The Swedish Labour Movement at the Crossroads: Interview with Rudolf Meidner

RUDOLF MEIDNER

Now Professor Emeritus at the Swedish Centre for Working Life in Stockholm, Rudolf Meidner was for many years chief researcher for LO, the central federation of Sweden's powerful blue collar unions. In this capacity, he played a crucial role in defining the innovative mix of policy and wage bargaining practices which have shaped post-war Sweden. Indeed, Sweden's ability to weather the current economic crisis while maintaining its commitment to full employment can be linked to the prior establishment of an extensive labour policy apparatus, an innovation that was not the product of farsighted state planners but rather the brainchild of Gosta Rehn, another LO economist, and Meidner.¹

The now famous Rehn-Meidner model is based on 'solidaristic' wage policies directed at ensuring equal pay for equal work regardless of market conditions or the profitability of individual firms. This is supported by a combination of moderate Keynesian macroeconomic policies and active labour market policies. Such policies were made possible in Sweden by the strength of the trade union movement, which presently organises 85 percent of the work force. One result is that the current wage differential for Swedish men and women employed full time is less than 10 percent.
Yet as Meidner points out in the following interview the Swedish unions have been forced to deal with the problems that 'solidaristic profits' pose for a trade union movement committed to a more egalitarian society. Sweden’s economic success rests to a great extent on the expansion of large, internationally-oriented firms, especially in the engineering sector. Government tax policy, including the investment reserve fund, which allowed firms to set aside a certain portion of the year’s profits for future investment, strongly favoured large already profitable firms; and solidaristic wage bargaining, as Meidner explains, also contributed to the expansion of the larger firms and to their profitability.

During the late sixties and early seventies various industrial policy initiatives were launched at the behest of the unions. These included the creation of the fourth ATP fund — a move which permitted the use of a certain portion of the funds accumulated in the public, earnings-related pension plan, for equity investment. In 1976 LO adopted a more radical proposal — the establishment of wage earner funds — recommended by the Meidner committee. The original proposal involved the offer of wage restraint on the part of workers in high profit firms in exchange for the creation of union controlled investment funds financed by such solidaristic profits. If implemented, such funds could have put real economic power behind the unions’ demands for collective control over investment.

LO’s endorsement of the wage earner fund proposal, however, marked the end of the labour offensive. As the economic crisis began to make its impact felt, capital went on the attack. In 1979, SAF, with engineering capital in the lead, launched a direct attack on the centralised system of collective bargaining through which the unions had pursued wage solidarity. The bourgeois government, in power from 1976 to 1982, began to break with the terms of the postwar compromise during their last years in office. The 1982 return to power of the social democrats served to restore the state’s commitment to full employment but one of the effects of the ‘third way’ has been to encourage the growth of profits at the expense of real wages. Ironically, a much watered down version of the wage earner funds was introduced as an inducement to continued wage restraint.

In its effort to cut the deficit, the state — a major employer of women — is following SAF’s lead, decentralising and ‘individualising’ wage setting, a development that is likely to increase wage differentials and may increase tensions within as well as between unions. Although this could benefit certain groups of underpaid women workers, like
the nurses, it is likely to affect adversely the majority, especially as Finance Minister Feldt seems committed to a form of ‘cash limits.’

Swedish workers, like their Canadian brothers and sisters, are faced with the prospect of (downward) ‘harmonisation’ of social industrial relations and environmental legislation as Sweden comes under pressure to work out an accommodation with the European Economic Community, scheduled to complete the process of economic integration (begun with the Treaty of Rome) by 1992. Although Sweden may not seek formal membership in the EEC, due to its official neutrality, resistance to what might be considered de facto membership seems to have been broken by precisely the same fears of economic exclusion conjured up by certain Canadian politicians and economists to generate support for the Canada/U.S. free trade agreement. Although the LO seems to feel that a new arrangement with the EEC is necessary, it is working hard within Sweden to counter capital’s offensive — with some success. The last round of negotiations was marked by cooperation across the blue collar/white collar divide, especially in the case of the two main private sector unions, Metall and its white collar counterpart, SIF. The issue of economic democracy has not died, although the crisis years and the employers’ vitriolic attack on the wage earner funds have induced a more cautious approach. The recent explosive growth of profits has re-fuelled the issue. In 1985 an innovative proposal from Metall — the renewal funds — was adopted by the government.

The crisis in the health care sector has fuelled a debate over how working conditions can be changed so as to improve effectiveness while enticing new, and retaining existing, personnel. At least two counties have proposed the introduction of the six hour day as part of the solution. Key public sector unions like the municipal workers (KOM-MUNAL) and the nurses, share a strategy for simultaneously improving the quality of services and of work life. Kommunal, moreover, seems poised to accept the feminist-inspired analysis advanced by the nurses union, with the election of the first woman leader of a LO union, who will assume office in 1989.

These are a number of the issues which the unions will place on the agenda of the new social democratic government, issues that it will find difficult to ignore due to its reliance on the support of the three parties — eurocommunist, green and green-hued Centre party — that made gains in the 1988 election. In the following interview Rudolf Meidner discusses these issues and the serious challenges which the Swedish model faces in the near future. Meidner’s long history of
association with LO and his leadership in the definition of the original more radical version of the wage earner funds, as well as his participation in the design of the Rehn-Meidner model, make him uniquely qualified to comment on the economic future of Sweden and the prospects of the Swedish labour movement. He has co-authored two books with Anna Hedborg and has written numerous articles on the Rehn-Meidner model, wage earner funds, and other current issues. He spoke with SPE in the summer of 1988 at the Swedish Centre for Working Life in Stockholm.

