Two labour market regimes in Sweden: a comparison between the Saltsjöbaden Agreement of 1938 and the Industrial Agreement of 1997

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The Saltsjöbaden Agreement of 1938 between the Swedish Employers' Confederation (SAF) and the Swedish Trade Union Confederation (LO) initiated a new epoch in the history of Swedish industrial relations. It was characterized by labour peace, constructive co-operation, and a strong emphasis on collective bargaining. Around 1970, however, the Saltsjöbaden Regime was superseded by a confrontational regime through a wave of far-reaching labour legislation, inspired by a radicalized political climate. Not until the beginning of the 1990s did a new climate of co-operation emerge on the Swedish labour market. The most important manifestation of this change was the so-called Industrial Agreement of 1997. The aim of this article is to make a systematic comparison between the two great agreements in terms of (1) the role of the state in the origin of the agreements; (2) the scope of the agreements and their effects LO and SAF; (3) the content of the agreements; (4) effects on other parts of the labour market; (5) institutionalized co-operation and mutual trust; (6) their symbolic relevance for a general spirit of mutual understanding in politics and society. Overall, the similarities between the Saltsjöbaden Agreement and the Industrial Agreement far outweigh the differences. This is why we can talk about a new labour market regime in Sweden, beginning in 1997.

Zwei Arbeitsmarkt-Regimes in Schweden. Ein Vergleich des Saltsjöbaden / Agreement von 1938 und des Industrial Agreement von 1997

Für mehr als 30 Jahre wurden die Arbeitsbeziehungen Schwedens durch das grundlegende Abkommen von Saltsjöbaden aus dem Jahr 1938 geregelt. Das zwischen LO und SAF zentral vereinbarte Abkommen schuf die Grundlage für sozialen Frieden, Kooperation und den Vorrang des Tarifvertrags gegenüber der Gesetzgebung. Mit Beginn der 70er Jahre wurde dieses Regime bedingt durch wachsende Konfrontation zwischen den Arbeitsmarktparteien und radikale Gesetzesinitiativen zunehmend obsolet. Erst in den 90er Jahren kam es zu einer Renaissance der Kooperation. Die Basis dafür schuf das „Industrieabkommen" von 1997. Dieser Aufsatz ist ein systematischer Vergleich der beiden Abkommen in Bezug auf: (1) die Rolle des Staates bei deren Zustandekommen; (2) die Reichweite der Abkommen und ihrer Konsequenzen für die Spitzenverbände LO und SAF; (3) ihren Inhalt; (4) die Folgewirkungen auf andere Arbeitsmarktsegmente; (5) vertrauensvolle Kooperation der Tarifparteien und (6) deren symbolische Bedeutung für die Integration der Gesellschaft. Die Schlussfolgerung dieser Analyse ist, dass die Gemeinsamkeiten der Abkommen gegenüber Unterschieden überwiegen. Insofern ist davon auszugehen, dass das Industrieabkommen ein neues Arbeitsmarktregime in Schweden begründet hat.

Key words: **Collective bargaining, labour market regime, mediation, 1997 Industrial Agreement, Sweden**

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** Artikel eingegangen: 11.6.2002
revidierte Fassung akzeptiert nach doppelt-blindem Begutachtungsverfahren: 8.1.2003.

Introduction

The Basic Agreement of 1938 between the Swedish Employers' Confederation (SAF) and the Swedish Trade Union Confederation (LO) initiated a new epoch in the history of Swedish industrial relations, lasting for about 30 years. „The Saltsjöbaden Regime", as I call it (after a seaside resort outside Stockholm were the agreement was negotiated) was characterized by labour peace, constructive co-operation on issues of common interest, and a strong emphasis on collective bargaining as a better way of solving problems of employment relations than legislation.[1] Around 1970, however, the Saltsjöbaden Regime was superseded by a confrontational regime through a wave of far-reaching labour legislation, inspired by a radicalized political climate, followed by a proposal from LO in 1976 for the socialization of big companies by so-called wage-earner funds. Not until the beginning of the 1990s did a new climate of co-operation emerge on the Swedish labour market, this time against the background of a major government-inspired stabilization drive against high wage inflation, ensuing mass unemployment, and the necessity of adaption to the monetary regime in the EU. The most important manifestation of this change was the so-called Industrial Agreement of 1997: a basic agreement on co-operation between all trade unions (including white collar unions) and the employer organizations concerned in the industrial sector, combined with a subsidiary agreement on new rules for collective bargaining and conflict resolution at the national union level in the sector. The Industrial Agreement has been very successful, in two ways: partly as a framework for peaceful negotiations between the parties at the industry branch level in 1998 and 2001, partly as a model for similar agreements in the whole public sector and some other areas in 2000. In this way almost 60 percent of the labour force are covered by a kind of private mediation institutes, based on central agreements, at the same time as the public Mediation Institute has been strengthened, partly with the new rules of the negotiation agreement in the industrial sector as a model.

