

# **THE SWEDISH EMPLOYERS AND THE WAGE-EARNER FUNDS DEBATE DURING THE CRISIS OF FORDISM IN THE 1970s AND 1980s**

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**The paper investigates the policy pursued by the Swedish Employers' Confederation regarding the wage-earner funds issue, and how this policy was related to the dissolution of the Swedish wage bargaining model during the crisis of Fordism. The primary findings of this paper are that the funds were not the main reason behind SAF's decision to dismantle the Swedish model of industrial relations. It was not ideological tensions between the Swedish business community and labour movement that caused the unprecedented controversy of the wage-earner funds debate, but rather the underlying economic upheavals and clashing interests between the Swedish employers on the question of wage formation.**

Key words: Sweden, industrial relations, business organizations, crisis of Fordism

## INTRODUCTION

One of the most controversial political debates in post-war Swedish history centred on a proposal to create "wage-earner funds" (*löntagarfonder*). A group of experts led by Rudolph Meidner, who worked as an economist for the Swedish Trade Union Confederation (*Landsorganisationen*; henceforth LO), presented the first wage-earner funds proposal in 1975. The Meidner plan took up the question of ownership and economic power in the largest Swedish companies. It proposed a gradual transition of control of capital stock in these companies to specially constituted wage-earner funds (henceforth WEFs) owned and controlled by the unions. The debate on the funds continued until the middle of the 1980s. The final version of the WEF proposal, introduced by the Swedish Social Democratic government in 1983, was rather modest compared to the ambitions of the first funds projects from 1975, 1976, and 1978. At the same time, Swedish society witnessed a deep recession and break up of established patterns in the labour market. These developments were themselves related to the crisis of global Fordism, i.e. the mass production society. The main institutional actors of Swedish society, namely LO, the Swedish Social Democratic Party

(SAP) and the Swedish Employers' Confederation (*Svenska arbetsgivareföreningen*; henceforth SAF), were involved in the WEF debate.<sup>1</sup>

This paper deals with the reaction of the Swedish employers and SAF to the WEF proposal. SAF launched large-scale, expensive anti-fund campaigns in the late 1970s and the early 1980s. A paradox arose in connection with the campaigns. The more concessions the Swedish Social Democrats made with respect to WEFs, the more aggressive SAF's anti-fund campaigns became. The fund problem escalated and became a main symbol for the growing neoconservative offensive in Sweden during the 1980s. At the same time, SAF initiated a decentralization of the Swedish nationwide wage bargaining model, one of the cornerstones of Swedish Fordism. The aim of this article is to investigate the policy pursued by the Swedish employers regarding the WEF issue, and how this policy was related to the dissolution of the Swedish wage bargaining model during the crisis of Fordism.

The Regulation School, as well as the theory of industrial paradigms developed by the American economist Michael Piore and political scientist Charles Sabel, form the theoretical basis for this paper.<sup>2</sup> Using ideas from these two schools, the following formulation of the concept of 'Fordism' will be applied in this article. Fordism, or the Fordist society, is a model of industrial society defined by mass production and dominated by large corporations in the economy. In the socio-political sphere, Fordism rests on centralisation within the institutional order and decision-making involving a system of centralised wage bargaining between employer organisations and trade-unions.

Until recently there has not been a comprehensive accounting of SAF's involvement in the WEF debate. The researchers who studied the issue in the 1980s and 1990s, mainly against a more general background, did not have access to SAF's archives.<sup>3</sup> The only exception is the Swedish historian Hans De Geer, who claims that the WEF question played an important role in the polarisation of industrial relations in Sweden. However, he states that institutional changes inside the Swedish labour market model itself was the main reason behind the decentralisation of the model.<sup>4</sup> In the recent debate, the Swedish political scientist Svante Nycander puts forward a thesis in his book *Power over the Labour Market* that the radical WEF proposal had a clearly negative ideological implication for the Swedish labour market model, and provoked SAF's decision to abandon the model and to decentralise the nationwide wage bargaining system.<sup>5</sup> In contrast, the American industrial relations analysts Jonas Pontusson and Peter Swenson concluded that the WEF proposal had little to do with the decentralisation of the Swedish labour market model. In their view, the main factors that undermined the model were structural upheavals inside the wage bargaining institutions, as

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<sup>1</sup> For a detailed account of LO's and SAP's involvement in the WEF debate, see Viktorov, *Fordismens kris och löntagarfonder i Sverige*.

<sup>2</sup> A detailed presentation of the theory of Fordism, or the mass production paradigm, can be found in Boyer, *The Regulation School*; Jessop, ed., *Regulation Theory and the Crisis of Capitalism*, p. IX-XXI; Piore and Sabel, *The Second Industrial Divide*.

<sup>3</sup> See, for example, Elvander, *Den svenska modellen*.

<sup>4</sup> De Geer, *Arbetsgivarna*, 133-195.

<sup>5</sup> Nycander, *Makten över arbetsmarknaden*, pp. 337-353.

well as changes in the production sphere and the need for growing wage differences and flexibility of wage formation, not least in the Swedish engineering corporations. According to Pontusson and Swenson, these processes were caused by the transformation of Swedish manufacturing towards new, flexible production strategies.<sup>6</sup>

Neither Nycander nor Pontusson and Swenson used SAF's internal sources to obtain evidence for their conclusions, which should be empirically tested. This article is primarily based on research at SAF's archives located at the Centre of Business History in Stockholm, Sweden. Protocols from meetings with SAF's Board of Directors (*styrelse*), SAF's managing committee (*arbetsutskott*), and SAF's group of chief officials (*ledningsgrupp*) between 1972 and 1985 have been of special importance for this study. The Board of Directors was formally the highest decision-making body in SAF; however, the most important decisions were practically approved in advance by a narrow group of directors who were members of SAF's managing committee. SAF's group of chief officials did not officially have decision-making authority, but in fact was a very influential body inside SAF.

#### THE SWEDISH MODEL OF INDUSTRIAL RELATIONS UNDER FORDISM

The emergence of the WEF proposal and the considerable political support it gained were closely related to the crisis of Swedish Fordism and its model of industrial relations. Centralisation of the Swedish labour market institutions and wage bargaining process created conditions for the vitality of the first WEF projects, and at the same time made the employers' impressive ideological anti-fund campaigns possible.

Sweden had not only a strong labour movement with a durable Socialist tradition, but also a strong centralised employer confederation. In the 1970s and 1980s it appeared as if LO was the most enthusiastic adherent to centralisation. However, recent empirical research of the relations between the unions and employers' federation shows that the Swedish employers initially encouraged the unions towards centralised wage bargaining on the branch and national levels.<sup>7</sup> The process of centralisation of wage bargaining took several decades. The famous Saltsjöbaden agreement between LO and SAF in 1938 became an important step towards centralisation, and grounded the main principles of wage bargaining as well as a solution for labour market conflicts. This agreement is usually viewed as a starting point of the Swedish model of industrial relations. However, only in the early 1950s could SAF and LO reach their first collective agreement, and wage formation became profoundly centralised.<sup>8</sup> Until the early 1980s, the LO-SAF collective agreement took the lead for agreements for the rest of the employees, first and foremost for white-collar workers in both the private and public sectors.

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<sup>6</sup> Pontusson and Swenson, Labor markets, production strategies, and wage bargaining institutions.

<sup>7</sup> Swenson, *Capitalists against Markets*, pp. 71-142; Lundh, *Spelets regler*, pp. 77-136.

<sup>8</sup> Johansson and Magnusson, *LO andra halvseket*, pp. 86-95.