Rianne Mahon

SPE: You often explain the impact of solidaristic bargaining in two ways. One is to focus on the pressure exerted on less profitable firms by the wage policy of solidarity and thus the importance of labour market policy; the other is to focus on the large profits in the leading sector — the problem which the wage earner funds originally sought to address.

RM: Well, I think that is quite correct. Wage restraint means that the profits in firms with already high profits must be still higher when you use the wage policy of solidarity and also that the wage policy of solidarity has contributed to the exit of weak firms. These two consequences were easily foreseen. Active labour market policy could be used to solve the second problem. But the the problem of high profits in the leading sectors remains. Profits must be reduced in some way or another. And it is correct to say that the original wage earner fund proposal was just one way to make a contribution to the solution of this problem. The policy of the so-called third way has rather sharpened this dilemma and if the wage earner fund solution is not acceptable politically, there must be other ways to solve the problem.

I think that in our present situation the problem cannot be denied. We now have 80 or 90 billion Swedish crowns (17-19 billion Canadian dollars) — that is the figure we see in the papers — available in the hands of capital owners as liquid money in different forms, for investment, speculation, buying foreign firms or buying up each other. The problem is more accentuated than ever. I can see practically no real strategy for dealing with it emanating from the government and of course not from the unions who will not give up the wage policy of solidarity. So the initiative must come from the
government and so far the government has not done very much to solve the problem. Yet the government must have calculated that by favoring high profits partly by reducing real wages over many years — that this must be the consequence.

**SPE:** Just to go back to the beginning a bit, why was it only in the early 1970s that LO turned its attention to the problem of high profits.

**RM:** Well, I guess that was because in the 1960s, for the first time, the wage policy of solidarity was concretely successful. The idea that there would be high profits was there in the 1930s and 1940s but it was not so obvious that that must be the result. In the latter part of the 1960s the problem became obvious so that some suggestions were made to the 1971 LO congress with regard to wage earner funds. Then, during the first part of the 1970s, especially 1973-74, profits rose dramatically in Sweden, mainly in the pulp and paper industry and in the metal industry, so it really became an issue. At the congress of the metal-workers' union in 1973 the wage earner funds issue was discussed intensively and again in 1974 when the pulp and paper union had their convention. At both these conventions there was a reference made to the forthcoming LO wage earner fund report. The leading people in these unions told their congresses "we can wait until the LO makes the proposals and the LO Congress of 1976 will discuss the issue." Thus, there was increasing interest in the question in the 1970s because the implementation of the wage policy of solidarity together with an economic boom — an export boom in that case — had accentuated the problem. People have difficulty separating profits, excess profits as a result of the wage policy of solidarity and excess profits as a result of an economic boom. But if both these two things come together then it becomes an issue in public opinion. The peak of the debate was reached in 1975 and 1976 — then the whole debate was interrupted by the economic crisis. That may be a reason why the issue was watered down politically.

**SPE:** As I recall Andrew Martin stresses the fact that originally the wage earner funds were designed to deal with inequalities due to high profits, but by the time they were really taken up by the SAP and LO the situation had changed and in fact
more emphasis was put on the view that wage restraint would remain in effect and in exchange workers would be given more influence over investment.

**RM:** Well, that was one development; the idea of a *quid pro quo* or some kind of payoff was not in the original proposal but it was one of the motives which the Social Democratic Party emphasized. Originally there was nothing of that compensation idea in it and excess profits appeared only in the technical sense. We never called it "excess profits," because excess profits implies high profits in an extraordinarily booming economy. It's nothing like that. When we talked about profits it was never in the sense of profits resulting from economic fluctuations but profits resulting from the wage policy of solidarity. In a normal economic situation the wage policy of solidarity leaves with the capital owners an amount which could have been taken from profits in the form of higher wages. It is more a question of principle than of economic fluctuations. There is no real term for the part of profits which is a result of the wage policy of solidarity.

**SPE:** Solidarity profits?

**RM:** If you want. As a German economist said it is gift which is given by the unions to the capital owners. That is at least the idea. The unions refrain from doing something and what they refrain from is given, not to other unions or other groups in the labour movement but is left to the capitalists. That is the essence of it.

**SPE:** This *quid pro quo* aspect received more emphasis when the Social Democrats brought in the watered-down version of the funds but certainly with the enormous sums floating around in the economy the wage earner funds haven't been very successful at controlling excess liquidity.

**RM:** No. So the critics can easily say that the introduction of regionally-based wage earner funds did not lead to wage restraint. I think that it is correct to say that after the introduction of wage earner funds and the 1982 devaluation the unions did exercise wage restraint. But *post hoc* is not *propter hoc.* This wage restraint was not a result of these very small regional funds but because the unions co-operated after the devaluation and for several years accepted a reduction of their
real wages because they thought they should support the government in its effort to restore the Swedish economy. The unions say that since 1982 when the funds were introduced they have restrained their wages but it is really not because we have these regional funds. There are other reasons.

**SPE:** Right, but the third way has been very successful in raising profits in industry. That leaves the original problem, which the funds where designed to deal with, still very much on the agenda.