The aim of this article is to make a systematic comparison between the two great agreements. The following questions will be addressed:

1. Differences concerning the role of the state in the origin of the agreements.
2. Differences regarding the scope of the agreements and their effects on the top organizations LO and SAF.
3. Differences with respect to the extent of the agreements.
4. Similarities as regards effects on other parts of the labour market.

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[1] The concept of regime is used instead of the more loaded and rather worn-out word model. The point of the concept of *Labour Market Regime* is that it refers to the totality of a country's labour market relations, from the workplace to the national political level, and that it includes, in various proportions in different regimes, legal rules as well as rules which are founded on agreements between the social partners; informal norms and rules are also an important part of such a regime (Elvander 2002 a, b)..

5. Similarities concerning institutionalized co-operation and mutual trust.
6. Similarities between the two agreements as symbols of a general spirit of mutual understanding in politics and society.

My conclusion is that the similarities between the Saltsjöbaden Agreement and the Industrial Agreement far outweigh the differences. This is why we can talk about a new labour market regime in Sweden, beginning in 1997: *a Co-operation Regime.*

The Saltsjöbaden Agreement

In January 1936 the Social Democratic government took an initiative to tripartite negotiations with SAF and LO on a reform of the rule system for conflict resolution on the labour market. The background was partly an informal invitation in 1935 from SAF to LO about bilateral negotiations, partly a proposal from a government commission the same year that the social partners should try by way of an agreement to avoid legislation about limitations of the right to industrial action, aiming at the protection of essential social services and of the innocent third party's right to neutrality in labour disputes. LO accepted the government's invitation, whereas SAF rejected state intervention and preferred direct negotiations with LO; in this way SAF changed its strategy from demands for legislation to seeking a voluntary solution in co-operation with LO. In this situation the LO leaders made a strategic choice of great importance for the future development: rather than making an alliance with the state, which for the time being was represented by a Social Democratic minority government, and thereby risking a negative outcome in the form of a legislation dictated by the non-socialist parliamentary majority, LO should try to reach an agreement with SAF. In March 1936 the government was told – much to its disgust – that its assistance was not wanted and that the parties intended to take up bilateral negotiations in the near future. A joint negotiating body at the top level, called the Labour Market Committee, was formed and started its work in May. In December 1938 the Saltsjöbaden Agreement was signed (Söderpalm 1980; Johansson 1989; Nycander 2002).

The Saltsjöbaden Agreement (SA) has the form of a procedural agreement. It is a frame agreement between LO and SAF which has to be accepted by the national unions and their opposite parties in order to be binding. The SA does not refer to negotiations about collective agreements at the national union level. At first the rules on protection for third parties against industrial action (with the exception of sympathetic action) and protection of essential services were regarded as the most important. These issues were the main targets of the non-socialist demands for legislation in the 1930s. The solution in the SA, however, was more in line with LOs position than with the proposals from the non-socialist parties and the earlier position of SAF; thus, it was decided that strike-breakers should be regarded as non-neutral. Disputes about limitation of industrial action against neutral third parties should be resolved by the Labour Market Panel, a central joint committee for co-operation and conflict resolution. Another function of the Panel was to give recommendations to the two peak or-

ganizations about solution of conflicts regarded as a public danger. Situations of this kind have been exceptional.

