly appointed. The main purpose of the plant coun-

7. According to the final report, “PRO-VISION,” from Alfa Laval in Lund, and interviews in 1990 with the members of the companies’ research group (Mariette Lagerberg, Lars-Erik Nilsson and Bengt Nilsson).

cil meetings, however, is still to inform the unions, primarily on economic issues.

At the same time, a new cooperative culture developed at the plant, either because of the Co-determination Act or as the result of pressing needs for corporate renewal. In the mid-1980s, parts of the production process were reorganized through joint management and union efforts (Brulin 1989, 85–98). Plant management conceded the local union a role in this process, although only unwillingly: the experts on computerized manufacturing did not want organizational solutions from below, supervisors resisted change in their traditional role, and management at different levels did not want to make additional effort.

In the early 1990s management began to perceive the traditional supervisors as part of the problem. Computerized manufacturing had not solved as many problems as it had promised, and the plant still had to improve flexibility, cut lead times, and speed up the throughput of products. In addition, something had to be done about bad working conditions, especially repetitive and monotonous jobs.<sup>8</sup> Today, management accepts employee and union representation in the change process. For example, an initiative from a local representative of the metalworkers' union who works in final product testing, to integrate testing and assembly work, was strongly supported by management (Interview, February 1992). Working hours have been set aside and groups set up to carry out the initiative. Despite criticism from supervisors, the union representative became the informal project leader since he had the professional competence and knew how to reorganize production in line with both rationalization and work development requirements.

The workplace section of the metalworkers' union has one representative for each of the plant's 40 departments, keeping an eye on the numerous local wage schemes. There are also representatives of the white-collar unions, as well as a special body for health and safety matters that has union and employer representation. Under the plant's participation regime, all of these might play an active role in managing change to the extent that they have competence and are motivated. The employer needs facilitators in the change process and is apparently prepared to accept union influence in the reorganization. However, he does not want to have such influence regulated in formal agreements. Although the central co-determination agreement among the labor market parties recommends that the local parties conclude local co-determination agreements, none has been concluded in Söderhamn.

### 7.5.2 Formal Agreements

Co-determination practices may differ even within the same enterprise. This applies, for example, to Saab Automobiles AB (Brulin and Nilsson 1992b). At

8. Workplace program for Ericsson Telecom AB, Söderhamnsfabriken, Söderhamn, written by Stig Wernersson, January 15, 1992.

Saab, representatives from the unions representing the firm's numerous workplaces and plants have formed a "contact group," which handles co-determination issues common to Saab as a whole. The group has 15 members, 8 from the metalworkers' union and 7 from the three white-collar unions. One of its objectives is information exchange, another the formation of a unified union voice. The group appoints three employee representatives to the company's board of directors. It also appoints a five-person group for negotiations with the employer on common co-determination issues. Wages and working conditions are excluded from its agenda. Still, according to one of its members, it is a weakness of this group that, when the chips are down, the unions do not speak with one voice on co-determination matters and are not able to settle their own conflicts before negotiating with the employer (Interview, October 1991).

Below the central Saab level the unions conduct co-determination procedures at each plant, sometimes jointly and sometimes individually. At the company's worldwide distribution center in Nyköping, the metalworkers' local union section has been very active, and local management has been imaginative. Jointly, they have moved away from hierarchical and Taylorist forms of organization, and an encompassing change program is currently being carried out that will create a work organization based on continuous learning in semi-autonomous work groups, supported by a new pay system. Union involvement in the process is highly informal. A project group was formed in the fall of 1989 with representatives from management and the blue-collar union. The formal status of this group is hard to define. Co-determination, if conducted in a way different from the negotiation procedure envisaged by the act, must be regulated by agreement. Neither at the retail center nor at Saab centrally has such an agreement been concluded, with the result that the project group has no formal status. Nevertheless, the group has negotiated three agreements that together constitute the local action program for rationalization and work development. Formally, two of these agreements, on work organization and on training, were reached through co-determination negotiations; the third agreement, on the new pay system, was negotiated through normal collective bargaining on wages and working conditions.

Before and after concluding the agreements, many questions were handled informally through other channels, in an interplay between formal negotiations and informal communication. Informal procedures have, however, been facilitated by the Co-determination Act and by the industrial agreement on wages and working conditions. The latter recommends that local parties create pay systems that encourage job satisfaction and productivity and ensure high wages over a long period. If no agreement can be reached, pure piece-rate or time-based pay systems are to be used. This section replaces a previous one recommending that local parties install piece-rate pay systems whenever possible, to support a Taylorist organization of work.