**RM:** Yes, that's true. There have been other attempts in the same direction, for example the investment funds — which is a very old policy — from the 1930s or 1940s at least. There have also been new forms of investment funds with the same motives. Now there is a new proposal from the Finance Minister, Mr. Feldt, to take about 10 billion crowns out of this 80 to 90 billion in liquid money, which is to be paid into the central bank, and can only be used if the firm can guarantee it will be used for investment. 10 billion crowns is not very much, but the government must feel 10 billion is 10 billion and it can be a way to stimulate new investment.

**SPE:** Will this proposal force the companies to invest in Sweden?

**RM:** I am not sure. Mr. Feldt has not yet given any details on how it is to be used. But the first thing is that it is to be frozen at the central bank with a very low rate of interest and it may be used only for investment. What kind of investment — inside Sweden or outside Sweden — nothing has been said about that. But, at least investment, not speculation. This is a move in the right direction — pragmatic, cautious, not killing liquidity, not killing the propensity to invest. This is a typically Swedish way of compromising between different things — to keep the economy going but also to meet the unions claim that "something must be done".

**SPE:** Do you see the renewal funds as part of a solution to this problem?

**RM:** Yes. The renewal funds simultaneously address the broad problems of excess profits and also the need to force employers to upgrade their employees' skills. These are the two motives behind it. The original proposal came from Metall which
suggested that funds for re-education and training should be established. It arose during negotiations so obviously it was aimed at calming down their wage claims. So it is quite correct to say there were these two motives.

**SPE:** The renewal funds are interesting in two respects. One is that they emphasize the use of some of these profits for retraining workers, particularly those with lower educational levels. That is one element that was there in the original wage earner fund proposal, but not quite so explicitly at the centre. The second element is the veto power which unions have over the funds, which means that they have some chance to influence investment in the form of educational and research activities.

**RM:** A very important thing. It is the first example of a veto, something which we do not have in the co-determination law,* so it is interesting also from that point of view. It is the first time the unions — the locals — can say, “We have a different way to use the money and we are against what you propose.” I expect that in nine cases out of ten the result will be some sort of compromise. In a few cases there will be no compromise and then the money will not be used. In some cases this may happen because the company lacks the imagination or the need to use it. But in some cases it will not be used because the company and the unions cannot agree on how to use it. These are interesting cases that I hope ALC (Swedish Center for Working Life) researchers will look into.

**SPE:** Do you think that the Social Democratic Party, if re-elected in the fall, is likely to consider an extension of the renewal funds or is it just a kind of one-shot effort?

**RM:** Well, nothing has been said about it. They will look at the results of the ALC's evaluation study when it is completed and that will take some years so I don't believe there will be new efforts in the next few years. In the long term, however, I feel sure that something will be done. Hopefully, any new initiative will deal with the dilemmas that the 1985 legislation contained. Firms with low profits, or no profits were discrim-

*1978 framework law which was supposed to weaken ‘managerial prerogatives’ accepted by LO with the 1938 Saltsjöbaden Agreement. Anna Hedborg once described this as the “honk” law, i.e. honk before you drive through.
inated against. This is not satisfactory for the unions and I think it is not satisfactory for the government or the economy as a whole.

I think a new scheme should include the hundreds of thousands of people who are working in firms with low profits or no profits, many of whom are in the same situation or an even worse situation than people in high profit companies. But as soon as you try to transfer money from high profit to low profit companies there will be very heavy opposition — not only from business but also from people who are working in the profitable industry who will say, “We are making the profits and should we really contribute to education and research in low profit or no profit industries?” Also, the government will probably be very careful to avoid something which could be interpreted as a new kind of pool or collective fund like the wage earner funds, which would be the next step. If you say that some part, perhaps 10 percent, must be paid out of profits into a fund and the fund may be used for education, training and research in all Swedish firms, you are very near a new kind of wage earner fund and that would be avoided for political reasons.

SPE: Do you think so?
RM: Well, I, personally, am not afraid. But I know that the government and the Social Democratic Party are afraid, because it is a very tough political issue and the government has promised quite explicitly that they will do away with all collective funds. So it has become a question of credibility. They must keep their promise. The proposal to start a new, fifth, pension fund that is allowed to buy shares, has been taken up by the Conservative Party at least, as an attempt to break this promise in spite of the fact that the fifth pension fund is not the same as the wage earner funds. But, of course, it is a new fund and it happens to start when the wage earner funds are to come to an end, so it is easy for critics on the right to say, “You can never believe the Social Democrats. They say that nothing will be done but look at it. They have stopped the five wage earner funds, but they have started a new one.” And it is so difficult for ordinary people to distinguish. They may say, “Wage earner funds, regional funds, ATP funds — it is just a new means to continue in the same old way.”
**SPE:** But the fifth ATP fund is very much like the fourth ATP fund.

**RM:** Yes, exactly the same. But you can say that the existing wage earner funds, the regional funds, are not so far from the fifth or fourth ATP fund, because all of them are part of the ATP system. The returns — at least 3 percent in real terms — are given to the pension funds system and they buy shares on the stock market. The differences are not very great.