The essence of the SA was soon to be found at a more ordinary level than unjust or public danger-related offensive action. According to the SA local disputes of interest during the contract period could be resolved by the Labour Market Panel in the last resort if no agreement was reached at the national union level. This rule had great importance for the strengthening of labour peace. The same procedure was applied on the implementation of a limited protection against unreasonable dismissal of workers which was agreed upon in 1938 and strengthened by a new agreement between SAF and LO in 1964. This part of the SA was cancelled as a consequence of the Security of Employment Act of 1974, and the rest of the Agreement was abolished in 1977 by the parties in the wake of the Co-Determination Act of 1976. With this the Saltsjöbaden Epoch was terminated in the formal sense. But in the reality it was undermined ever since the end of the 1970s (Westerståhl 1945; Söderpalm 1980; Edlund 1989; Nycander 2002).

In the 1940s the SA was followed up by a series of special agreements between SAF and LO on various subjects of common interest, such as workers protection, vocational education, joint councils for information and consultation, time-and-motion studies, joint wage statistics, etc. Most of these co-operation agreements were consolidated by the creation of permanent joint committees. These forms of institutionalized co-operation continued until the dissolution of the Saltsjöbaden Regime. The same is true of the network of informal rules and norms that grew up under the framework of the SA. The essence of this informal and trust-based rule system was the rejection of state intervention in wage policy, the avoidance of industrial action as far as possible, the elimination of strike-breaker organizations as well as of the influence of communists and syndicalists in the national unions, and the facilitating of organizational density on both sides.

The conventional wisdom among labour market historians is that the wave of labour legislation in the 1970s was unleashed by LO due to mounting membership dissatisfaction with deteriorating work environment and lack of influence on the work process. This is the picture given by LO itself: it was the trade union movement which broke the Saltsjöbaden contract because the employers in SAF took a negative stance to reform. However, a recent scientific review of the process of change from co-operation to confrontation around 1970 demonstrates convincingly that the most important initiatives to the so-called „labour law offensive" came from the political sphere, primarily the Social Democratic government led by Olof Palme since 1969, but some extent also the Liberal Party. The LO leadership tried as far as possible to avert the political intervention, particularly as regards demands for legislation about employment protection and union representation on the boards of big companies. Whereas the LO president Arne Geijer warned against state interference in issues that the parties could manage themselves in a better way, Olof Palme argued in the internal Party debate on election strategies that an offensive wage-earner front, including The Central Organization of Salaried Employees (TCO) as well LO, should be raised

against the power of the employer side. Besides the general radicalization of the opinion climate in Sweden and other Western countries, the sharpening of the government's stance can be explained by a wave of wildcat strikes in the winter of 1969-1970 which was very painful for the Social Democratic Party and the LO because it was partly directed against state-owned companies (Nycander 2002).

A few years later, after a change of leadership in LO, the labour law offensive got a whole-hearted support from the entire trade-union movement; it was also by and large supported by the non-socialist opposition. This was the final breach with the Saltsjöbaden tradition. A decision by the LO Congress in 1976 to accept an extremely radical proposal from the LO economist Rudolf Meidner concerning successive socialization of Swedish enterprise through a system of „wage-earner funds" demonstrated clearly that LO now was far ahead of the Social Democratic Party as regards legislative radicalism. The issue of wage-earner funds was hotly contested on the political arena for 15 years and it gave SAF excellent ammunition for a strong ideological counter-offensive. A full-fledged *confrontational regime* replaced the Saltsjöbaden regime in the middle of the 1970s. It would take more than 20 years until a new co-operation regime could be established.

Finally, it should be pointed out that the spirit of Saltsjöbaden survived a number of trials, loaded with political explosives, in the 1940s and 50s. The rules of the game in the SA were followed and labour peace was restored for a long time through the victory of reformism and co-operation over Communism in connection with a big, communist-inspired conflict in the engineering industry in 1945. A few years later SAF and LO stood in opposite camps in an ideological fight concerning government striving for economic planning, but the Saltsjöbaden regime survived. The same pattern was repeated ten years later in a great political controversy on the issue of supplementary pensions, although the two peak organizations played a more active part this time than in the dispute on economic planning. In fact, the heyday of the Saltsjöbaden regime was inaugurated by the narrow victory of the Social Democratic government in the parliamentary decision in 1959 to introduce a compulsory system of supplementary pensions. By and large, the opposition was paralysed by its defeat for many years to come. A climate of consensus became dominant in politics as well as in industrial relations, and the relations between the government and big business became even more intimate and relaxed than before the contest over the pensions. The Saltsjöbaden regime was conducive to this mild climate, and it was itself strengthened by it (Nycander 2002).