It is worth noting that cooperation at Saab is not an expression of complete

harmony. What is important is that the parties depend on each other. So far, blue-collar workers appear to have been the winners. The supervisors have been unenthusiastic, although they admit that changes are needed. White-collar workers are losing jobs due to new technology and therefore have not been deeply involved in the change program. The interesting question is whether the cooperative culture will survive a more aggressive management. Remarkably, the former president of Saab Automobiles, the General Motors director David Herman, seems to have easily adjusted to participatory Swedish practices. When he arrived in Sweden in early 1990, his first question was reported to have been "Co-determination, what the hell is that?" Later he noted several times in public that the unions had been constructive partners in reorganizing the production process at Saab and in reshaping the firm: "Saab has succeeded in reconstructing the enterprise on its own. We have reduced the workforce by a third. At the same time productivity has risen dramatically, and turnover and absenteeism due to short-time illness have begun to decline fast. We could never have done this in such a short time without the partnership of the strong Swedish unions. Naturally there have been conflicts but weaker unions would not have helped, on the contrary."<sup>9</sup> Herman's opinion concerns only the local level and co-determination at the firm level. He has been more doubtful about the central bargaining system.

### 7.5.3 Public Sector

The public sector is also rapidly changing its work organization and co-determination procedures. Local agreements in each county or at the workplace replace central co-determination agreements, which until 1992 had covered all local government authorities and all county councils. This is just one step in a general decentralization process.

Tengblad, Joelsson, and Wilhelmsson (1991, 120) have studied joint development projects within the government sector. Their conclusion is that the parties at the national level must decentralize co-determination procedures and act as facilitators of *direct* co-determination and participation at the workplace rather than as negotiating parties. The study argues that instead of conducting co-determination negotiations over the heads of the staff concerned, it is their responsibility to create a culture of cooperation at the workplace. Where the parties have succeeded in creating a local cooperative culture, the bipartite system functions as a development force in organizational change, creating better jobs and more efficient organizations.

The Swedish co-determination system seems to be quite dynamic. As new methods to rationalize production and organize work are practiced, co-determination seems to adjust easily. More fundamental institutional change, such as privatization or total reorganization, may still create considerable ten-

9. "Facket en partner, inte en motståndare: Saab-chefen vill avliva myten om fördelen med ett svagt fack," *LO tidningen*, no. 42 (October 18, 1991).

sion. The reorganization of the National Employment Training Board with 5,000 employees has been accompanied by heavy conflict, and at various times the co-determination system more or less ceased to function (Brulin and Nilsson 1992b). It seems that the change of the Training Board AMU from a government authority to a profit-oriented company and, among other things, the abolition of seniority-based wages and salaries caused tensions that were too strong for the co-determination system to contain. There were even unofficial strikes among the teachers at some regional centers. Co-determination in the new organization is more decentralized and has regained legitimacy. At some centers co-determination procedures have evolved into council forms, whereas the significance of co-determination has diminished at others.

### 7.6 Future of the Swedish Model

The SAF concludes from recent trends to decentralize enterprise organization and restructure work organization that the Swedish model must be abolished. Employer representatives have resigned from all corporatist bodies at the national and sectoral levels. The chairman of the SAF, Ulf Laurin, argues in a book entitled *Farewell to Corporatism* that it is time for individual employers themselves, in each firm, to set wages and conclude local agreements on working conditions suited to their special needs and circumstances (1991, 9–18). The SAF program “Free Markets and Free Choice” is based on the assumption that the trend will be toward a free market economy, with individualization, decentralization, and internationalization as its main characteristics.

Today, the SAF's member associations, instead of the SAF itself, are in charge of collective bargaining on wages and other conditions of employment. The intention is to hold all negotiations at the company level, individualize the employment relationship, and limit the impact of the bipartite negotiation system. According to the SAF, it is the companies themselves that are best able to set wages that reward good performance and greater competence that increases productivity and stimulates economic growth. The SAF is celebrating its first 10 decades with a book entitled *The Rise and the Fall of the Swedish Model: The Employers and Industrial Relations during Ten Decades* (De Geer 1992).