**SPE:** Though symbolically, I think, it is a bit different.

**RM:** Yes. But it seems that the Conservative Party, at least, will try to make it an issue in the election campaign. That’s nothing new. There was non-socialist opposition to the fourth fund as well which was highly exaggerated. It has very little to do with socialism. But it can be called socialism and then you will have the whole debate again which the Social Democrats want to avoid. As a former Finance Minister, Mr. Strång, said, “You can work in that direction, but don’t talk too much about it. Act as a socialist, but try to avoid an open discussion of socialism.”

**SPE:** Another thing, though, is that one really gets a strong sense that the bourgeois parties need an issue to create a semblance of unity. There was a recent report on the news of a study done of party preference among members of SAF, the private employer’s organisation. Half preferred a bourgeois government but over 40 percent said they would prefer a Social Democratic government because the bourgeois parties have no real alternative policy.

**RM:** Yes. But this doesn’t mean that they would vote Social Democrat. If you ask them, however, and if they consider their own situation, they will say that they are well-treated. There is for example, little risk of Swedish capital leaving Sweden because the Swedish capitalists are, after all, so well-treated in Sweden that they have no real reason to go away and take their capital to other countries. They are well-treated with respect to the taxes and the social climate of Sweden.

**SPE:** Why have private sector employers abandoned the system of centralized bargaining which they themselves orginally demanded?
RM: That is a difficult question and I have no clear answer. At a recent seminar on Gosta Rehn last week, Karl Olof Faxen, the former SAF economist, gave a paper on SAF policy in the 1920s which was interesting because it clearly showed that as early as the 1920s, there was a significant number of SAF members who were in favour of the principle of equal pay for equal work, which is not far from the wage policy of solidarity. We say it is the first part: equal pay for equal work. Support for low wage groups is the second part. SAF was, of course, all for equal pay for equal work, but opposed to the egalitarian part of the wage policy of solidarity.

But why have they abandoned their old principle of equal pay for equal work which is important for the employers as well as the employees? SAF organises very different groups — large and small firms and firms in different regions, so for decades it has been of interest to them to support the principle of equal pay for equal work. They also played a decisive role in the 1950s when centralized bargaining was introduced. In 1956 it was SAF which pressed for central agreements. LO followed, but the initiative really came from SAF. And what has happened now and why has it happened? I have of course no inside information, but I have a feeling that there still are different groups within SAF and at the moment it is quite clear that the group which is abandoning the old principles is the dominant one. Perhaps it has something to do with new trends in the Western world, such as decentralization and individualization, the US example or Japan as some kind of model for Western Europe. These are external influences.

Using wages and salaries as an instrument to improve productivity and competitiveness is one of the Japanese ideas. Solidarity may exist within the firm but not between firms or branches. Now it also seems that SAF wants to leave the responsibility for economic stability totally to government. This is also a new phenomenon. Earlier SAF frequently presented itself as a guarantor of economic stability and against inflation but it seems they don't care any more.

SPE: Well, that's an interesting point. A Swedish economist, Lennart Erixon argues that one of the consequences of the kind of development which took place during the 1950s and 1960s is that the engineering sector in particular became more
and more international and less and less dependent on its own domestic base. It thus became less interested in going along with solidaristic wage bargaining and less concerned with macroeconomic policy in Sweden. Do you think that's a reasonable kind of explanation?

RM: Yes. I think there is much in the argument. The interest at least of our largest multinational firms in the stability of the Swedish economy is not as high as it was earlier. Their interests are more directed to their own competitiveness in the world market. So there is influence from outside in both these ways, ideologically and economically. It's a wave of new management philosophy which little Sweden cannot remain immune to. Yet, you still have more centralism in SAF than one would imagine when you read their declarations. Faxen told us another story. As you may remember, the first agreement concluded this year involved the bakeries. Their employers' association was fined by SAF not for the extent (10 percent) of the wage hike but for the fact that they started too early. I think everybody thought they were punished because they agreed to 10 percent. But no. SAF had agreed that the main manufacturing branches — engineering, etc. — should start and the rest would follow. The bakers' error was not that they gave too much, but that they started too early. There was, thus, some coordination within SAF as well as between the private and public employer's organisations. Also on the union side there was clear coordination by LO. So we have not left the model as completely as many observers think.

And why do the unions also claim victory? I think there are very good reasons for them to do that. The unions wanted support for the weak and low-paid groups, and I think they were rather successful in getting that. The groups which were favoured in the private sector were the low paid groups — the food industry, hotel and restaurants, textile industries and of course, in the public sector, the nurses and municipal workers. Unions in the stronger industries were left to fight for local agreements which to some extent can compensate them for lower central agreements — which will happen of course as it always has done. So I think the old model is still valid and is still being applied. You favour the weak low-paid groups not through central agreements but by branch agreements and leave to the other ones to get what they can at the
local level. The result will probably be that most of the groups get the same, I would say about 7-8 percent on average.

**SPE:** But the Factory Workers settled before Metall, as I recall, and they agreed to no general increase.

**RM:** But if you look at the details of the agreement you find that the lowest paid groups got 3,000 kronor vacation compensation. You can call it what you want or what they want. In fact its 3,000 kronor a year extra to the lowest paid, a little less for the average and nothing for the highest paid. It amounts to the same general increase. There are solidaristic elements even in this agreement.

**SPE:** LO President Stig Malm was very quiet during the negotiations but a couple of weeks ago he criticised the amount that the municipal sector workers got.