The Origin of the Industrial Agreement

The labour law offensive, the issue of wage-earner funds (the funds were in fact introduced in a modified form in 1983 and abolished by a newly elected non-socialist government in 1991), SAFs ideological counter-offensive, unsuccessful attempts by Social Democratic as well as non-socialist governments to carry out incomes policies – all this led to a politization of the labour market: wage policies and rule systems became parts of the political game. Repeated conflicts in the public sector caused some

proposals from government commissions on legal protection of essential services, which were rejected by the unions. The mixing of wage policy and public policy in the 1970s and 80s was followed by sharp increases of nominal wage costs which provoked reiterated devaluations in order to save Sweden's competitive edge. At the same time the highly centralized bargaining system which had been introduced on the initiative of SAF in the middle of the 1950s was successively dissolved.

In January 1990 the crisis became acute. Against the threatening background of rapidly increasing inflation and an annual rate of wage cost increase around 10 percent (half of which was wage drift) – twice as much as the OECD average – the government invited the social partners to a discussion on new national union agreements for 1990 on a lower level than the current two-year contracts, and also on institutional reforms such as a strengthening of the mediation institution. But the unions rejected the government's proposal. At the same time SAF decided to withdraw from all sorts of central wage negotiations – a decision of principle with crucial importance for the following bargaining rounds.

The government's next move was a bill on legislation about a general wage- and price freeze for 1990-91, combined with a ban on industrial action. The bill was voted down by the Riksdag and the Social Democratic minority government had to resign in February. A reconstructed government came back a few days later with a new „crisis package" which was accepted by a parliamentary majority. The main element of the package was the appointment of a special negotiating group (in Swedish: Förhandlingsgruppen, FHG, popularly called the Rehnberg Group after its chairman, former director general of the National Labour Market Board, Bertil Rehnberg). It was an expert group made up of former chief negotiators of the central labour organizations, and it was commissioned to assist the social partners to form agreements on a low level for 1990-91. After strong resistance among the white collar unions against this idea, the government had to give up the attempt to reach stabilization agreements for 1990. But the employer side, led by SAF, supported the stabilization drive; the SAF associations preferred a centralized control of wage costs to the newly decided policy of decentralized bargaining. After many complications the FHG was able to get acceptance in the beginning of 1991 from 120 national unions and employer associations for a comprehensive pattern agreement on a low level covering the period 1991 to spring 1993. This was a remarkable increase of ambition compared to advisory role of the Rehnberg Group in spring 1990.

The stabilization drive became a great success. The rate of wage increase was reduced to three percent per year, partly through a ban on local bargaining and the ensuing wage drift during the first contract year. Compensation for wage drift and price increases was abolished. When the stabilization agreements expired in spring 1993, they were in the reality continued through a pattern agreement for another two-year period which was constructed by two mediators from the Rehnberg Group. The two mediators, one from SAF and one from TCO, made important contributions to the following development towards a co-operation regime. The bargaining round of 1995, however, became a serious set-back because of insufficient informal co-

ordination, particularly on the employer side, which made pattern bargaining of the successful type of two years ago impossible. Some negotiations dragged on for more than one year, several big strikes broke out, and the average wage cost increase was to be almost five percent per year during a three-year period for most contract areas, which exceeded the so-called Europe norm with more then one percentage point. This return to an increasing rate of wage cost increase is truly remarkable, considering the the fact that open unemployment had been mounting from two percent in 1990 to 12 percent five years later – the highest level of unemployment in Sweden since the beginning of the 1930s (Elvander 1997).