According to the SAF, the significance of institutionalized systems for co-determination and participation is diminishing, in Sweden and elsewhere. The SAF recognizes that single-status collective agreements (“coworker agreements,” or *medarbetar avtal*; see below) and the new work organization may create pressures for works councils, from both employers and employees. But such pressures should be dealt with locally firm by firm. Production problems can be handled in the line of management or in semiautonomous work groups, and if the problem at hand demands it, a project group may be set up. But the SAF sees no need for a formalized or institutionalized co-determination system.

The nonsocialist government is trying to change the structure of unionism, for example, by rescinding the tax exemption for union dues, raising the penalties for unofficial strikes, and taking unemployment insurance under state control, making it obligatory, and increasing worker copayments from 5 to 30 percent. A committee was appointed to review all labor laws (Kommittédirektiv 1991, 118), with special attention paid to the effect of the Swedish application for membership in the European Community. Overlaps between co-determination bodies and the health and safety committees will also be reviewed. The main issue, however, is who should be the legal subjects of labor law, the employer and the individual employee or the employer and the union. The Swedish industrial relations system is built on collective agreements and labor laws that give unions, as representatives of the employees, legal rights to be informed and to act. Individualization of these rights would fundamentally change the Swedish model.

The majority of LO and TCO member unions recognize the pressures exerted by the new work organization and rationalization methods for more decentralized participation systems. They have concluded that it will no longer be possible to implement a solidaristic wage policy, the very core of the Swedish model, through central bargaining—although some unions have gone so far as to ask for state income policies or to demand a general strike as means of preserving the centralism of the Swedish model. As a result of the decentralization process, the centralist negotiating cartels of the TCO and SACO have been or are about to be disbanded. Individual unions have strengthened their positions and are trying to individualize their services to their members. Both the LO and TCO argue that, while issues will increasingly be handled in semi-autonomous work groups and in the line of management, collective bargaining should remain the basis of employment relations, hoping to channel the pressures towards decentralization into the traditional collective bargaining system.

To modernize the Swedish model and at the same time protect the strong position of Swedish unions, top union officials must improve their knowledge of work organization, so as to be able to support their local bodies in their activities for further work development. To be able to prevent rapid increases in wage differentials as a result of firm-specific wage systems, unions must also develop national job classification systems compatible with new enterprise job evaluation schemes. Refined wage statistics are also needed. These are essential instruments for preventing the “Japanization” of Swedish industrial relations (Brulin and Nilsson 1991b, 75–76).

Swedish unions are changing strategy toward a solidaristic work policy carried out at the workplace. Their aim is to participate in the reorganization of the labor process and turn it to the advantage of wage earners while also contributing to productivity growth (Mahon 1991, 311). The concept of work development catches the change from a solidaristic wage policy to a solidaristic work policy. Work development is a way for local union bodies to create a work organization without repetitive jobs where employees are trained for better and

more productive work tasks. Work development is to be supported by new pay systems that reward high and broad skills within a team organization.

In parts of Swedish industry, progressive management and workplace unions seem to cooperate quite well in accordance with these ideas, simultaneously rationalizing production and creating better jobs. At such workplaces, an infrastructure of co-determination is created in support of joint work development. The program of the metalworkers' union to modernize the Swedish model and make it compatible with the demands of competitive and flexible production has served as a guide for the union movement. According to the program, a new compromise at the firm level may revolve around a constantly learning work organization built on semiautonomous groups with the authority to request better tools, machines, and organizational design. Such groups must be supported by a participatory infrastructure that is flexible and less oriented toward bargaining (Swedish Metalworkers' Union 1989).

### 7.6.1 Coworker Agreements

The aim of Swedish employers today is to have one consolidated collective agreement regulating co-determination, wages, and working conditions for all employees of a given plant, with "single-status" workplaces representing a first step toward single unionism. ABB Service in Sweden has been a pioneer of "coworker agreements" applying to both blue- and white-collar workers. Pressures to move toward consolidation of collective bargaining have been created, not so much by the transaction costs of divided bargaining procedures or by increasing interunion competition and demarcation disputes, but by changing production requirements—the fact that a vertical division of labor between different categories of workers, with its correspondingly divided union organizations, no longer fits modern production methods.