Hence the question arises as to why the Swedish employers were interested in central wage bargaining and a strong national union organisation. The answer was to be found in the position of Swedish industry, especially of the large Fordist engineering corporations, towards foreign and domestic markets. The Swedish export-oriented companies had to survive in fierce competition with their American and European counterparts. Therefore, Sweden's largest and most influential Fordist engineering corporations had to bring down their wage costs below the level that market forces would dictate. To be able to do this, they needed to control the process of wage formation. This is the main explanation for why the Swedish employers took the initiative for the centralisation of wage bargaining. An additional reason was to decrease the number of industrial conflicts.<sup>9</sup>

The centralisation of wage formation on the national level went hand in hand with the establishment of the Fordist production paradigm in Sweden, and finally resulted in wage compression in the Swedish industry. During the 1930s, a period of decreased world trade and growing protectionism, the Swedish export-oriented engineering corporations could pay lower wages compared to domestic-oriented industries. The relation changed dramatically after the 1940s. Now it was engineering corporations that had to offer higher wages under the pressure of strong demand from the world market, whereas the home-protected industries became low-paid. This led to a situation where the Swedish engineering companies were highly interested in bringing their wage costs down to the level of the enterprises protected from the world market competition.<sup>10</sup>

Sweden witnessed a considerable decrease of wage differentials between industries, firms, and professional groups. The wage compression in Swedish manufacturing industry took place from the 1930s until the middle of the 1980s and has been confirmed statistically.<sup>11</sup> The economic pressure for wage equalisation was the strongest between 1960 and 1975, which was a period of structural rationalisation and intensification of the Fordist production methods. The growing demand for less skilled labour was the driving force behind this trend.<sup>12</sup>

The official ideology of the solidarity wage policy pursued by the Swedish trade union movement was aimed to decrease wage differences between high and low profitable companies. It became possible because the interests of the labour movement and employers from the big Fordist engineering corporations temporarily coincided. Employers could decrease their production costs, but trade unions took advantage of the policy as well. First, LO became an extraordinarily strong and highly centralised organisation. The degree of unionisation of blue-collar workers in Sweden was one of the highest in the world between the 1950s and 1980s. This power could be used and actually was used for pursuing reform

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<sup>9</sup> Swenson, *Capitalists against Markets*, pp. 77-78.

<sup>10</sup> Swenson, *Capitalists against Markets*, pp. 127-133; Lundh, Institutional change in the Swedish labour market 1830-1990, pp. 122-128.

<sup>11</sup> Lundh, *Spelets regler*, p. 203; Stråth, *Mellan två fonder*, p. 295.

<sup>12</sup> The Swedish economic historian Lars Svensson characterises this process as a 'Tayloristic rationalisation on labour costs'. See Svensson, Industrial dynamics, labour demand, and wage differentials in the Swedish manufacturing industry 1930-1990, p. 170; Svensson, *Ideologin och marknaden sätter löner*, pp. 213-228.

policy in the interests of LO's members. Second, the wage solidarity policy led to increase of wages for low-paid groups of workers. Society as a whole benefited from the cooperation between employers and workers because the policy created conditions for lower inflation and peace on the shop-floor.

The centralised wage formation contributed to long-term macroeconomic stabilization. It stabilised wage costs and domestic aggregate demand, even though the latter did not play a profound role for the Swedish mass producers because of their export dependency. Reforms of the famous Swedish universal welfare state complemented the results of wage compression achieved by the centralisation of wage formation. The welfare state in Sweden was directly related to collective bargaining, and initially found strong support from the Swedish manufacturing employers.<sup>13</sup> Its development coincided with the culmination of the Swedish mass production between the 1940s and the middle of the 1970s.

## CONTRADICTIONS IN SWEDISH FORDISM AND THE EMERGENCE OF THE WEF PROPOSAL

However impressive the achievements of the Swedish industrial relations system were, the 1970s witnessed a serious crisis of Swedish Fordism. This was closely related to the crisis of the Global Fordism. Swedish corporations depended highly on foreign markets which were shrinking after the oil crisis of the 1970s. The falling demand from abroad ruined the steel, mining and pulp industries, and led to the disappearance of Swedish shipbuilding, but engineering corporations suffered as well. Thus, the economic crisis constituted an aspect of the crisis of the Swedish Fordism and was brought about by external factors. However, the crisis of the Fordist society had an additional institutional dimension, with the WEF proposal playing a prominent role in its development. Three inherent contradictions of Swedish Fordism finally undermined its legitimacy before the economic dimension of the crisis became visible from the middle of the 1970s.

The first inherent group of contradictions dealt with the organisation of the labour process under the Fordist period. On a micro level, conveyer belt, assembly line production, standardisation and rationalisation of work, horizontal division of work, as well as application of the Method-Time Measurement system and automation, have been characteristic features of the Swedish Fordism. Combined with the piece wages system, these features dramatically changed working conditions for Swedish workers compared with the pre-Fordist period of the industrial revolution. Although Swedish unions traditionally saw Fordist rationalisation of production in a positive light, this process finally led to broad discontent among the Swedish blue-collar workers. Such discontent culminated in 'wild-cat' strikes in Swedish industry

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<sup>13</sup> Swenson, *Capitalists against Markets*, pp. 268-274, 281-300.

during the late 1960s and the early 1970s, when the process of rationalisation of the Fordist production methods was at its height.

The second inherent contradiction of Swedish Fordism concerned developments within labour market institutions and wage formation between the 1940s and 1970s. The wage solidarity policy meant a decrease of the wage gap between low-paid and high-paid groups of workers independently of the profitability of their companies and production entities. The wage solidarity policy presupposed that high-paid workers, mainly in the engineering and metalworking industries, would sacrifice a part of their wages in support of low-paid groups of workers. In the early 1970s LO witnessed a deep crisis of legitimacy because of its wage solidarity policy and the 'excess profits' that arose as a consequence of this. These 'excess profits' were simply left under the control of the employers. The Confederation became divided over this question. The high-paid LO workers and the Swedish Metalworkers' Union openly expressed their discontent with the character of the wage solidarity policy. However, LO's leaders and some unions defended the policy as a means to increase wages for low-paid groups of workers. The leadership of the Swedish Metalworkers' Union tried to solve the crisis by launching an initiative related to branch funds at the 1971 LO congress. This initiative would lead to creation of branch funds financed by a part of the 'excess profits'. It was conceived that such funds would represent a form of collective ownership, and in this way could enhance wage-earners' influence on Swedish industrial policies. However, this attempt to solve the crisis of legitimacy inside the LO was not successful. The initiative did not gain popularity among the Swedish trade union rank and file. The only practical result of the debate in the early 1970s was an appointment of a special committee under the leadership of LO's former chief economist Rudolf Meidner to investigate the branch funds issue.

The third inherent contradiction that undermined the legitimacy of the Swedish Fordism was the concentration of economic power and ownership in Swedish industry that increased under the Fordist epoch. This process continued between the 1940s and 1970s. The degree of concentration was especially high in large private companies. This occurred despite the status of SAP as a ruling party and its socialist rhetoric during this time.

To summarize, the second inherent contradiction of the Swedish Fordist society contributed to the emergence of the WEF issue; the first and the third factors played a crucial role for the vitality of the WEF debate. The Meidner committee published its first WEF proposal as late as 1975; after that the course of the debate was changed. Instead of solving the 'excess profits' problem as it was originally conceived, the proposal sought to change power and ownership relations in Swedish industry. As a result, WEFs became a hot question on the Swedish political agenda. The LO congress of 1976 approved a more detailed version of the proposal with minor modifications. Discontent with undemocratic order in working life, as well as with the concentration of economic power, played a crucial role for the strong support that the union activists gave to the Meidner proposal.<sup>14</sup> Incapable of preventing the emergence of the fund question in the Swedish political arena, the leaders of the Swedish

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<sup>14</sup> Viktorov, pp. 113-155.

Social Democratic Party took control of the elaboration of the subsequent WEF proposals from 1978, 1981, and 1983. These proposals entailed a consistent de-radicalisation of the WEF initiative. The final proposal was approved as a law by the Swedish parliament in December 1983. The WEFs created were made a part of the pension system and represented modest financial institutions with limited activity on the Swedish capital stock market.