**RM:** Well, I don't recall any particular criticism of the public sector, but he did say that the total wage increase is too high from a national economic point of view. Nobody in Sweden would deny that an average of 7 or 8 percent is much higher than practically any of the countries in Western Europe with which Sweden is competing — West Germany and even Great Britain and France. Sweden has had a higher wage increase and, as a result, higher inflation than its competitors, which is not satisfactory. But, as we have said for the last forty years, you cannot expect the unions to take the responsibility, in a booming economy, for wage restraint. Union members pay their dues, not for wage restraint, but for higher wages and if the government pursues a policy which leaves 80 or 90 billion crowns for paying wages and salaries, and for investments — which is good — and speculation —which is bad — you just cannot expect the unions to exercise restraint. It's exactly the same situation which we had earlier, albeit at a much lower level, and there is no solution in sight. I think, however, there is a growing recognition of the fact that the unions cannot take that kind of responsibility. What happens is that when the unions have agreed centrally on a low wage increase, say 3 or 4 percent as Mr. Feldt wanted, at least another 4 per cent will be gained at the local level via wage drift. So it's a "mission impossible" and it seems that practically everybody sees that, except the government, which still thinks
that if you make a declaration — a ceiling of 4 percent — it will be, or even can be, obeyed.

I know that if you have the policy of the third way, with devaluation and high export profits, leaving 80 billion crowns in corporate hands, then it's not easy. I am the first to admit the dilemma and the difficulty, but you have to find ways to keep a lid on profits. I think there is some tolerance now for higher profits among Swedish union members, which we did not have earlier. People say, "OK we must have profits for investment and new machines, new buildings, expansion." People are well educated and see that there must be profits in an expanding competitive economy. But there is a limit. And we are many times above the limit. I think that is something seriously lacking in Swedish economic policy. The third way has been successful, in the sense that exports have flourished and we have high profits. We are decreasing our deficit, decreasing our foreign debt and still have high employment and low unemployment, despite a still increasing labour force participation rate. It's just wonderful compared to many other countries. But the weakest part is that with such high profits you cannot neglect the problem of wage determination, especially wage drift and inflation. After a few years we probably will be in the same situation we were a few years ago and will have to devalue or to find other ways. So I think the third way policy has been successful, but from the point of view of income and wealth redistribution it has been very unsuccessful and from the point of view of wage determination and inflation probably unsuccessful. It's not easy to find the compromise but it seems to me that Finance Minister Feldt has neglected these things because he thought the most important thing was the restoration of the Swedish economy.

SPE: Might one expect the government to have somewhat more "success" with its strategy in relation to public sector employees.
RM: Well, I'm critical of that aspect as well, because what they are doing is transmitting the new management philosophy to the public sector and they cannot, nor should they, succeed. You cannot do away with all traditions and principles of the Swedish wage policy. You cannot individualize the whole system in the way they are trying to do. We still have groups and
categories with practically the same wages and salaries. You can add some premiums for some groups. You can say to the nurses in Stockholm, "You are entitled to 10 more days vacation or 2,000 kronor more for the summer. Some things like that are tolerable but you cannot destroy the basic structure and you shouldn't, because that would be unfair. There should be the same wage for practically everybody with the same jobs in all parts of the country. There is no reason to give advantages to a few of them. I think it is totally against Swedish principles.

The unions have always accepted some form of bonus pay, but there have been waves for and against different forms of bonus pay. I remember in the 1950s when the food industry was very much below the average of the Swedish manufacturing workers. They succeeded in increasing their wages by accepting a piece work scheme. Later they turned back to fixed wages. So it has been part of the union's strategy, but the principle of fixed wages for the same groups of skills and jobs has been the basis and to change it to totally individualized wages — that is impossible, at least for the LO groups. Such a system is counter-productive. It is much better to try to define the kind of work done and pay the same wage and salary for everybody who does that work, possibly with some increment for number of years of service, which we normally have in the public sector. But to individualize our wage structure in the way which obviously is the new management philosophy is wrong. I think the unions are strong enough to oppose this, so my hope is there will be very little of this private management philosophy.

SPE: A recent comedy programme on television staged an interview with the head of Kommunal who refused to appear above the table, suggesting, I guess, that he was embarrassed.
RM: Not only that. He is a very short person.

SPE: I see. One of the questions asked was, "Have you managed to uphold the principle of solidarity?" And although the answer was yes it was quite clear that Marjasin had managed not to give it enough of a solidaristic profile.
RM: I am not sure that that is really true. The employers' side tried to totally destroy the solidarity structure but I think
that Marjasin has tried to fight against this. It is the clear intention from the employers' side to destroy it and likewise the clear intention of the union side to defend it. So we shall have to wait and see what happens. But it is of course complicated by the fact that we have these bottlenecks in some fields; And what Marjasin said, if I remember correctly, is that it is acceptable that some groups — the nurses and assistant nurses for example — in different parts of the country may receive additional benefits. But that doesn’t mean that he has totally abandoned the wage policy of solidarity.

SPE: This might be a good place to go on to the question of the fight that occurred at the 1986 convention between Marjasin and Blomberg (Metall’s chair). LO tried to deal with the dispute by reexamining the theory and practice of solidaristic wages. This led to the suggestion that LO might put less stress on the general levelling of wages and emphasize instead equal pay for similar work.

