

Participation in Sweden

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In this presentation, I will focus on three aspects of participation and industrial democracy: firstly, how industrial democracy has developed in Sweden in connection with three 'revolutionary outbursts' in history; secondly, the regulation of industrial democracy today and the challenges from globalization; and thirdly, I will try to present the results in the light of the concept 'the frontier of control', which I hope will facilitate international comparisons and discussions.

Traditionally, 'employee participation' has meant two, partly overlapping yet partly different things. In an Anglo-American context, participation has mostly been a concept connected to financial participation, for instance profit-sharing schemes. In Northern and Central Europe, on the other hand, it has more often been a matter of co-determination and industrial democracy. In the Swedish case, both forms of participation have been prominent. Managerial acceptance of employee participation has occurred in 'cycles', depending on the overall power distribution between labour and capital. Employee participation is most widespread in periods of taut labour markets, when workers are able to challenge managerial prerogatives and authority. But when the market change and management can manage without any control sharing with trade unions, participation decreases again. The 'founder' of the cycles concept was the British sociologist Harvey Ramsay, who introduced it in the mid 1970s. Ramsay drew almost solely on evidence from the UK, where he found five main cycles of employer activity influencing worker participation from the second half of the 1860s till the 1960s. Later research has somewhat criticized and modified his thesis, and stated that in liberal welfare states with weak industrial relations such as the UK and the USA, participation is best understood as a reaction to trade union power in the context of the development of shareholder value and the reliance on market-based rather than relationship-based forms of regulation and governance. That is why financial participation is more significant in the UK and the USA than in countries with stronger industrial relations systems and more powerful trade unions, like Sweden and the other Nordic countries.

Industrial Democracy in Sweden

'Industrial democracy', in a broad sense of the word, has been on the Swedish trade union agenda more or less continuously for more than a century. Yet, the issue has been more prominent at three different times in history. The first time was immediately after the end of the First World War. The revolutionary uprising in Central and Eastern Europe had a radicalizing impact on

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Swedish workers too, which triggered demands for industrial democracy, both by the Swedish Trade Union Confederation (LO) and the Social Democratic Party (SAP). Industrial democracy was thus part of a socialist strategy, a means in a process that in the long run aimed for a socialist society. But paradoxically, it was also used as a means for reformism; it was a way to hamper the more radical, revolutionary fractions of the labour movement and instead join forces with liberals and the most progressive, labour-friendly entrepreneurs. In 1917, influenced by the February revolution in Russia, the most radical members had left the Social Democratic Party to form a 'left socialist' party that was later to be the Swedish Communist Party. The vast majority of the social democrats stayed with the incumbent fraction of the party, but there was a fear among the leadership that too strong and immediate demands for industrial democracy should lead to a grass-root radicalization that could jeopardize the reformists' leading role in the labour movement. In 1920, a coalition government formed by liberals and social democrats thus launched a so-called popular inquiry about industrial democracy to calm down the radicalization among the workers. When the investigation finally presented its results in 1923, during a recession, the revolutionary tide had turned and the radicalism that had once triggered the urge for industrial democracy was watered down to a proposal for works councils with very little practical strength.

The second peak for industrial democracy demands came directly after World War II and once again as a part of a radical upsurge in Europe. The Social Democratic Party now had a very strong governmental position; at the 1948 general election the party got more than 50 per cent of the votes. Also the Communist Party (SKP) reached its popular peak at the end of the war. In the municipal elections in 1944, it got more than 10 per cent of the votes. One result of the radicalization was a debate about introducing a planned economy, the only serious debate of that kind in Swedish history, and both members of the SAP and the LO were very active in outlining the details for how such a transition should best be made. Industrial democracy was not only an important part of this debate, but also the part that proved most realistic. In 1946, the Swedish Employers' Confederation (SAF) accepted to settle an overall, covering agreement with the LO that guaranteed information and consultation, but in practice, this time too when the radical tide had turned, the agreement was reduced to joint committees for improving productivity.