This was the threatening background to a government intervention in spring 1996. The Prime Minister requested the social partners to give notice before March 31, 1997, „on the conditions of jointly creating models for collective bargaining and wage formation which can meet the demands for a wage development on a good European level."[2] A first answer was given four days later in a newspaper article signed by the presidents of all national unions in the industrial sector – six LO unions led by the Metal Worker's Union (Metall) and TCOs Union of Salaried Employees in Industry (SIF) together with The Swedish Association of Graduate Engineers (CF) in SACO, The Swedish Confederation of Professional Associations. The article was an invitation to the opposite partners in SAF to start negotiations on better forms of wage formation in order to strengthen the competitive edge of Swedish manufacturing industry. This remarkable initiative had been prepared by informal contacts between the unions for half a year. It was facilitated by a well functioning formalized co-operation between Metall, SIF and CF which had been going on since 1992 in order to avert the strong attempts by their powerful opposite partner The Swedish Engineering Employer's Association (VF) to decentralize all wage- and salary formation down to enterprise level. The joint trade union initiative was accepted by the employer associations concerned in another newspaper article in August 1996, and a few weeks later negotiations on a basic agreement for the industrial sector were taken up. Very soon the parties agreed to lay aside controversial issues, such as employment protection and tax policy in general, and to concentrate the discussion on areas of common interest. Thanks to this effective arrangement a „Co-Operation Agreement on Industrial Development and Wage formation" was concluded as soon as in the middle of March 1997.

The Industrial Agreement gives expression to a strong community of interests as regards political and economic conditions for a good industrial development, profitability and competitive strength. Special emphasis is given to energy policy, tax issues of relevance for industry, research and development policy, and competence improvement for the employees (in the two last-mentioned areas a successful lobbying towards the government agencies was started at once through a couple of joint working groups). Co-ordination of the current co-operation activities between the bargain-

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[2] Letter to the parties on the labour market from Prime Minister Göran Persson, May 28, 1996.

ing rounds and appointment of joint councils or working groups is carried out by the Industry Committee, which is made up by leading representatives of the unions and employer organizations concerned. The Committee appoints a number of neutral economic experts as members of an Economic Council for Industry with the main object of presenting reports on the economic situation before the start of the bargaining rounds.

The Committee is also requested to appoint a group of mediators with much more extensive powers than those of the ordinary public mediators. A so-called „impartial chairman" shall assist the parties in national union negotiations according to the rules in a subsidiary „negotiating agreement". The purpose of this agreement is „to give the parties in industry the conditions needed to engage in constructive negotiations on agreements with a balanced result without the need to resort to industrial action". The point of departure is that new agreements shall be reached before the currents contracts have expired – a great improvement compared with previous protracted bargaining procedures. The parties shall present their bargaining demands no later than three months before the expiry date, and they shall then be assisted by an impartial chairman who is entitled to intervene in the negotiations on his own initiative, put forward his own proposals for resolving a negotiating issue and, if industrial action is declared, order a delay of up to 14 days. The powers of an impartial chairman „apply throughout the duration of the negotiations and set side the provisions of the Mediation Act". This statement clearly demonstrates that the IA has introduced a kind of private mediation institute in the industrial sector (Elvander 2000).

Why did the employer side, in particular the engineering employers in VF, change their strategy from confrontation to co-operation with the unions? Two plausible factors can be pointed out. One factor of a more structural kind is a long tradition of relatively trustful co-operation between the parties in the forest industries and the chemical branch. In these process industries, where every stand-still due to labour disputes will be extremely costly for both sides, there were at this time even more than usually favourable personal relations between the parties which were conducive to new, unconventional bargaining initiatives among the leaders of the employer associations as well the unions. The second factor, which was more decisive, was the upheaval which occurred within VF after the misfortune of the employers in the bargaining round of 1995. The great multinational export companies, such as ABB, Ericsson and Volvo, have a dominating position in VF; their leaders can to a large extent decide VFs policy. Since the beginning of the 1980s they had been the strongest driving force within SAF towards a decentralization of wage formation, but now they changed their strategy. Without giving up the long-term goal of local single-status agreements, the big companies urged VF to take part in the IA negotiations and to become more pragmatic as regards the role of the national agreements in wage formation. This turning was strongly affected by the considerable strength of the united trade union front (Metall, SIF, CF), led by Metall's ingenious president Göran Johnsson; he can be regarded as the foremost architect behind the IA.