## THE SWEDISH EMPLOYERS ON THE DEFENSIVE: 1975-1977

SAF's directors were well-informed about the work of the Meidner group on the WEF proposals between 1971 and 1975.<sup>15</sup> As a response to LO's activities, in September 1974 SAF and another Swedish business organisation, Industrial Union (SI), set up a working group under the leadership of a prominent Swedish industrialist Erland Waldenström to study the question of profit-sharing in Swedish companies.<sup>16</sup> The SAF leaders were hardly surprised when the first wage-earner report was finally published in August 1975 and found the Meidner plan unacceptable. On 18 September 1975 Waldenström presented preliminary results of his working group's activities for SAF's Board. He concluded that the Meidner plan was ideologically inspired and resembled confiscation. However, according to Waldenström's estimations, it was unrealistic to believe that the wage-earner plan would be eliminated from the political agenda in the immediate future. The question was complicated, and SAF should present its alternative plan of individually-based employee profit-sharing.<sup>17</sup>

SAF launched those counter-measures against WEFs between 1975 and 1977, but SAF saw that the question was not a high priority for Swedish business. Naturally, SAF's representatives participated in the general public debate about the funds, but no offensive against funds was started until 1978. It was remarkable, because at this time SAF began to launch its ideological campaigns aiming to change the climate of the Swedish political debate towards a more market-friendly direction. The fund question was not even mentioned when the head of SAF's department of information Sture Eskilsson presented for SAF's Board of Directors the programme *Information activities for 1976-77*. What Eskilsson advocated was completely new information campaigns that differed from SAF's previous information activities. SAF should influence the Swedish political agenda and in this way create more favourable conditions for Swedish entrepreneurship. Thus, to tell the Swedish people about the danger of inflation an anti-inflation campaign should be started. The year 1977 should be proclaimed as a year of free entrepreneurship. Eskilsson suggested special campaigns for market economy, decentralisation, and "entrepreneurship as a lifestyle". SAF would also intensify political lobbying with the Swedish political parties. All these measures were new

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<sup>15</sup> See, for example, SAF's archive. A 4 A, Vol. 28. SAF's managing committee. 19 September and 21 November 1974.

<sup>16</sup> SAF's archive. A 4 A, Vol. 28. SAF's managing committee. 19 September and 19 December 1974; A 4 A, Vol. 29. 13 February and 17 April 1985.

<sup>17</sup> SAF's archive. A 3 A, Vol. 75. SAF's Board of Directors. *Löntagarfonder och vinstandelssystem – direktor Erland Waldenström. Bilaga 1 till styrelseprotokoll*. 18 September 1975.

for SAF and its organisational culture. After some discussions, SAF's directors approved the financing of the activities suggested by Eskilsson.<sup>18</sup> Thereafter SAF started its information campaigns that would play an important role in the transformation of Swedish society in the late 1970s, 1980s, and, in the long term, even in the 1990s.

Several factors explain SAF's policy on the fund question before 1978. First, SAP postponed its official engagement with the elaboration of the subsequent WEF proposal. SAP was not officially engaged until 1978, when the Swedish Social Democrats and LO presented its first WEF report with a concrete detailed solution of the problem. Second, the public opinion polls demonstrated from the beginning that the idea of collectively-owned WEFs was not supported by the majority of Swedish voters. Despite the fact that the concentration of ownership of companies in private hands was highly unpopular, the Swedish voters preferred another solution, namely increasing a number of small private stockholders, not the creation of union-controlled funds.<sup>19</sup> Third, during this period SAF was trying to counteract the *Law on Co-determination* and the rest of the new labour laws that were introduced by SAP on LO's insistence. These laws under the label of industrial democracy were perceived at that time by Swedish business as more dangerous and achievable compared to the idea of WEFs.<sup>20</sup>

Another important factor that contributed to the fund question's relative unimportance for SAF between 1975 and 1977 was SAF's own internal troubles. The Swedish economy was entering a period of severe crisis that emerged as a consequence of the crisis of global Fordism. Considerable financial support from the Swedish government did not prevent closures of a large number of enterprises. Correspondingly, the old wage bargaining system did not work either. Between 1974 and 1976 the total wage increase in the Swedish economy achieved 40 per cent.<sup>21</sup> As a result, Sweden's share in world trade decreased by 19 per cent between 1975 and 1977.<sup>22</sup> Small and medium-sized companies manifested especially strong discontent with SAF's inability to protect the interests of its affiliated companies in particular and of the entrepreneurial community in general.<sup>23</sup>

The attitude of the large Swedish Fordist corporations in the engineering sector was of crucial importance. Since the early 1970s the Association of Engineering Employers (*Verkstadsföreningen*; henceforth VF) began to question the Swedish centralised wage bargaining model. The increasing wage costs were perceived as catastrophic. However, VF did not demand the decentralisation of wage bargaining until the late 1970s. This depended on

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<sup>18</sup> SAF's archive. A 3 A, Vol. 75. SAF's Board of Directors. 20 November 1975.

<sup>19</sup> SAF's archive. F 11 O, Vol. 1. The 4 October Manifestation. *Fyra Sifo-undersökningar om inställningen till löntagarfonder och enskilt ägande*. August 1976.

<sup>20</sup> See SAF's archive. A 4 A, Vol. 29. SAF's managing committee. 20 November 1975; A 4 B, Vol. 22. Papers of SAF's managing committee. *Arbetsgivarorganisationernas uppgifter och mål i framtiden. Intern promemoria*. 18 August 1975; A 3 A, Vol. 75. Board of Directors. A 3 A, Vol. 75-76. 20 November 1975, 15 January, 22 April, 13 August, 23 September, 16 December 1976. See on SAF and the new labour law De Geer, *I vänstervind och högergång*, pp. 312-316 and Schiller, *Det förödande 70-talet*, pp. 124-133, 157-165.

<sup>21</sup> Lundh, *Spelets regler*, pp. 227-228; Schön, *En modern svensk ekonomisk historia*, pp. 486-495.

<sup>22</sup> Pontusson and Swenson, *Varför har arbetsgivarna övergivit den Svenska modellen?*, p. 43.

<sup>23</sup> SAF's archive. A 3 A, Vol. 75. SAF's Board of Directors. 20 November 1975; De Geer, *I vänstervind och högergång*, pp. 174-177, 225-226

the change of SAF's leadership, as well as the victory of non-socialist parties in the parliamentary elections of 1976. Both factors raised hopes somewhat concerning the possibilities to counteract wage drift.<sup>24</sup> However, VF's negative evaluation of the wage solidarity policy and centralised wage bargaining implied that the Swedish model of industrial relations was in danger as early as in the middle of the 1970s. Thus, the economic and institutional order created under the Golden Age of the Swedish Fordism was in crisis. As a result of the discontent with the Swedish industrial relations system, SAF began to re-evaluate its involvement in the centralised wage bargaining. The old SAF leaders who were devoted to cooperation with the union movement and LO were replaced by a new, charismatic SAF chair Curt Nicolin in June 1976. Nicolin who had been a top manager in ASEA, one of the leading Swedish engineering corporations, was appointed on the impetus of Marcus Wallenberg, the head of the powerful Wallenberg family at that time.<sup>25</sup> Nicolin's appearance as SAF's leader implied a dramatic change in SAF's policy towards the Swedish labour market.

