

## CHAPTER I

### *The Background of Swedish Industrial Relations*

As a basis for the observations which constitute the main body of this report, it is necessary to outline briefly some of the main characteristics of industrial relations in Sweden. This summary will not be new to Swedish readers, nor will it add much to the conclusions of the two American authors cited earlier. But a restatement may be helpful to American readers who are not too familiar with Swedish experience, and it may be of interest to Swedish readers as an indication of what an American observer sees as most important.<sup>1</sup>

1. Swedish industrial labor is 98 per cent organized, into 45 strong national unions, mostly of the industrial rather than of the craft type. These national unions are affiliated with one central organization — founded in 1898 — the LO, which exercises a strong moral (if not direct) influence over the policies of the constituent national unions. A central federation (TCO) of 45 different unions of salaried employees, who are about 50 per cent organized, was established in 1944.

2. There are equally strong employers' associations in each industry, and 40 of these (mainly in manufacturing) are combined into one central organization, the Swedish Employers' Confederation (SAF), the major purpose of which is to handle collective bargaining questions and to assist members in handling them. Some employers associations are outside the SAF, mainly in agriculture and forestry, shipping, hotels and restaurants, and

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<sup>1</sup>Much of this material is taken from the excellent pamphlet "Survey of Social and Labour Conditions in Sweden," published in 1947 by the Swedish Employers' Confederation (SAF). For further background, see also Robbins, *op. cit.*, and Norgren, *op. cit.*

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wholesale and retail trade, but in practice the policies of the SAF in collective bargaining are usually followed in these other industries. The SAF also represents employers' interests in labor matters to government and to the public.

3. These central organizations on each side of the labor market, as well as the individual employers and local unions, have learned to live together in peace and understanding. This was not always so, for the employers combined in 1902 to counterbalance the growing strength of labor. Mutual suspicion was strong at first, and there was a general strike in 1909. Since that time, however, neither has challenged the strength of the other in open conflict, and each respects the right of the other to organize for collective bargaining purposes. In fact, as early as 1906, "a settlement was reached by which the employers agreed to respect the workers' right to organize, while the workers recognized the employers' right of management and the freedom to select the labour required."<sup>1</sup>

4. A high point in the relationships between the central organization was reached in 1938, when a Basic Agreement was signed after two years of joint discussions designed to avoid intervention by government in regulating labor-management relations. This agreement, known also as the "Saltjöbaden" agreement because it was developed in a seaside resort by that name near Stockholm, provided machinery for the settlement of disputes within the central organizations themselves, in order to reduce the number of open conflicts, including those which affect essential public services.<sup>2</sup> This 1938 agreement was followed by other joint agreements covering factory safety committees (1942), occupational training (1944), labor-

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<sup>1</sup>*Ibid.*, p. 21.

<sup>2</sup>For an interesting account of the agreement and the steps leading to it, see Bertil Kugelberg, "The 'Saltjöbaden' Agreements Between the Federation of Swedish Employers and the Confederation of Swedish Trade Unions," *Quarterly Review of the Skandinaviska Banken AB*, Stockholm, October, 1946. The SAF has published the 1938 and later agreements in English.

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management committees or "enterprise councils" (1946), and time and motion studies (1948). An agreement on "enterprise councils" has also been signed by the SAF and the TCO, representing the unions of salaried workers.

5. The political arm of the labor movement — the Social Democratic Party — has been in power for the last 18 years, except for a coalition Government during the war. Thus the LO has political *responsibility* as well as political power, and this is very important in understanding the attitude of organized labor toward such things as wage policy, settlement of industrial disputes, etc. Most of the workers belong to the Social Democratic Party, while management officials are usually members of the Conservative or Liberal parties. But these differences have not been reflected in cleavages in labor-management relations.

6. Even though the labor movement possesses political power, it has not used this to regulate by law the conditions and terms of collective bargaining. Nor have organized employers sought new legislation limiting the activities of unions. As the SAF explains, "The various Swedish trade or labour organizations are free and unbound by any special legislation; they are thus able to pursue with the greatest possible effect their principal mission, which is to negotiate wage agreements through collective bargaining, or, if need be, by recourse to open conflict as an ultimate argument."<sup>1</sup> Among the few laws now on the statute books are the Labor Court Act of 1928, providing for final arbitration of disputes arising *under* collective agreements only, and the Law of 1936 which was designed to protect the right of all workers to organize into unions and to bargain collectively. Although employers had voluntarily recognized the right of wage earners to join unions, they were earlier in some quarters opposed to unions of salaried employees. It should be noted that the 1936 law also protects the right of employers to organize and bargain collectively.

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<sup>1</sup>*Ibid.*, p. 22.

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7. The Social Democratic Party has introduced many laws providing for an extensive program of social welfare. Social reforms were inaugurated at least twenty-five years ago, and all political parties agree on the desirability of further extensions, though disagreeing on the speed of introduction. Social welfare programs today cover housing subventions and loans, social insurance against the risks of unemployment, sickness and old age, free school meals, and protection of labor against occupational diseases and accidents.

8. With high-level employment since about 1934 and the pressure of inflation after the war, the government has had to adopt and encourage measures designed to maintain price stability. Price controls are still in effect, food subsidies are used and fiscal policy is designed to control inflation also. Perhaps most important, however, is the voluntary wage-freeze agreed to by the national unions and employers through negotiations between the LO and SAF beginning in 1949.<sup>1</sup> For two years — 1949 and 1950 — there has been no general wage increase in Sweden. The significance of this will be discussed in Chapter III.

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This brief summary may be contrasted even more briefly with the background of industrial relations in America. American unions have achieved strength much more recently than in Sweden, with the great growth since 1933. Although union membership now totals more than 15 million, this represents only about one-third of the non-agricultural labor force. American employers have been slower to organize into industry-wide associations for collective bargaining than in Sweden, and there are still many contracts between individual companies and unions in America. Labor peace has not been achieved to the

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<sup>1</sup>During the war period (1939-45), the LO and the SAF voluntarily agreed to a sliding scale arrangement giving the workers about 75 per cent of the increased cost of living during that period. This system, however, was contrary to the traditional wage policy of both parties and was abandoned immediately after the war.

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same degree in America, although many American employers and unions have developed friendly and understanding relationships. There is no labor party in America, and the unions devote their energies to supporting friendly candidates in each party and urging the passage of social welfare laws. But Congress and many state legislatures have intervened in labor-management relations by passing various laws regulating employer practices (the Wagner Act of 1935), and union practices and collective bargaining (the Taft-Hartley Act of 1947, which superseded the Wagner Act). The latter law is opposed by organized labor in America, and remains a source of some friction in the American labor scene.

Such a sketchy outline necessarily overlooks the differences between the two countries in their social structure, their political orientation, their industrial structure, and perhaps most of all, their size. These differences lead some Americans and some Swedes to say that the industrial relations experience of one country is not really applicable to the other. Yet the American manager of the Swedish branch plant of a well-known American company said:

“American employers have something to learn from the way the Swedes handle labor relations. Employers here are organized so that the unions can’t play one off against the other. And if there are any difficulties that we can’t settle at the plant, we can go to the central organizations. Everybody is gentlemanly in negotiations. I’ve never heard anyone raise his voice.”

And many Swedish employers who were interviewed expressed great interest in learning more about American management’s approach and procedures in handling in-plant employer-employee relations. The field of “personnel administration” is quite new in Sweden, and there is growing attention to this aspect of American industrial relations experience.

The remainder of this report will deal primarily with Swedish experience, analyzed in the light of American attitudes and practices.