The Effects of the Industrial Agreement

The negotiating agreement has been put to the test with great success in two bargaining rounds, 1998 and 2001. By and large, the time schedule was maintained; industrial action was avoided; the outcome was fairly in line with the Europe norm. The new mediation procedure worked well under the leadership of the two above-mentioned veterans from the stabilization period; successively, several new impartial chairmen have been trained by them who may also be available for mediation tasks in other areas after the end of the bargaining round in the industrial sector. The important principle that the competitive sector should have the role as wage-leader – which was often set aside during the confrontational regime – got an almost universal acceptance thanks to the IA. The Economic Council for Industry played an important part in this norm-building process.

When the IA was signed in March 1997, however, it was by no means obvious that it was to become such a dominant factor on the Swedish labour market. The leadership in LO and SAF had totally different strategic preferences. This was clearly demonstrated when the remaining answers to the government's exhortation to the social partners were delivered two weeks after the conclusion of the IA. Whereas LO proposed a quite new public mediation institute with strong resources, joint economic councils and powers of central planning in connection with the bargaining rounds, SAF demanded limitations of the right to industrial action. They agreed, however, on a demand for a government commission with the aim of strengthening the old and relatively weak mediation institute. Such a commission was appointed by the government in April 1997; the LO proposal provided the basis for its terms of reference. Conversely, TCO and SACO did not favour any changes at all in the system of collective bargaining and conflict resolution.

The commission's terms of reference contained a wording about taking the IA into consideration. This text had been inserted in the nick of time since the IA partners had reminded the government about the Agreement's importance as an example of social partner responsibility for a moderate wage development and labour peace. In the commission's final report late in the autumn of 1998 it was stated that a new mediation institute should not intervene in agreement areas with mediation procedures based on collective agreements. One year later the IA model as an alternative of – and also to some extent a pattern for – the reinforced public mediation function had an almost total break-through in the government bill. Not much remained of LOs ideas, whereas the IA was presented as a model. This shift of power to the favour of the IA partners can be explained by their successful managing of the bargaining round of 1998, and also by their direct influence on the drafting of the bill. The LO leadership tried in vain through deliberations with the other top organizations and the government to get acceptance for a revival of its earlier central position in the bargaining system.

In spring 2000, at the same time as the new Mediation Institute was established, another acknowledgement of the IA model was given by the parties in the public sec-

tor. The public employer organizations and the central unions concluded agreements similar to the IA, particularly as regards equivalents of its time schedules and impartial chairmen (the same is true of the powers of the Mediation Institute). In this way, almost 60 percent of the total labour market is covered by mediation functions which are based on collective agreements and take the place of the public mediation.

The Saltsjöbaden Agreement and the Industrial Agreement: Differences

The role of the state was more important in the making of the Saltsjöbaden Agreement than it was in the case of the Industrial Agreement. When LO and SAF entered into central negotiations in spring 1936 – it was their first meeting since 1909, the year of the last general strike in Sweden – the threat of state intervention through legislation was imminent. In 1935 the Social Democratic government had presented a bill on limitations of the right to strike which was, however, rejected by the Riksdag; a non-socialist parliamentary majority was in favour of more far-reaching measures. It should be kept in mind that Sweden was one of the most strike-ridden countries in Europe at this time. The government was worried by this situation and saw a way out through tripartite negotiations instead of legislation, but it had to give in after LOs decision to take up bilateral discussions with SAF. The threat of legislation was weakened in step with a strengthening of the government's parliamentary position and the progress of the negotiations in Saltsjöbaden. But the threat was very real when the parties started their talks.

When the unions in the industrial sector took the initiative to negotiations in spring 1996, there was no obvious threat of government intervention. In fact, the invitation to the employers was made public just a few days after the prime minister's exhortation to the social partners concerning *joint* initiatives in order to improve the system of wage formation, and the unions had prepared their initiative for almost half a year. It is a common view among the most important employer and union leaders that the IA would have come about irrespective of the government's activities. An implicit threat of state intervention through a strongly reinforced mediation institute existed to some extent as long as the commission worked and the bill was prepared. Most of this threat had been averted, however, as early as in April 1997, when the IA partners influenced the commission's terms of reference to their own favour; the remaining threat disappeared in autumn 1999 through IA influence on the wording of the government bill. Thus, there was no equivalent in 1996-99 to the strong threat of state interference in 1936. On the other hand, the stabilization drive in 1990-93 was the result of a very powerful government intervention – unparallelled in the modern history of the Swedish labour market – which was also the starting point of the new co-operation regime. Here we can see some similarity with the prehistory of the Saltsjöbaden Agreement.