SAF's directors perceived the high wage costs as the largest danger for future of Swedish industry. Consequently, they gave full support to Nicolin's initiative to decrease the general wage level of the Swedish employees. The question was how this could be implemented in a practical way, because it was difficult to persuade the Swedish public opinion of the rationality of this change. The coming ideological offensive of SAF dealt mainly with reforms in the Swedish social insurance system, the decrease of payroll taxes, and the alteration of the wage-bargaining model. As early as in autumn 1976, SAF was ready to undertake a great lock-out in the Swedish labour market in order to achieve its purposes. According to Nicolin, employers did not fight for their 'sordid profit interests'. The nominal wage decreases were needed to save the national economy of Sweden.<sup>26</sup> In this way, SAF hoped to restore the competitiveness of the Swedish corporations in their export markets.

The re-orientation of SAF's policy triggered inevitably the change of its attitude towards the WEF question. In early 1977 there were still some discussions inside SAF regarding how this problem should be solved. A possible outcome was to create some kind of voluntary, individually-based profit-sharing for employees, according to the main principles elaborated by the Waldenström group.<sup>27</sup> These discussions were stopped at a meeting of SAF's managing committee on 1 March 1977. Curt Nicolin questioned "the two truths in the capital-formation issue". First, there was no need of any kind of funds. Second, SAF should stop all attempts to create profit-sharing by tax legislation. Instead, SAF's purpose was to spread private shareholding based on wage savings.<sup>28</sup> Nicolin's stance prevailed. Since then, SAF

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<sup>24</sup> Lundqvist, *Arbetsgivarpolitik under full sysselsättning*, pp. 100-101.

<sup>25</sup> See Schiller, "*Det förödande 70-talet*", pp. 137-138. Historically, the Wallenberg family controlled a majority of the Swedish banking sector as well as some largest corporations in the country, not least in the engineering sector. However, Volvo AB, Sweden's largest Fordist car producer, was never a part of the Wallenberg sphere.

<sup>26</sup> SAF's archive. A 3 A, Vol. 76. SAF's Board of Directors. 25 October 1976; SAF's board of directors. A 3 A, Vol. 77. 18 August 1977.

<sup>27</sup> SAF's archive. A 4 A, Vol. 31. SAF's managing committee. 20 January and 17 February 1977; SAF's archive. A 4 B, Vol. 25. Papers of SAF's managing committee. Schager, N. H. *Den fortsatta handläggningen inom SAF av löntagarfondfrågan. Promemoria*. 17 January 1977.

<sup>28</sup> SAF' archive. A 4 A, Vol. 31. SAF's managing committee. 1 March 1977.

refused to consider any political alternative to the union WEF proposals, and started preparations for the first campaign against the funds.<sup>29</sup> However, the fund question was still relatively unimportant compared to the rest of political strategy of Swedish business. SAF's ideological programme aimed at winning domination over the Swedish political debate in favour of such values as individual freedom, private entrepreneurship, and market economy. The main target for SAF's offensive at that time was the expansion of the Swedish public sector, as well as the welfare state, not WEFs.<sup>30</sup>

## THE FIRST SAF OFFENSIVE: 1978-1980

The conditions for SAF's ideological campaign changed when SAP and LO published their first joint official report *Wage-Earner Funds and Capital Formation*. This proposal suggested creation of union-controlled funds in all Swedish corporations with more than 500 employees. The reaction of SAF to this proposal was clearly negative. In SAF's view, it would lead to elimination of "private free enterprising"; an open war should be proclaimed against the proposal. This called for an uncompromising critique that would push SAF's political opponents, i.e. SAP and LO, into a defensive position. It was suggested in SAF's group of chief officials that the debate should create "a fear among ordinary people concerning the developments that LO/SAP's proposal will entail".<sup>31</sup>

The campaign against socialisation was launched immediately. Its main purpose was to prevent introduction of WEFs in the foreseeable future. The fund idea itself should be buried during the 1979 parliamentary elections. A clear purpose was to influence SAP's potential allies among the non-socialist parties that earlier showed some willingness to compromise on the fund question. The campaign comprised intensive information activities, not least in Swedish regions, an aggressive public debate against SAP, LO and their proposal, as well as a mobilisation of entrepreneurs. SAF's department of information had no doubts about the inevitable success of the campaign because of the internal split in the Swedish labour movement on the fund question, and not least because the entrepreneurs had "a socio-psychological advantage" as an active minority in the Swedish society.<sup>32</sup>

This confrontational style of the anti-fund campaign was in apparent contrast to the cooperation and negotiation culture of the old Swedish model. As a consequence, some of SAF's influential directors were ready to take a more conciliatory position. However, Curt Nicolin urged them to see the issue in a wider perspective. On 20 April 1978 Nicolin reflected

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<sup>29</sup> SAF's archive. A 4 A, Vol. 31. SAF's managing committee. 17 March 1977; A 5 B, Vol. 9. SAF's group of chief officials. 12 April 1977.

<sup>30</sup> SAF's archive. A 3 A, Vol. 77. SAF's Board of Directors. 15 December 1977; A 3 A, Vol. 77. SAF's board of directors. Westholm, C-J. and Eskilsson, S. *Ideologiskt program. Promemoria. Bilaga*. 1977.

<sup>31</sup> SAF's archive. A 5 B, Vol. 9. SAF's group of chief officials. 27 February 1978.

<sup>32</sup> SAF's archive. F 11 O, Vol. 8. The 4<sup>th</sup> October manifestation papers. Eskilsson, S. *Strategiska och taktiska synpunkter på löntagarfondsfrågan*. 4 March 1978.

on the future of Swedish industry that faced great troubles. Its solidity had decreased, the returns on private investments had become too low, and it had been extremely difficult to start new enterprises. At the same time, the new non-socialist government was expanding the public sector by raising taxes in order to prevent unemployment. All these measures together were “choking private industry”. This implied that the WEF question was of fundamental importance for the survival of the Swedish business community.<sup>33</sup>

The first SAF anti-fund campaign was carried out under the slogan *Free entrepreneurship or fund socialism*, and achieved considerable success. Its aggressive character was perceived as very effective, despite the fact that some of the SAF directors were upset about the tone of ‘vulgar propaganda’. According to their view, this tone appeared sometimes under the campaign. SAF managed to quickly win the struggle over public opinion regarding LO/SAP’s proposal. Non-socialist parties refused to make a compromise on the fund question, and in July 1978 the Swedish social democrats had no choice but to abandon their own proposal. SAP’s leader Olof Palme proclaimed that the final solution of the fund question should be postponed until 1981, when a new party congress would take place.<sup>34</sup>

SAF continued to watch for the fund question during 1978 and 1979. Meanwhile, SAF’s officials were concerned with more strategic questions as well. SAF’s department of information, in particular a middle-level official Carl-Johan Westholm, elaborated a long-term ideological programme. WEFs were given only a minor role in these general activities aimed at steering the development of the Swedish society in the direction that SAF perceived as favourable. Westholm’s visit to the *Shell Centre* in London was an essential part in the process of creation of the programme. The main experience that Westholm gained at Shell was from the descriptive scenarios applied by this multinational company to steer thinking and acting along certain preferred lines of thought. The core of the method was to describe the future in two alternative, simplified scenarios. Shell used this method for internal purposes, but Westholm suggested that SAF could apply this information method for its external activities. To achieve its purposes, the descriptive scenarios should be as simplified and clear as possible. “The main purpose is that the Swedish public debate should be carried out in SAF’s language”, summarised Westholm. In this fashion, Westholm launched two visions of alternative societies, a “Watching Sweden” and a “Creative Sweden”. The first one implied a society with a huge public sector, high taxes, as well as complicated legislation and regulations. The state in the “Watching Sweden” had great ambitions concerning distribution of income and strove to control all spheres of society, including private business. In contrast, the “Creative Sweden” was characterised by minimal governmental intervention. It was a society with dynamic private business that enjoyed full freedom to develop enterprises, to create new jobs, and to provide economic growth. No political dreams about WEFs were possible here. By using these scenarios, Westholm was able to indicate which groups of the

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<sup>33</sup> SAF’s archive. A 3 A, Vol. 78. SAF’s board of directors. 16 March and 20 April 1978.