Unlike Britain where single unionism has been put on the agenda by the politicians (Bratt 1988, 166), in Sweden it is the employers that have been very active on this issue. In fact, the needs that result from changing work organization are recognized by worker representatives as well as by employers. The latter are primarily interested, not in single unionism, but in single-status or one-category employees—although in the long run the two are hard to separate. In principle, the unions have been positive toward the idea since it is in line with their productivity-oriented policies. In practice, however, it has been hard for employers to obtain single-status agreements. In the mid-1980s an effort was made at the Volvo Uddevalla plant, but it failed after resistance from the national unions. The metalworkers' union in particular questioned whether assembly work at Uddevalla was really going to be interspersed with white-collar work to such a degree that it required a one-category employee with a single-status agreement.

The dilemma for the blue-collar and white-collar unions involved is that the jobs of their members are now becoming more and more integrated due to the new work organization. Employers have become more aggressive, and local

unions understand the possible productivity gains and prospects for work development. At ABB Service work organization has been totally changed by the "T 50" project, which aims at cutting all lead times in half and doubling the speed of product throughput. Semiautonomous work groups were set up which were initially composed of all categories of workers, from operators organized by the metalworkers' union to professional engineers organized by the Union of Graduate Engineers. A condition for this form of organization to function, however, is that different categories of workers are eventually merged in one category (called "coworkers") with individually determined salaries. The ABB agreement gives the local parties at each ABB Service workplace the freedom to negotiate their own working-time regimes. Coworkers also have extra pension benefits beyond the public pension schemes and the supplementary pension plan created by central agreement.

One of the most interesting parts of the ABB coworker agreement concerns co-determination. As in many other cases, the local parties at ABB Service acted as if they had a local agreement on efficiency and participation. But since no such agreement existed, the old co-determination councils and joint project groups had unclear legal status. Now the coworker agreement will function as a local efficiency and participation agreement (Malm and Pihlgren 1991, 91), giving the local parties wide co-determination options in an arrangement similar to a works council system. Local unions are to set up joint local bodies for coworkers at each plant. These will appoint employee representatives interacting with management in what will in the future will be a joint council. Various working committees will be composed of both worker and employer representatives. At some companies it has been proposed that nonunionized workers should also have the right to appoint representatives to the local body for coworkers.<sup>10</sup> This would constitute a dramatic change in Swedish industrial relations, implying a development toward works councils not only for union members but for all employees.

The coworker agreement at ABB Service is closely watched by management at ABB headquarters and the rest of Swedish industry. According to leading representatives of the Swedish Engineering Employers' Association, there will be coworker agreements everywhere by the mid-1990s. The chief executive of ABB, Percy Barnevik, hopes to conclude coworker agreements for all parts of ABB in Sweden, encompassing 30,000 employees, in the near future.<sup>11</sup> Coworker agreements are likely to weaken the bipartite system oriented toward negotiations. The aim of the employers is to conclude coworker agreements at the firm or plant level that supersede the industry-level agreements between the union and the employers' association. This will make the unions' struggle for solidaristic wage policy and work development vastly more difficult.

10. Svenska Industrijänstemanförbundet (Union of Salaried Employees in Industry) (1992, 3).

11. Speech by Percy Barnevik at the conference *A Changing Working Life* arranged by the ILO and the Swedish Work Environment Fund, October 1, 1991.



Today, it is still the central agreement that applies if there is a conflict between local and central agreements. But as time passes and coworker agreements become more common, the legitimacy of central agreements may diminish. As working conditions become more firm specific and local co-determination methods are improved, it will be harder for the central unions to uphold a common wage earner interest. One suggestion discussed by a government commission investigating the productivity problems in Swedish industry was to make it legally impossible to have more than one collective agreement for a firm or workplace.<sup>12</sup> An obvious response by the vertically divided unions would seem to be to unify their organizations to meet this challenge locally and nationally, not least since they themselves have so strongly criticized the Taylorist organization of work. However, historical reasons, among other things the close connection between the LO unions and the Social Democratic party, as well as the LO's solidaristic and collectivistic wage policy have been major obstacles to a restructuring of the union movement.

### 7.7 Concluding Remarks: Influence from the European Continent

Employers and employees agree that the old joint council system failed because of certain traits of the old Swedish model, in particular solidaristic wage policy and structural rationalization. These were dealt with above the individual firm in central bargaining and corporatist institutions at the meso- and macrolevels, stripping the councils of their mission. According to an LO representative, hardly anybody misses the joint councils and they should be viewed as an interlude (Janérus 1989, 167). However, the weakened hegemony of solidaristic wage policy and the declining significance of structural rationalization from above may create opportunities for new joint consultative and council-like arrangements at the workplace, although these bodies will hardly ever be mandatory.