RM: Yes, and different pay for different work. There was an open conflict at the LO convention. My feeling is that the conflict still is there, but that it is not as intense as it was earlier. After all, the Metall union accepted LO’s basic bargaining line. The only union which went it’s own way was Transport and they have not achieved anything by this, just as Metall did not achieve very much by bargaining on their own in 1983 and 1984. Metall is integrated again and agreed this year to start with rather modest claims; they have accepted that other groups are to get more. We have not seen any open conflicts and none of the harsh internal conflicts we saw at the 1986 LO convention.

The new concept of “wrongly waged” was to be based on a comparison of similar jobs in the public and private sector, but this has turned out to be much much more complicated than they expected because there are not only wages but also fringe benefits and working conditions to take into account. But the LO are working in that direction as a first step towards identifying the same kind of work in the public and in the private sector. The next, still more difficult, step is, of course, to identify different jobs within the public and private sector. But much of that job is already done, using the “degree of difficulty” scale. We recognized in 1951 that solidaristic bar-
gaining required the establishment of norms. Equal pay for equal work requires some way of defining equal jobs.

SPE: What about the work time issue? My sense is that work time reduction is certainly not seen as a solution to unemployment but rather as something that is becoming possible with the increases in productivity. Thus, the debate in Sweden focusses on the best ways to reduce work time.

RM Yes. It is mostly a question of which way we have to go and there you are correct in saying there are very different opinions. You have the formal decisions of the LO and the SAP congresses that the 6 hour day still is a goal and you have the women's — the Social Democratic Women's Association — still, but not as fanatically as earlier — fighting for the six hour day. But it seems that they are rather isolated because the 6 hour day is a very general measure which can meet the interests of some groups but not of all groups. When we had the discussion with the Metal Workers in Gothenburg some weeks ago Blomberg said that the 6 hour day is not in our interest but rather the 6 week vacation which many of the salaried employees already have. So it is a question of justice and as soon as you make a question in Sweden a question of justice between between white collar and blue collar workers, that question has a high priority. The head of the SAP Women's Association replied cautiously. She really didn't criticise Blomberg as much as I expected. She was much more open to different options.

If we look at history we find that over the last 30 to 40 years, only one-fifth of what has been available for standard increases in some way or another has been used for shortening hours while four-fifths has been used for real wage increases. There is no reason to expect that the proportion will be much different now. We also know from history that after periods with low real wage increases or even decreases as we have experienced since the middle of the 1970s, there is little interest in using what is available for shorter hours. That means that for the next few years I don't foresee any substantial reductions.

SPE: What about the pressures in both Stockholm County and Kopparberg County where there has been some interest in trying the 6 hour day in the health care sector?
**RM:** Yes. Selective measures for groups with inconvenient hours of work and also for parents with small children, for example, may be taken.

**SPE:** Would that be both parents do you think or just the mother?

**RM:** Oh no, not just the mother. Both of them, and hopefully with some better division between the two. As you know there has been some discussion of forcing the parents to divide parental leave between them which others think means too much intervention in family affairs.

**SPE:** This is interesting from the point of view of gender equality, for you also have quite a highly segmented labour market and usually the male partner in a couple has the “more important job” so economics usually...

**RM:** Yes. That is the argument for some kind of obligatory rule a 50-50 division or something like that. That’s important but it is still a detail. In our discussion of the issue of shortening work hours, if you ask me as a person, my answer would be to give high priority to certain groups with inconvenient work-hours and to parents with small children. It is the second one that the Social Democrats have advocated and I am all for it. It is part of our social security system which must be paid by contributions. Shorter hours for the parents of young children would cost not more than 1 to 1-1/2 per cent of the room that we have for wage increases. The 1 million Swedes working, not between 9 and 5 or 8 and 4, but other times, also should be compensated. Such selective measures are not so expensive. But to go from 8 to 6 hours would absorb the total increase for several decades, 30 years. It would increase costs by about 30 percent. We still are not back to the real wage level of the middle of the 1970s. So we have to regain that and it will take two or three years of good economic conditions to do this. I think it’s not very realistic in Sweden to assume that ordinary people will accept real wage reductions for more free time and leisure. I’m not sure if it is realistic in Germany.

**SPE:** I gather that at Metall’s anniversary Blomberg produced the results of a new survey of members which showed that
more people were interested in some form of reduction of working-time. And the discussion was focused on ideas like Friday afternoon off or the notion of a 'time bank.'

**RM:** Yes. The time bank is a way to use future reduction of working hours individually. This is the line Rehn and I and many others favour. First, selective measures for a few groups. Then a reduction of working hours tailored to individual preferences. Some may prefer a shorter working day, but others may prefer another week of vacation. Some may be interested in Friday afternoon off and a few groups may be interested in sabbaticals.

**SPE:** Only a few groups you think?

**RM:** Yes. To start with.

**SPE:** You once argued for a sabbatical year for all.

**RM:** Well, we had the idea it could be a part of the whole system but I can see that we are very far from it. The best way to start may be by allowing individuals or certain groups to opt for a sabbatical.

**SPE:** But are we really that far from it? The study prepared for Metall's 1985 conference quite clearly talks about how the changes in technology and work organisation, etc. will mean that their members have to have a higher level of competence and will need much more retraining through their work life. As I understand it, the sabbatical for workers as well as academics was very much linked to the idea that workers needed a chance to upgrade their educational skills.