<sup>34</sup> SAF’s archive. F 11 O, Vol. 8. The 4<sup>th</sup> October manifestation papers. Nordling, D. *Debatten om löntagarfonder. Internt meddelande*. 21 September 1978; *Aftonbladet*, 1 July 1978.

'real' Swedish society were responsible for dangerous tendencies towards the "Watching Sweden" and which groups belonged to the "Creative Sweden".<sup>35</sup>

SAF's Board discussed the new ideological policy on the 16th and 17th of November 1978. SAF's directors warmly welcomed Westholm's ideas. Sture Eskilsson presented new information activities for 1979, and pointed out that information campaigns should be aimed at the preservation of the ruling non-socialist government. The main themes were employment that could be created by decreased taxes, as well as increased profits and private savings. SAF should focus its propaganda on certain sectors of the population; young people were indicated as the most promising. SAF's directors approved Eskilsson's plan, and assigned considerable financial resources to the campaigns. However, only a minor amount went to finance the anti-fund campaign; this was not a high priority at that time.<sup>36</sup>

During 1979 and 1980, SAF's impressive ideological campaigns went well in line with the approved ideological programme. Everything was done to persuade the public opinion to adjust the development of the Swedish society according to market-oriented values. Critique of the public sector and the state's role in the economy, as well as critique of the appeal to increase taxes became cornerstones of the campaigns. The books of neoconservative American and British writers became the sources of inspiration, and were published with SAF's financial support. However, this propaganda activity, as it was labelled by SAF's officials themselves, met criticism among some SAF affiliates already in 1979. Pehr G. Gyllenhammar, VF's influential representative in SAF's Board of Directors and Volvos' managing director, became the strongest opponent of SAF's ideological campaigns. According to Gyllenhammar, SAF's involvement in the political struggle against the Social Democratic Party was unacceptable. Private business should respect any democratically elected government. The message sent by ideological campaigns created an image of SAF as a conservative and reactionary organisation. Instead, SAF's information activities should be more credible, liberal-minded, and future-oriented. Moreover, Gyllenhammar questioned the need to assign such enormous financial resources on SAF's ideological campaigns. The majority of SAF' directors did not share Gyllenhammar's critical viewpoint. According to Nicolin, SAF was an organisation that symbolised dynamism, not conservative values, and SAF's mission was to spread this dynamism to the rest of society.<sup>37</sup>

## THE CULMINATION OF THE WAGE-EARNER FUND CAMPAIGN: 1981-83

The next LO/SAP proposal *Labour Movement and Wage-Earner Funds* was published in January 1981 and heralded a new retreat of the Swedish labour movement. Ambitions were

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<sup>35</sup> SAF's archive. A 3 A, Vol. 78. SAF's Board of Directors. Westholm, C.-J. *Utkast till ideologiska handlingsprogrammet. Bilaga 5*. 8 November 1978.

<sup>36</sup> SAF's archive. A 3 A, Vol. 78. SAF's Board of Directors. 16-17 November 1978,

<sup>37</sup> SAF's archive. A 3 A, Vol. 80. SAF's Board of Directors. 13-14 November 1980,

quite modest compared to the proposal of 1978. Creation of a system aiming to reform Swedish capitalism was not under discussion any more. Implementation of the proposal would only lead to the emergence of a number of institutions with wage-earners' capital invested in listed securities. However, this clear retreat was ignored by SAF. The Swedish employers answered with a new anti-fund campaign which required much more financial and organisational resources compared to the 1978 campaign.

An anti-fund campaign under the slogan "No to the SAP/LO proposal and any form of socialism" was launched in the Swedish media in April. The main purpose was to prevent the introduction of funds, and SAP's loss in the next parliamentary election of 1982 was the best means to achieve this purpose.<sup>38</sup> The anti-fund campaign was formally led by Curt Nicolin, but in reality was coordinated by Sture Eskilsson and his 'action group'. SAF officials discovered that personal contacts between SAF's agitators and ordinary people could be the most effective means to secure success of the campaign. A number of public relations companies were engaged to produce different strategies to achieve this goal. SAF's own members and low-level officials became very important tools to spread information among employees. Extensive educational campaigns for officials from SAF and its affiliated companies were arranged all over the country. The campaign appeared to be very effective for mobilisation of small Swedish businesses against the funds. At the same time, Eskilsson observed the unwillingness of top managers at the largest Swedish companies to participate in SAF's anti-fund information activities.<sup>39</sup> However, SAF's second influential director after Nicolin, Volvo's managing director Pehr G. Gyllenhammar, fully supported the anti-fund activities. This was despite his repeated critique of SAF's informational campaigns and their general 'reactionary' message.<sup>40</sup>

SAF's extensive anti-fund campaigns escalated even more under 1982, the year of parliamentary elections. Sture Eskilsson strove to avoid the appearance of SAF as the impetus of all information against the funds in the Swedish media. Instead, a number of affiliated organisations were used and financed by SAF for this purpose.<sup>41</sup> However, despite these media campaigns, SAF only achieved some parts of its aims. Apparently, public opinion demonstrated a clearly negative attitude towards WEFs, but SAF failed to make funds into a main theme of the election campaign. The voters were much more concerned about unemployment and their personal economic conditions rather than dangers emanating from introduction of WEFs. As a result, SAP won the elections in November 1982. Naturally, an 'introduction of socialism' was the last thing the new Social democratic government wished to do. The new Prime Minister Olof Palme showed a clear intention to cooperate with the

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<sup>38</sup> SAF's archive. A 4 B. Vol. 34. Papers of SAF's managing committee. *VD:s föredragning vid arbetsutskottet den 19 februari 1981. Författad av S. Eskilsson.* 19 February 1981.

<sup>39</sup> SAF's archive. A 3 A, Vol. 82. SAF's board of directors. Eskilsson, S. *SAF:s aktiviteter i löntagarfondsfrågan. Ett sammanfattande diskussionsunderlag. Bilaga.* 13 October 1982.

<sup>40</sup> SAF's archive. A 3 A, Vol. 81. SAF's Board of Directors. 21 May, 17 September and 20 November 1981.

<sup>41</sup> SAF's archive. A 4 B, Vol. 38. Papers of SAF's managing committee. Eskilsson, S. *Föredragning AU tisdagen den 29 juni 1982. Löntagarfondsfrågan.* 29 June 1982.

Swedish employers to bring about an economic recovery after the crisis. However, SAF's leaders made it clear that no compromise on the fund question was possible.<sup>42</sup>

The WEF issue became highly politicised, and Palme's government had no choice but to introduce the funds. Too much was at stake in this political controversy, and Palme decided to use the label 'wage-earner funds' to restrain the growing neoconservative offensive in Sweden. Of course, the latest version of the funds as such merely represented a system of modest financial institutions that had nothing in common with Rudolf Meidner's ambitious proposals from 1975 and 1976. But Palme believed that it was important to use the funds tactically to protect achievements of the Swedish model that he valued much more. Palme pointed out that the price of losing on the WEF issue would be a growing offensive by Swedish business on the Swedish welfare state.<sup>43</sup> In May 1983, the Social Democratic minister of finance officially announced the introduction of the funds.

SAF met the government's decision as a challenge. Employers wanted to demonstrate their absolute resistance to the funds. The best solution that Sture Eskilsson suggested was to change the anti-fund resistance into a genuine mass movement. A great demonstration by all Swedish employers should eliminate "once and for all" any idea to socialize Sweden. Planned for 4 October 1983, the demonstration should become the most important contribution to the change of the Swedish political climate and decision-making.<sup>44</sup> The practical work to arrange the demonstration was carried out by a special 4 October committee that was established and financed by SAF.