Neither the Ministry of Labor nor the SAF nor the LO believes that Sweden's application for membership in the European Community will change the Swedish industrial relations system. The LO and TCO hope that the "social dimension" of the Internal Market will be realized, although they do not believe that it will affect the Swedish labor market since the floor it will create will in all likelihood already have been reached and exceeded in Sweden. Concerning the European Company Statute, both the LO and TCO view the possibility of selecting a co-determination system in line with a tradition built on collective bargaining as a major advancement for the Scandinavian countries. The official at the LO in charge of European Community matters argues that works councils are alien to Sweden and does not regard the former joint councils as works councils in a strict sense since they had no legal backing. They

12. *LO tidningen*, no. 43 (October 27, 1991).

should rather be seen as products and parts of the collective bargaining system (Interview, October 21, 1991).

The SAF for its part views the "social dimension" and the various participatory arrangements proposed in the European Company Statute as expressions of German influence on the European Community that will, however, hardly be realized. The SAF used to favor some sort of works council arrangement when it hoped to prevent the Co-determination Act. In the early 1970s a special department at the SAF kept an eye on the issue both domestically and internationally. Today, there is no longer interest in works councils at the SAF.

The breakdown of centralism in industrial relations and Taylorism in work organization presents labor everywhere with both opportunities and risks. In light of the employer offensive in Sweden to get the workforce to speak with one voice through coworker agreements, there is reason to make comparisons with German co-determination and to ask whether works councils may provide a buffer for unions, making their adjustment to the new rationalization methods easier. In Thelen's words, "works councils have emerged as critical actors as plant bargaining becomes an increasingly important locus of conflict and compromise in West Germany's dual system" (1992a, 14). German unions today aim at implementing a set of centrally defined goals through a decentralized mechanism. The works council has become an important instrument in IG Metall's strategy to appropriate the kind of ability to reorganize production that employers want when new technology and work organization are introduced. Thelen shows how German unions and employers have concluded industrial agreements that charge works councils and individual employers with negotiating the specific extent and form of flexibility within centrally defined parameters (1992a, 14).

Swedish unions have not yet found instruments and strategies to handle the post-Taylorist challenge. They were, however, very successful in preventing representation outside union control. One expression of their strength was their ability to limit the spread of quality circles. In the early 1980s Swedish employers, especially in large firms, tried to introduce quality circles and related methods to improve productivity, creating union fears that they were trying to build up a new participatory infrastructure beyond union influence. In the second half of the 1980s, the quality circle movement receded, not least as a result of union protests and resistance.

Nevertheless, the change in management strategy demands more from unions than just rejection. Decentralization must be handled in a new way if unions are to provide their members with real influence on work reorganization, beyond minor information and consultation procedures and independent of the goodwill of the employer. A dual system may be able to facilitate a response to such a daunting challenge. If Swedish unions cannot find ways of influencing the new management strategy at the plant level, they will lose much of their credibility. Time-honored antipathy to council-like arrangements

at the workplace must be superseded by a new vision of a co-determination and participation structure in harmony with modern work organization and rationalization methods.

According to a radical interpretation, the Co-determination Act, in combination with the other labor laws and the wage earner funds, represents a challenge to the capitalist organization of work, and in this compares favorably with the German works councils (Hyman 1989, 213). Swedish institutions are claimed to enable unions to develop an autonomous position in the capitalist system and in relation to the individual employer. The problem, however, is that procedures oriented toward negotiation and based on bipartitism are weakened when employers make radical experiments with work organization that question the legitimacy of unions. Negotiation procedures are not suited to the smooth handling of production questions, and it is hard to mobilize interest among union members in negotiating on such matters.

Swedish unions may lose control of the rapid reorganization of the labor process, and also of wage setting, as employers make work reorganization an integral part of a decentralized wage formation model. Today it may be asked whether Swedish unions would not stand stronger if they had a more formalized co-determination system at the workplace, one less dependent on negotiations. A quasi-constitutional system or an extended version of the old joint councils may conceivably suit the present situation better. As long as Swedish unions are not capable of restructuring their own organizations, workers need more formal backing from central unions, or legal backing from the state, to unify their voices at the workplace and to ensure that participation does not become completely employer-controlled as, for example, in Japan.

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