**RM:** Yes. Maybe. And paid educational leave may be linked to new forms of renewal funds. All ways are open and I think everything is to be preferred to a general bureaucratic and clumsy rule to come down from 8 to 7, from 7 to 6 hours, because it doesn't cover more than a few groups and some will simply take another job or work overtime. It depends what kind of people and which part of your life-time cycle you are in. We are in a totally new society. General rules were OK in our industrial society 60 years ago when the struggle for the shorter working day started. But today I think we have to accept more flexibility in work time. We are on the way already. It is clear that policemen and firemen and people in hospitals...
and in transport have to work at unconventional hours. Business people tell us, "We have our very, very expensive capital and we need to use it more than 8 hours." People have to compromise, to accept things which are not so convenient. I know that in the unions there is a great deal of skepticism about shift work, but there are compromises and in a country like Sweden I think these things could be openly discussed. I can see the beginnings of these open discussions. The unions are much more flexible and as Blomberg said in Gothenburg, the most important thing is that our work becomes more stimulating, that we are treated in a more positive way and that the strict regulations characteristic of the old way of organising work, are relaxed. If we feel that our work is more stimulating we are ready to discuss not only shortening of work hours but flexible work-time. I think that if people feel that work organisation is changing then the opposition to flexibility will vanish. What is needed is a new form of work organisation and flexibility.

**SPE:** You are right, too, that the 6 hour day won't solve any underlying problems of the division of household labour.

**RM:** No. Probably not. I think that women who advocate the 6 hours programme underestimate the weight of these traditions and it is not even sure from the point of view of female emancipation and justice that shorter work hours would change very much in the family patterns. There are other things which might change it, but not just the fact that there are shorter hours. Men would just continue to use their leisure time for well the boat and the car...

**SPE:** Hunting and fishing...

**RM:** Yes. And women will use their time for more housework. So, gender inequality can not be solved by the 6 hour day and hopefully our women advocates are aware of this and are prepared to accept flexibility, even if they are afraid that flexibility means flexibility for men. Maybe. There are other things which can change these traditions, but not working hours as such.

**SPE:** Yes. Maybe we should move on to the question of the European Community, that is some of the problems that the "Europe 1992" programme may give rise to for Sweden.
RM: Well, this is not, of course, my area of expertise at all. My position is based more on feeling than on rational thinking. I really don't know what “Europe” is. Is it conservative Germany, with a very isolated Great Britain, or the south of Europe. There is, at least, no part of Eastern Europe in it. As someone said, “It's difficult for me to see Europe without Prague and Budapest and Moscow.” So it is only half of Europe. When people argue that we cannot isolate ourselves from Europe, I reply, “What Europe? What kind of Europe can we not be isolated from?” Of course you cannot be isolated from Europe nor from the United States or from the Third World. But we have the Nordic group of countries. I am more for co-operation between the Nordic countries as a first and more concrete step, but not for integration into a group of rich Western European, mostly conservative countries where we risk giving up much of what we call the Swedish or Nordic model.

Ten or fifteen years ago the question was a real issue in Sweden. There was very hard pressure from industrialists and business and conservative groups to join the EEC. And there were others, Gunnar Myrdal and some unionists and economists who said, “It's not so pressing, we can wait.” And we have waited fifteen years and we have not lost anything. Maybe it's a little more concrete at the beginning of the 1990s. But I think Sweden should be careful not to pay too high a price for it. I think the Swedish model or society, our ideas of full employment as the highest priority, of social justice, of solidarity, of a very large public sector, our egalitarian philosophy — these things are all of such high value that we shouldn't give them up if it's possible to retain them. And I think it is possible. Sweden could stay outside for a very long time without losing very much. And the risk entailed in total integration and membership or “harmonization” of legislation, is that we could lose the model, the pattern we have, which really differs from that of Western Europe.

I recently read an article in a liberal German paper that expressed concern about the possibility that co-determination, and other means for increasing the influence of wage earners, might be sacrificed in the interests of harmonization. If they are worried, we should be even more so. Can Sweden protect
the various work life reforms that were made in the 1970s as it negotiates the terms of its new relationship to the EEC?

**SPE:** But aren't you concerned about the movement of Swedish capital abroad? Not only has there been the Asea-Brown Boveri merger. SKF already has its research and development offices in the Netherlands. One of the Swedish paper companies recently bought a French firm — Peaudouce — and Volvo bought British Leyland's bus division. There does seem to be a significant movement on the part of Swedish capital to...

**RM:** Well, so far this has not been a real disadvantage to Sweden. We have high employment in Sweden and good exports, so I think we are using our production capacity to a very high degree, 85 or 90 percent. I still cannot see very serious risks and we must accept free movement of capital. But there is also some capital inflow to Sweden. Not very much. The outflow is much greater. But I think we can afford that. It's no catastrophe that some Swedish companies are moving at least part of their activities out, and I cannot see how we can stop it. That would be against all the rules — GATT rules and other rules which Sweden has to obey. I think it is not so dangerous. You mentioned yourself earlier that nearly half of Swedish businessmen think that the Social Democrats are doing well. I think we must accept that we have economic policies which are not hostile to investors and I think we are not. Swedish tax rules are very generous.

**SPE:** Yes, the effective tax rates.

**RM:** Yes. I saw an article indicating that Swedish corporate taxes are lower than in Germany and the United States. We also have a very stable labour market. We have not experienced the brain drain one might expect if you only look at after-tax salaries and wages. We are far below the average when it comes to salaries for highly skilled people, professionals and other academics. Some are leaving Sweden. But a real brain drain does not exist and that is because people think you can live here. The whole atmosphere of living is friendly and positive and you can be sure of having a good education for your children. All these things are important. So I think the whole pattern of life in Sweden and the social and economic system is such that, if we can defend and retain it, Sweden
still will be very attractive both for skilled labour and for capital.