The committee was eager to mobilise as many supporters as possible. Almost all owners of Swedish firms as well as top managers in large companies were contacted by the committee that tried to persuade SAF's members to participate in the demonstration. This work was especially intensive in the Stockholm region. Local 4 October committees recruited participants via 'personal influence'. Trains, planes, and buses were chartered to deliver participants to Stockholm. The committee had no shortage in financial resources that were spent on advertising, posting of flyers, and "funds patrols". Everything was made to show that the private business' resistance was 'total, united, massive, and uncompromising'.<sup>45</sup>

The final result exceeded SAF's fondest expectations. The 4 October committee received intense enthusiasm among small and medium-sized Swedish entrepreneurs. SAF's officials hoped at an early stage of the campaign to mobilise 5,000 persons to the demonstration in Stockholm. In the end, about 75,000 participants gathered at the Swedish parliament building and protested on 4 October against WEFs.<sup>46</sup> This demonstration became a

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<sup>42</sup> SAF's archive. A 3 A, Vol. 82. SAF's Board of Directors. 21 October 1982.

<sup>43</sup> Labour Movement Archives and Library. SAP's archive. A 3 A, 015. *Protocol from meeting with SAP's executive committee*. 21 September 1983.

<sup>44</sup> SAF's archive. Papers of SAF's managing committee. A 4 B, Vol. 40. Eskilsson, S. *Löntagarfondsfrågan. Föredragnings-PM*. 20 June 1983; SAF's Board of Directors. A 3 A, Vol. 83. 23 June 1983.

<sup>45</sup> See SAF's archive. F 11 I, Vol. 3-4. The 4<sup>th</sup> October manifestation correspondence; SAF's archive. A 3 A, Vol. 83. SAF's board of directors. 22 September 1983; A 5 B, Vol. 12. SAF's group of chief officials. 19 September 1983.

<sup>46</sup> De Geer, *Arbetsgivarna*, p. 193.

culmination of SAF's anti-fund campaign, and clearly showed the employers' political and media power. Despite this fact, the Social Democratic government went ahead and introduced the funds in their latest water-downed version.

Naturally, SAF promised immediately to do its best to abolish the funds as soon as SAP would lose its parliamentary majority. SAF continued to gather huge anti-fund demonstrations every year on 4 October, as well as undertake media campaigns against funds. However, from the middle of the 1980s the fund question lost its importance as SAF's main ideological issue, and the general critique against the public sector and welfare state began to dominate SAF's ideological campaign.<sup>47</sup> WEFs were finally abolished by the non-socialist coalition government in 1992, completely in accordance with SAF's will.

The media campaigns and the 4 October movement were organised by SAF from above, without considerable pressure from its affiliated companies and associations. At first glance, employers' resistance was disproportional compared to the real ambitions of SAP's WEF proposals from 1981 and 1983, which by no means were intended to 'socialise' Swedish industry. However, the SAF directors' decision to invest considerable financial and organisational resources in the anti-fund resistance can be explained if upheavals inside the Swedish model of industrial relations are taken into consideration.

## WAGE-EARNER FUNDS AND THE DISSOLUTION OF THE SWEDISH CENTRAL WAGE BARGAINING MODEL

At the same time as when SAF continued the spectacular ideological campaigns against funds, its leaders had to solve the problem of decentralisation of the Swedish nationwide wage bargaining system. During recent years, the view that the WEF proposal contributed considerably to the Swedish employers' decision to abandon the centralised wage bargaining model gained some popularity among Swedish industrial relations analysts, not least because of the above-mentioned book of Svante Nycander. Put in this way, it would mean that an ideological factor influenced decision-making in the economic sphere. Indeed, it is possible to find some examples in SAF's primary sources that seem to confirm this thesis. SAF's chair Curt Nicolin argued on 15 October 1981 that the wage bargaining system was one of the two most important questions that SAF's Board of Directors should tackle. WEFs were the other one.<sup>48</sup> On 19 November 1981, Pehr G. Gyllenhammar, Volvo's managing director and VF's influential representative, put forth an argument in favour of the transition to industry-level wage bargaining. In his discussions with other directors, he claimed that the WEFs initiative was "more than enough":

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<sup>47</sup> SAF's archive. A 3 A, Vol. 83. SAF's Board of Directors. 15 November 1983; A 5 B, Vol. 12. SAF's group of chief officials. 7 October 1985.

<sup>48</sup> SAF's archive. A 3 A, Vol. 81. SAF's Board of Directors. 15 October 1981.

It is not possible to overdramatize the WEF question. The question about wage bargaining should also be seen in connection with WEFs; the fund question depends on how we act as a collective... What we employers need is a break, a new strategy.<sup>49</sup>

On 18 February 1982 Gyllenhammar pointed out again that it was urgent to decentralise the wage bargaining model and to destroy LO's centralisation ambitions in the labour market. The collectively-owned funds became one of the most important questions during the parliamentary campaign. This meant that the risk of testing a new wage bargaining model was very limited. The managing director from another engineering corporation, SKF's Lennart Johansson, gave a full support to Gyllenhammar. Johansson referred to the decision that same day by SAF's Board to assign considerable financial resources to the anti-fund campaign as follows: 'which implies that we praise in different ways market economy compared to planned economy'. By preserving nationwide wage bargaining, SAF could instead risk to support a trade union offensive.<sup>50</sup> SAF's group of chief officials noticed that VF insisted decisively on industry-wide wage bargaining because of its ambition to disarm the labour movement, not because of its wish to achieve a cheaper wage agreement.<sup>51</sup>

A detailed analysis of SAF's internal sources from the late 1970s and early 1980s shows however that the real course of events was much more complicated. Since the middle of the 1970s, when the Swedish economy was affected by an economic crisis, SAF struggled hard to decrease the aggregate wage level. The Swedish employers launched expensive ideological campaigns to change the ideological climate in Swedish society towards what they believed were market-oriented values. WEFs were just one of those problems that SAF faced during this period. Indeed, SAF's internal sources show that WEFs were of subordinate importance against the background of dramatic transitions that affected the Swedish industry.

Since the beginning of the centralized wage bargaining in the 1950s, some groups of employers disapproved of centralisation, especially in low-wage industries. These industries were affected mostly by the wage solidarity policy. However, the stance of the Swedish engineering corporations was of crucial importance. Historically, the Swedish engineering corporations were a driving force behind centralisation of the wage bargaining process. The high-cost wage agreements in the middle of the 1970s persuaded VF to begin to question the Swedish industrial relations model - the process towards its decentralisation started.<sup>52</sup>

On 22 September 1977, Nicolin, himself a representative for Swedish engineering, observed that the latest central wage agreement between SAF and LO had been highly influenced by the wage solidarity policy pursued by LO. These agreements had been "almost crushing for some industries". A great wage drift occurred after the end of negotiations. According to Nicolin, this was the reason to try new thinking about the wage bargaining

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<sup>49</sup> SAF's archive. A 3 A, Vol. 81. SAF's Board of Directors. 19 November 1981.

<sup>50</sup> SAF's archive. A 3 A, Vol. 81. SAF's Board of Directors. 18 February 1982.

<sup>51</sup> SAF's archive. A 5 B, Vol. 82. SAF's group of chief officials. 25 October 1982.