Concerning the *extent* of the two agreements, the difference is obvious from a formal point of view: in the first case the Agreement covered two big, totally dominant top organizations, in the second case twelve employer associations and eight national unions within the industrial sector only were covered. But in the reality the dif-

ference is not so great: in the 1930s manufacturing industry was predominant in SAF and LO, and no other top organizations existed with the exception of two small forerunners of the TCO which had no bargaining rights. Actually, the industrial parties in SAF and LO were the main actors behind the SA as well as the IA. An important difference is, of course, that the unions of salaried employees had no place at the bargaining table in 1936-38, whereas they played an important part in 1996-97.

Another aspect on the issue of extent is the effect of the agreements, in terms of internal power structure, on the top organizations concerned. The SA had a centralistic tendency and was followed, quite logically, by a major change of LOs constitution in 1941 which implied a considerable strengthening of the top organization's role in connection with collective bargaining and conflict resolution. Without this reform the stabilization agreements between LO and SAF during World War II and the centralization of the bargaining system in the 1950s had not been possible. SAFs statutory powers in relation to its membership associations had been much stronger than LOs ever since its foundation in 1902; nevertheless, SAFs position was also strengthened to some extent by the SA and the organized co-operation with LO which began in the 1940s. On the contrary, the IA weakened the two peak organizations, but in quite different ways. Whereas SAFs voluntary retreat from the bargaining arena in 1990 to some extent paved the way for the IA on the employer side, the LO leadership was fighting in vain against the reduction of its power which was a consequence of the breaking away of the LO unions in the industrial sector and their preference for co-operation with the white collar unions. Whereas the Saltsjöbaden Agreement gave rise to a long-term strengthening of the two peak organizations which lasted for 30 years, the pattern-forming Industrial Agreement implied a tendency to marginalization of LO and SAF. This is probably the greatest difference between the two agreements.

It has already been pointed out that the SA was a purely *procedural agreement* ; it regulated some rules of the game but not the material content of the ensuing co-operation between SAF and LO. Instead, this co-operation developed within the framework of the following special agreements and the joint councils which were attached to them. The IA, on the other hand, is a typical *substance agreement* which is based on a high degree of consensus on the conditions for a good industrial development. The formal rules concerning collective bargaining and conflict resolution – which have no counterpart in the SA – belong to an appendix to the basic agreement. Another difference is that the IA so far has not been followed by any special agreements.

Finally, there is a clear difference between the two great agreements as regards their effects on the system of *mediation.* The SA had no significance for the legal rules on mediation. The IA, on the other hand, became in some ways a model for the new Mediation Institute, whose powers were limited to those parts of the labour market which were not covered by agreements of the SA type.

The Saltsjöbaden Agreement and the Industrial Agreement: Similarities

Concerning *institutionalized co-operation,* there are some important similarities. In both cases the parties created a central standing joint committee with the object to take care of the agreement and develop the co-operation: The Labour Market Committee and The Industry Committee, respectively. The essential thing in this institutional perspective is the correspondence between the two central committees which has to do with their strong position of authority and their permanence. Another correspondence can be found in the many specialized joint bodies which were created by the central committees.

The present organizational flora in the industrial sector is supplemented by a standing co-operation council on the trade union side which has some administrative resources of its own. This collaboration has produced a number of expert reports on wage formation issues and a comprehensive conference program for appointed representatives concerning the aims and effects of the IA. On the employer side there is no correspondence to this kind of formalized co-operation. When the SA was created such a bridgeing of class distinctions on the trade union side was impossible. Collaboration between the LO national unions was, however, improved through the statutory reform in 1941.

Another obvious correspondence between SA and IA is the highly important *personal trust* between the leading representatives of the parties which was built up during the formative negotiations on the two basic agreements and then was made deeper and wider in the ensuing co-operation. The trustful relations between the leaders of SAF and LO during the Saltsjöbaden Epoch have often been observed with astonishment and admiration by the world outside Sweden; such relations were almost unknown in other countries. The IA has, for obvious reasons, not reached the same level of fame. But the foundations of the mutual trust are the same in both cases: inevitable conflicts of interest are neither hided, nor exaggerated; areas of shared interests are identified, cultivated and widened in concrete co-operation; sincerety and reliability are the overall characteristics of the relations. This is probably the most important similarity between the agreements.