**SPE:** One final question. Do you think that the "Swedish model", then, can cope with the challenges ahead — technological change, internationalisation of capital, etc.?

**RM:** First, I should be clear about what I mean by the Swedish model, for there are different ways of defining it. For me, the Swedish model, consists of two fundamental goals — full employment and equality — and certain policy instruments Keynesian macroeconomic policy to achieve full employment and price stability, active labour market policy, the welfare state and solidaristic wage bargaining. The condition for the existence and success of the Swedish model is the existence of a strong labour movement. The question then is does the Swedish model represent an appropriate means for meeting a number of difficulties following from the process of technological change?

I think we need to recognise that we are in a period of accelerating change and that the Swedish model faces severe challenges in the future. Think of the two main goals, full employment and equality. I am not as optimistic as many seem to be that the problem of the 1990s will be one of labour shortage. Where are we going to get the jobs that are going to create this situation? They certainly aren't going to be in agriculture or industry. Nor are they likely to be in the public sector for the tax burden required to expand public sector jobs is considered politically unacceptable. Thus we are talking of expansion in the private service sector, and yet, considering the reports on the low wage orientation of the great American job machine, I don't think we can consider this the way we want to go.

Sweden has the lowest unemployment rate among OECD countries and demographic projections show that fewer youths will enter the labour market in the 1990s. Many thus conclude we face a labour shortage. I think this scenario fails to take into account the extreme instability of the international economy. The Swedish economy, which is so dependent on exports, is thus very vulnerable. We are, moreover, surrounded by countries with high unemployment and Swedish business is placing a high priority on internationalisation. To put it an-
other way, the economy is becoming more transnational, but our ways for regulating economies, as Robert Boyer puts it, remain very much national in scope. Have we in Sweden any strategy for dealing with this? I have yet to see one.

SPE: What about equality?
RM: We have already discussed two threats to equality. First, the high profits permitted by the third way policy has produced intolerable levels of inequality. I am not suggesting that the basic method (devaluation) was inappropriate but we cannot expect the unions to exercise restraint unless something is done about this. Second, the threat to the wage policy of solidarity. Central negotiations are being abandoned as the employers attempt to move to branch and local bargaining. Wages are being linked to (differential) productivity gains and individualised wage setting is being advocated by both private and public sector employers. There is a very real risk that unions will lose their strength and influence. We have to build on and develop our wage policy of solidarity as the basis of union activities. It is at the core of union strength that unions that fight for low paid groups are attractive as organisations. If the wage policy of solidarity is given up, the unions will be weakened in other areas too.

SPE: There is also more talk about the workers being divided into “A” and “B” teams.
RM: Yes, polarisation is also a real threat. Many in fact think that technological development entails precisely this risk — a split between highly skilled, well-paid and secure workers and those on the periphery. And women are amongst those who are potentially most exposed to this. Thus, we face a threat to both of the main goals of the Swedish model. Only a strong union movement can counteract the tendency toward polarisation. If the unions cannot resist this, they will ultimately lose in their struggle for a new mode of work organisation. These are the questions which must be addressed, and I would be surprised if they are not taken up.
I. G. Therborn, in *Why are some Peoples More Employed Than Others?*, London: 1986, argues that Sweden, like the other countries that have escaped high unemployment, did so because of a previously institutionalized commitment to full employment. See A. Martin, “Trade Unions in Sweden: Strategic Responses to Change and Crisis” in P. Gourevitch et al. (eds), *Unions and Economic Crisis: Britain, West Germany and Sweden*, London: 1984, for a detailed analysis of the postwar Swedish political economy.


3. By this is meant an independent course between Thatcher's attack on inflation at the expense of mass unemployment and the inflationary attack on unemployment followed by the early Mitterand regime. The 'third way' involved a successful devaluation (16 percent) — successful in the sense that the unions did not attempt to restore real wage levels. See L. Erixon, “Structural Change and Economic Policy in Sweden during the Post-War Period,” paper presented at the ALC Conference on Structural Change and Labour Market Policy, Saltsjöbaden, 6-9 June 1988, for a good description of Sweden's variant of neo-liberalism.

4. In 1986 the nurses union, SHSTF, launched a campaign to decrease the gap between their wages and those of the (mainly male) doctors. Both they and the municipal workers (Kommunal) succeeded in the last round of bargaining in part by accepting the employer's demand for increased decentralisation. Feldt, however, has made it clear that those employed by the national government will pay the price in job cuts, overwork and speed-up for exceeding the recommended four percent. This policy is likely to affect health care workers employed by the counties and the municipalities.

5. In 1985 the government imposed a compulsory levy on profits for that year. Ten percent of profits were to be paid into a special account at the central bank and only withdrawn to use either for funding research and development or for retraining of personnel — and this, only if the union concurs. If no agreement can be reached within five years the company regains the money. No interest, however, is to be paid during the five year period and, once released, the funds will be subject to normal taxation. See R. Meidner, “Renewal Funds: A Swedish Innovation,” *Economic and Industrial Democracy* 8:2 (1987) for a good description.