<sup>52</sup> SAF's archive. A 4 B, Vol. 23. Papers of SAF's managing committee. Lönebidningen och förhandlingsformerna. 9 January 1979; De Geer, *I vänstervind och högeråvåg*, pp. 222-224 and 237-239.

system. The rest of SAF's Board of Directors agreed with Nicolin, and pointed out that the wage solidarity policy and its high wage level made the situation very difficult for Swedish industry. According to this line of thought, what employers needed was a general reduction in wages.<sup>53</sup>

These discussions resulted in the wage programme *Justice Wage Policy*, approved by SAF in 1979. The document was created for internal discussions. The main idea behind the programme was to investigate what the market economy demanded and how the wage structure could be adjusted to this demand. It was stated that the solidity of Swedish industry decreased dramatically between 1960 and 1975. Thus, it was urgent to find "an appropriately estimated volume for labour costs". Increasing wage differences were needed to favour productivity growth and labour performance, as well as to facilitate recruitment to some types of work. It was an individual's competence and performance that should be rewarded. This suggested that the main goal of employers should be to increase the individualisation of wage formation. The programme concluded that "the demand for greater effort and labour performance should be decisive for future wage differences". At the same time, it was observed that trade unions were in favour of collective-minded models. Due to these reasons, the wage solidarity policy was to be counteracted, and the wage system based on labour performance should be given priority. These factors should be taken into consideration in the process of choosing between central and local wage agreements.<sup>54</sup>

Although the report *Justice Wage Policy* did not suggest any concrete solutions concerning the future wage bargaining model, it sent a clear message favouring more decentralised and market-oriented wage formation. The discussions were intensified after the general strike that paralysed the Swedish labour market in 1980. The strike seemed to discount the argument that preserving the central wage bargaining would maintain peace in the workplace. VF, and Gyllenhammar as its leading voice, appeared to be the strongest proponents of decentralisation. Arguments about the need to favour labour productivity and rationalisation were put as the main reasons for transition to industry-level agreements. Contrary to the engineering employers, the majority of the SAF Board members, including SAF's managing director Olof Ljunggren and SAF's head of the wage negotiation department Lars-Gunnar Albåge, argued for a peak-level agreement during the upcoming wage negotiations. They pointed out that the issue of wage costs and its part in the total cost structure were critical for the majority of SAF's industries, and not the level at which the wage negotiations were made.<sup>55</sup>

The contradictions grew even more during 1981. Despite strong resistance from the rest of SAF, VF continued to push the question about industry-level agreements. The situation became precarious. As Albåge observed, "if the largest engineering companies decide to start

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<sup>53</sup> SAF's archive. A 3 A, Vol. 77. SAF's Board of Directors. 22 September 1977.

<sup>54</sup> SAF's archive. A 4 B, Vol. 30. Papers of SAF's managing committee. *Rättvis lönepolitik. Underlag för intern diskussion om ett lönepolitiskt program*. 9 February 1979.

<sup>55</sup> SAF's archive. A 3 A, Vol. 80. SAF's Board of Directors. 13-14 November 1980.

wage negotiations separately, it can lead to the aggravation of other conflicts inside SAF”.<sup>56</sup> On 15 October 1981, Gyllenhammar said again that flexibility and variety of wage structure were the aims that SAF should work for; standardisation of wages on the national level should be counteracted. He also expressed his anxiety about the preservation of the centralised wage bargaining model. This would increase the possibility to introduce WEFs. That is why SAF had no choice but to change the model towards industry-level agreements as soon as possible.<sup>57</sup>

The decisive discussion concerning the future of the Swedish labour market model took place on 20 November 1981, when Ljunggren presented to the Board a report on the inquiry commission *Agreement-83 (Avtal-83)*. This studied several alternatives of the future wage bargaining in Sweden. The debate was opened for the Board members. One after another, SAF’s influential directors opposed the decentralisation of wage bargaining. Carl Erik Hedlund, representative for SAF’s second largest association, the Commercial Employers’ Association (HAO), argued against decentralisation with reference to the latest WEF proposal launched by LO and SAP. It was important for SAF so preserve its strength in order to counteract WEFs. The tone of the discussion became very charged, and Ljunggren tried to switch it entirely towards the WEF proposal. Johan Curman from the Forest Products Association, who became the strongest opponent to Gyllenhammar, was clear in his assessment. Nothing else should disturb SAF’s activities in the fund question: “In my view we should be completely engaged in the wage-earner debate and wait with the wage negotiation issue”. The reaction of SAF’s directors was met by Gyllenhammar’s sharp response: “I am not sure that we have a mutual purpose. Today’s discussion has clearly shown it”. According to Gyllenhammar, the first step towards decentralisation was inescapable. The difference between Swedish industries was very high. Swedish companies needed their own wage formation to adjust wage structure to their particular economic conditions. In a long-term perspective, the decentralisation would not stay on the industry level but continue down to firm-level wage bargaining. Moreover, Gyllenhammar demanded to make important amendments to SAF’s statutes. According to his proposal, SAF would be deprived of its right to pursue wage negotiations. This would imply a change of SAF’s role in the Swedish labour market. It should act as a ‘strategic organisation’, while wage negotiations would be carried out by industry-level associations and companies. Even Nicolin could not conceal his surprise at Gyllenhammar’s initiative. Ljunggren admitted that the engineering employers tried “in fact to change SAF in its current condition towards something completely different”. The SAF directors agreed first to investigate the issue.<sup>58</sup>

Members of SAF’s managing committee worried about the consequences that the amendments to SAF’s statutes would entail. In the absence of Nicolin and Gyllenhammar, almost all members of the committee spoke about their confusion. Ljunggren pointed out that

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<sup>56</sup> SAF’s archive. A 5 B, Vol. 11. SAF’s group of chief officials. 5 October 1981.

<sup>57</sup> SAF’s archive. A 3 A, Vol. 81. SAF’s Board of Directors. 15 October 1981.

<sup>58</sup> SAF’s archive. A 3 A, Vol. 81. SAF’s Board of Directors. 19 and 29 November 1981.

the purpose behind the transition to industry-level negotiations was to disarm LO. LO's loss of its status as a wage bargaining cartel would weaken the Swedish labour movement. However, it was obvious that SAF would be affected by decentralization as well. Director Nils Holgerson agreed with Ljunggren. He noted that the changing of wage bargaining should be postponed until the struggle over WEFs is finished. Indeed, SAF were spending "tremendous resources" on opinion campaigns against the funds. Director Karl-Erik Önnestjö argued that those who favoured pursuing decentralization were playing with dynamite:

The question about amendment of SAF's statutes and cancelling SAF's right to negotiate on wages is actually a question about its liquidation. SAF is totally uninteresting without its function as a wage negotiation organisation. If SAF ceases to play this role, the information campaigns it pursues will be pointless.<sup>59</sup>

The Swedish engineering employers and VF played a crucial role in the process of dismantlement of the Swedish labour market model. According to VF's representatives in SAF, the need to increase wage differences was of crucial importance for their companies. But why did the Swedish engineering companies need this flexible wage structure?

The answer can be found in the upheavals that occurred in the production sphere in the Swedish engineering sector. As Pontusson and Swenson pointed out, the new flexible, or Post-Fordist, production methods began to spread in Swedish industry from the middle of the 1970s. This questioned the old Fordist conveyor belt and production methods. Developments in technology, especially the revolution in microelectronics, made this transition possible. The process started in the Swedish engineering sector.<sup>60</sup> The Swedish economic historian Christer Lundh has shown that these changes in the production sphere were related to the emergence of a new labour market regime from the 1970s.