A kindred correspondence between the SA and the IA is their role as *symbols* for a general spirit of mutual understanding on the labour market – and to some extent also in the political life and in society at large. Of course, this symbolic function was much stronger in the former case than in the latter. Increasing threats to democracy, world war and an almost total enclosing of Sweden formed an utterly hostile background – but also a driving force – to the emerging Spirit of Saltsjöbaden. Because SAF and LO covered most of the labour market, their mutual understanding had a mighty symbolic power which was manifested in many official contexts outside the labour market issues, particularly as regards national defence. When the IA was created there were no outside threats of such enormeous dimensions. A correspondence on a lower level is, however, the challenge to the industrial sector and thus to the Swedish economy which comes from the hardening global competition and the in-

creasing European integration. Here is a strong driving force to a general consensus on the conditions for economic growth and social welfare which can very well be symbolized by the IA, although it covers only some 20 percent of the labour market.

A very important similarity between the two basic agreements is the fact that they have been followed by *corresponding agreements* in other parts of the labour market. When the unions in the public sector acquired full bargaining rights in the middle of the 1960s, a number of basic agreements were concluded with the SA as a model, particularly as regards protection of essential social services. A corresponding development concerning salaried employees in the private sector had occurred in the 1950s through basic agreements between SAF and the TCO unions concerned. The IA was followed after three years by a similar co-operation agreement in the state sector and by a „thinner" negotiating agreement in the communal sector. To this can be added that the IA partly became a model for the new public Mediation Institute; this is probably unique in the world.

Taken together, all these similarities are more important than the differences. This is why it seems reasonable to talk about a new labour market regime in Sweden which can be called a *Co-operation Regime.* It remains to be seen if it will be as far-reaching and long-lived as the Saltsjöbaden Regime.

Concluding remarks

No regime lasts for ever. The Saltsjöbaden Epoch continued during more than three decades; the confrontational regime went on for about 20 years. Will the new co-operation regime last for such long times, or is it a more temporary phenomenon? Nobody knows. However, some threatening scenarios for the IA can be imagined – scenarios of a type that the Saltsjöbaden Regime never was confronted with. Thus, the central LO leadership and some of the LO unions have been critical of the IA. It was seen as a latent threat to the superior solidarity and unity within LO, and the co-operation between the LO unions and the white collar organizations in the industrial sector was regarded with some distrust. The criticism seems to have been toned down in the last few years, but the internal tensions in LO remain and may become a danger for the IA in a crisis situation on the labour market.

A kindred threat has to do with increasing cleavages between salaried employees and manual workers in the industrial sector as regards the rate of wage increase. Whereas, for instance, shortage of key specialists and contagious effects from the enormeous salary and bonus benefits of big business CEOs and other leaders may run up the salaries of many SIF and CF members, the members of the LO unions have almost no counterpart to these driving forces in the wage formation. If such a development – the signs of which can already be observed – is allowed to continue unchecked, a cleavage is opened which in a worst case scenario may engulf the IA. The big companies and their organizations have indeed a great liability in this respect to the co-operation agreement with the unions which they have so far strongly supported.

Another kind of threat comes from the new labour law offensive which emerges from Brussells in the form of EU directives etc. The continental legislative tradition which seems to be dominating in the EU is not easily combined with the Nordic collective bargaining tradition. A more imminent threat to the IA is the increasing political demand for legislation on reduction of working hours, measures against wage discrimination of women, and many other things, coming from some of the political parties in Sweden. Are we on the way towards a revival of the confrontational labour law offensive of the 1970s?

Despite all these scenarios of threat, there are some good conditions for the IA to survive and to play an important role for the labour market and the national economy in the foreseeable future. So much of knowledge, energy and prestige has been invested in this constructive co-operation within a sector which is so decisive for the welfare of Sweden, that a breakdown might be regarded as next to a national disaster. To this can be added that the parties have exhibited a strong intention to continuously take care of the Agreement and see to it that approaching generation shifts on leading posts in this bargaining machinery do not disturb the co-operation.

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