The third upsurge of workplace democracy claims was also connected to a general, international radicalisation outburst, now at the end of the 1960s and early 1970s. The post-war economic boom had the material living standards, but structural changes, mechanization and rationalization led to a strong discontent among many workers. At shop-floor level, it resulted in strike waves. In Sweden, unlike the two previous upsurges, the demands for workplace democracy resulted in a legislation that was lasting for a foreseeable future. The trigger was the wildcat miners' strike at LKAB in the very north of Sweden starting in November 1969 and not ending until early February 1970. The LKAB strike brought the notorious Swedish 'labour market peace' to an end and subsequent wildcat strikes all over the country made clear that there would not be any general labour market rest in the foreseeable future. Since the wildcat strike wave was also an attack against the ideal of 'consensus' between labour and capital, both the LO and the SAP had to do something to meet the new grass-root demands. The demands for industrial democracy forced the Social Democratic Party to bring bills about new legislation that materialized in several new labour market laws in the 1970s, of which the most important were the 1974 Employment Security Act (LAS) and the 1976 Codetermination Act (MBL). The latter is the most important one in this case. According to MBL, which is still in use, the trade unions have

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the right to information and consultation before any important decisions are made in a company. This does not mean that the union has a real say on the decision – that is still up to the company board – but union demands must first be considered before the board decision is made. An immediate response from the leftist side of trade unionism was that the new law was just a scam and meant nothing in real life. In popular parlance, the new law was even named ‘the horn’; the only difference was that the employer now had to hoot before running over the workers. Still, though, the law was introduced by the social democrats and therefore many employers actually thought that their position of freely running the company was threatened. The SAF seriously believed that the Swedish Labour Court, often accused of bias towards the employers, would become less favourable, and their indications that this did indeed occur.

Another offset of the debate on industrial democracy and workers’ participation in the 1970s was the claim for the so-called wage-earners’ funds – most likely the most far reaching aim for workers’ participation that has ever been put in any industrialized country. In the mid-1970s, the famous LO economist Rudolf Meidner presented a proposal that should take industrial democracy workers’ participation one step further. His proposal was wage-earner funds, in popular parlance, ‘Meidner-funds’, for collective capital formation. The proposal would, if it had been passed by the Swedish parliament, have required major firms to issue shares each year to the value of 20 per cent of profits and transfer them to funds controlled by the trade unions, where they would accumulate until voting power in the largest enterprises would pass from traditional owners to the new collective funds. Meidner, in his original suggestion, did not intend that the wage earners’ funds should be a means for the economic policy; they aimed for political power, not just economic influence. The funds proposal was met by an immense ideological counter-attack by the SAF and the bourgeois parliamentary parties. The social democrats lost the general elections in both 1976 and 1979, in most commentators’ eyes much as a result of the new ideological drive against the funds. Upon its but return to office in 1982, the Social Democratic Party implemented a watered-down version of the funds that was not at all as radical as Meidner’s original proposal; it was now funds for financial accumulation at large and the industrial democracy aspects were strongly downplayed. The Social Democratic Party was no longer particularly enthusiastic about the funds; the issue had cost the party two elections, but the LO members constituted the SAP’s most fundamental group of voters, so the relation to LO could not be too jeopardized. A new centre-right government in 1991 immediately discontinued the funds and they have since been abolished, no matter the political colour of the government.

To summarize, we have seen that demands for industrial democracy in Sweden are historically tightly connected to three general outbursts of radical, or even ‘revolutionary’ ideas. In between, workplace democracy has not totally disappeared from the scene, but considerably diminished. Labour and capital, both in the labour market and in the parliament, have instead agreed to jointly try to improve economic growth, in particular after World War II, and thus held back ideological differences.

Industrial Democracy in Sweden Today: Directive 2002/14 vs. Reality

The Directive 2002/14 never triggered any debate in Sweden; its statements were already covered by the Codetermination Act. A public inquiry, presented in 2004, consisting of legally skilled representatives for all the major labour market parties, concluded that the MBL covered most almost all aspects the should be considered according to the directive. There was however one

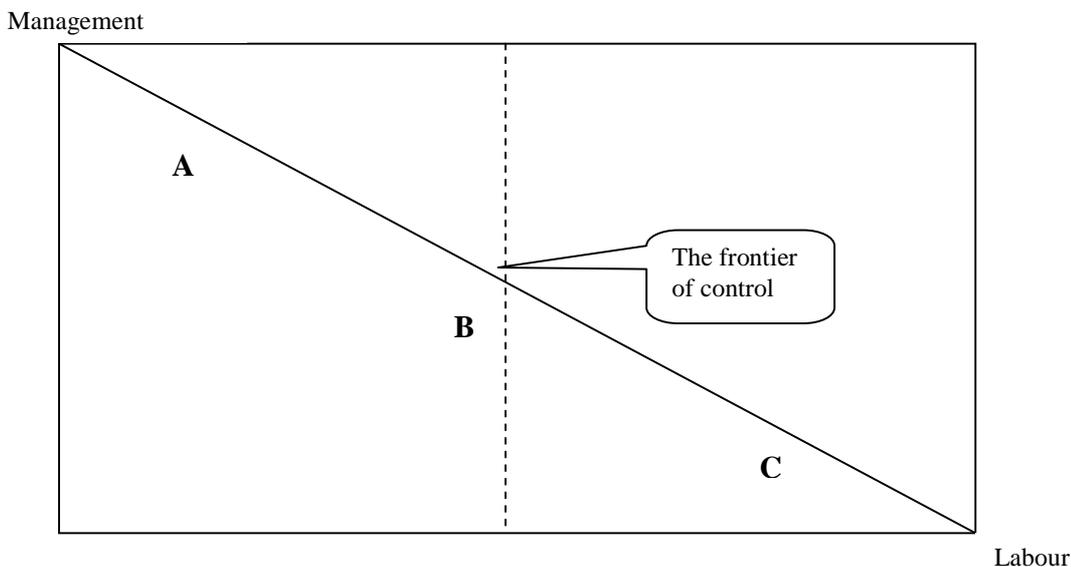
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important aspect missing, largely as a result of the exceptionally strong Swedish reliance on collective agreements to regulate the labour market:

‘In the Swedish system, workplaces whose employees are not members of an employees’ organisation bound by a collective agreement will not in all the cases prescribed by the Directive have an employees’ representative who can receive information and carry on consultation in the sense of the Directive. We therefore recommend an amendment to MBL in order to ensure that information and consultation can be implemented at all Swedish workplaces where there are employees’ organisations’ (SOU 2004:85 p. 20).

The growing importance of multinationals or the influence from other aspects of globalization has not been viewed as any major threat against *formal* workplace influence by Swedish trade unions. What Swedish trade unionists find the greatest practical problem for participation today is the growth of a ‘black’ or at least ‘grey’ labour market. Many employers use paperless immigrants, who are forced to work for small wages and under poor working conditions. The MBL is a law that gives *trade unions* workplace rights, which is a problem in workplaces where neither unions are present nor the employer is organized in any employers’ association. Many former employees have also been more or less forced into ‘false employment’. And of course, the ECJ’s verdict in the so-called Laval case, although not directly concerned with industrial democracy, is too a problem for the unions.

Figure 1. The frontier of control



Source: developed from Goodrich (1975 [1920]) and Lundh (1987; 1988).

The y- and x-axes represent relative power. To make the concept useful, ‘power’ must be seen as a relation between two parties. Hence the diagonal, the ‘frontier of control’, shows the relative strength between the parties, that is, between management and labour. In the upper left corner of the figure, accordingly, we find a situation where management has the total control of all aspects in the firm, that is, wage-setting, working hours and other working conditions, or in other words,

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a total sweatshop. At the lower right corner, on the contrary, we find firms where the workers have taken full control and 'management' has no say at all, that is, in practice an employee owned company, or 'ESOP'. Though both extremes no doubt exist, they are pretty rare in relation to the total number of enterprises in society. It is more likely that we find the average workplace somewhere along the continuum we call the frontier of control, that is, the diagonal.

The intersection between the diagonal and the dotted, vertical line in the centre of the figure (B) represents a 'breakeven', a situation where the power resources are in balance between management and labour. Neither party can set the rules without facing resistance from an equally strong counterpart. There is a 'relation of co-determination'. Normally this power balance is materialized in collective bargaining and settling of collective agreements. To the right of the dotted line (C), we find firms where the workers are even more powerful than management and thus have a great say on company decisions. There is a 'relation of self-management'. Needless to say, this is a very rare situation and must thus be seen as solely a theoretical possibility, not as a description of reality. To the left of the vertical, dotted line (A), we find situations much more realistic. To the very left, as mentioned, the workers have no say at all on any decisions. We can call this a 'relation of obedience'. To the right of the relation of obedience, we find a 'relation of consultation'. It must be kept in mind that the line marking the frontier of control is a continuum, not a line with a measurable, fixed scale. We can thus not pinpoint exactly where the relation of obedience ends and the relation of consultation starts, nor the demarcation line between the relations of consultation and co-determination. But as we will see below, these distinctions can still be highly useful. For example, a realistic approach from trade union is reach 'point B', that is, to bargain on equal terms with the employer counterpart, either at industry or firm level – or preferably both. Yet there are other bodies of worker representation that have no possibility to reach such a goal, most notably European Works Councils (EWC) and national works councils, such as the German *Betriebsrat* or the French *Comité d'entreprise*. In many countries this is the case for trade unions too; information, consultation and perhaps the right to put forth propositions is as far as their rights stretch. When it comes to industrial democracy, this is often the case also in countries with strong unions; a trade union might negotiate over pay, but not meddle in anything else regarding how the company is run.