The information revolution and flexible production methods like teamwork and lean production led to the growing demand for more qualified labour force from engineering companies. The importance of highly qualified workers grew, while company-based training and its costs increased simultaneously. The economic activity of these enterprises depended more and more on employee's competence. The loss of highly qualified employees became more expensive. To retain them, the companies strove to raise wages for this category of employees, as well as to introduce additional benefits. However, this process had another side to consider. The demand for less skilled labour force that enjoyed a high degree of employment security under the Fordist epoch decreased. Companies chose to concentrate to a higher degree on their main activities, and preferred to purchase supporting services and products on the market. The size of the project and non-permanent labour force increased. This meant that the interdependence between employers and less skilled employees

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<sup>59</sup> SAF's archive. A 4 B, Vol. 36. Papers of SAF's managing committee. *Diskussion under arbetsutskottets sammanträde 17 december 1981. Protokoll.*

<sup>60</sup> Pontusson and Swenson, *Varför har arbetsgivarna överlämnat den svenska modellen?*, pp. 48-54 and 61-63.

weakened. Compared to the Fordist period, companies had no need to pay relatively high wages to less skilled employees. That is why the export-oriented engineering employers aimed to increase wage differences between industries, as well as inside companies.<sup>61</sup> In contrast, those Swedish industries and companies that depended on the domestic market were not interested in the dismantlement of the Swedish centralised wage bargaining model. Despite its wage solidarity policy, the old pattern of negotiation guaranteed stability and predictability of wages and peace on the shop floor, while the wage drift could be compensated by increasing the prices on domestic consumers.<sup>62</sup>

Decentralisation of the Swedish wage bargaining model became unavoidable after the discussion on 19-20 November 1981 by SAF's Board of Directors. No compromise was possible, and the rest of SAF's branch associations had to accept the decision of VF. However, discussions continued in SAF during 1982 and in early 1983. Especially controversial were the question of the right of SAF's affiliates to lockout without SAF's permission, as well as the use of conflict funds on their own. The discussions clearly demonstrated a clash between the interests of SAF's affiliates that represented different Swedish industries. The tone of the debates between the directors was sometimes very harsh. VF's representatives again claimed that the engineering companies depended much on their highly skilled workers and needed to increase wage differences. That is why the amendments to the SAF statutes that VF initiated were particularly urgent.<sup>63</sup> Curt Nicolin, as SAF's chair, took Gyllenhammar's side, and began to increasingly accentuate SAF's ideological profile. Decentralisation was needed to destroy the wage solidarity policy and to decrease the union influence on the labour market. Nicolin was very anxious about how the representatives of SAF's affiliates would appear in public. No criticism was allowed outside SAF, to "avoid speculations about existence of conflicts in SAF".<sup>64</sup> The SAF Assembly's formal decision to make amendments to the statutes according to VF's proposal became unanimous.<sup>65</sup>

The first industry-level wage negotiations between VF and the Swedish Metalworkers' Union (*Svenska Metallindustriarbetareförbundet*; henceforth Metall) began on 2 February 1983. The final wage agreements were expensive for both VF and the rest of SAF's affiliates. This fact is surprising because the leit-motif that dominated the discussions inside SAF since the middle of the 1970s was about decreasing the general wage level for Swedish employees. It should be no surprise that the majority of SAF was discontented with the first experiment. SAF's directors believed that the outcome became more expensive compared to what they could achieve if the old model would be preserved.<sup>66</sup> However, VF evaluated the outcome as positive. The possibilities improved vastly to adjust the wage structure of the Swedish

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<sup>61</sup> Lundh, *Spelets regler*, pp. 274-285.

<sup>62</sup> See Pontusson and Swenson, Labour markets, production strategies and wage bargaining institutions.

<sup>63</sup> SAF's archive. A 3 A, Vol. 82. SAF's Board of Directors. 18 February 1982.

<sup>64</sup> SAF's archive. A 3 A, Vol. 82. SAF's Board of Directors. 15 April 1982.

<sup>65</sup> De Geer, *Arbetsgivarna*, pp. 163-164; Elvander, *Den svenska modellen*, p. 84.

<sup>66</sup> SAF's archive. A 5 B, Vol. 12. SAF's group of chief officials. 21 March 2003; A 3 A, Vol. 83. SAF's board of directors. 21 April and 23 June 1983.

engineering companies to the demand of foreign markets, and to favour productivity. The low wage profile of the previous agreements with Metall was eliminated.<sup>67</sup>

The 1983 transition would be impossible without the VF's union counterpart's choice to leave the centralised Swedish wage bargaining model. As was mentioned above, the wage solidarity policy and 'excess profits' created discontent among the metal workers. Per-Olof Edin, who was the chief economist in both LO and Metall, claims that the most important strategy the Swedish Metalworkers' Union pursued at that time was to weaken LO.<sup>68</sup> Thus both employers and metal workers' union of the Swedish engineering industry united in their mutual interests against their umbrella nationwide organisations, SAF and LO respectively.

The industry-level agreements of 1983 became a decisive step towards dissolution of the centralised Swedish wage bargaining model. The process continued throughout the 1980s, when SAF in certain years chose to return temporarily to central wage bargaining because of costs reasons. On 2 February 1990, SAF formally decided to refuse to negotiate on wages with LO in the future.<sup>69</sup> The next year SAF decided to withdraw its representatives from the Swedish government agencies.<sup>70</sup> The dissolution of the Swedish model of the Fordist society that was based on centralised decision-making and wage bargaining between national level labour market partners was completed.

## CONCLUSIONS

The empirical material presented in this paper shows that the ideological tensions alone cannot explain the paradoxical controversy of the WEF issue in the Swedish politics of the 1970s and early 1980s. Indeed, the ideological factor was decisive for SAF's policy towards WEFs before 1978. The reaction of the Swedish employers to the ambitious WEF proposals from 1975, 1976 and 1978 was to be expected because the proposals aimed to change the economic system of Sweden. Indeed, SAF was created to protect the interests of Swedish private business. Moreover, the first fund proposals coincided with the beginning of an economic crisis. During these years, SAF had to redefine its role in Swedish society, and started ideological campaigns in favour of unregulated market values. These developments were quite natural from the point of view of Swedish employers who needed to protect their interests.

However, the ideological explanation is not valid for the period after 1978, when the Swedish labour movement abandoned its ambitious socialisation initiatives. The fierce reaction of the Swedish business community to the subsequently watered-down fund proposals appears to be excessive if additional factors are not taken in consideration. The

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<sup>67</sup> Sandgren, *Verkstadsindustrin och förhandlingsformerna*, p. 507.

<sup>68</sup> Interview with Per-Olof Edin. 10 January 2006.

<sup>69</sup> De Geer, *Arbetsgivarna*, p. 168; Kjellberg, *Arbetsgivarstrategier i Sverige under 100 år*, p. 192.

<sup>70</sup> Johansson, *SAF och den svenska modellen*, p. 132-143.

analysis of SAF's archive shows that the Swedish Employers' Confederation was in a deep crisis in the early 1980s. The funds were not the main reason behind SAF's decision to dismantle the Swedish model of industrial relations. The united front of the Swedish employers against WEFs concealed a deep split in SAF itself, a split that was connected to the dissolution of the central wage bargaining model. This crisis was related to, if not brought about by, the crisis of Swedish mass production. Swedish industry was highly dependent on export markets. When these markets began to diminish as a consequence of the crisis of mass production in the Western world, the Swedish employers needed to find new survival strategies. Engineering corporations, the bastion of Swedish Fordism in the production sphere, chose a transition to flexible production strategies. To do this, they needed to dissolve central wage bargaining, the cornerstone of the Swedish Fordist institutional order. This created tensions inside SAF, because the rest of the Swedish employers did not want to follow this strategy. Instead they preferred to decrease the general wage level inside the institutional framework of the central wage bargaining model. This created tensions inside SAF, which inevitably pushed the WEF debate towards its radicalisation.

The primary findings of this paper are that leaders of both SAF and industry-level employer associations needed an issue to unite Swedish employers during an organisational crisis. WEFs became this issue because of the attempt by the first fund proposals to change ownership and power relations in Swedish industry. In other words, it was very easy to mobilise Swedish employers in the fight against socialisation of Swedish industry, despite the fact that such a danger had disappeared after 1978. The unity against the funds was achieved among SAF's directors, in contrast to the opposition from some influential corporate leaders like Volvo's managing director Pehr G. Gyllenhammar towards the general neoconservative message of SAF's ideological campaigns. In this sense, the WEF issue was used by SAF's leaders to prevent an open breakdown of the organisation. The existing conflicts should be resolved internally, without revealing such organisational discord neither to the Swedish labour movement nor to the Swedish public. It was not ideological tensions between the Swedish business community and labour movement that caused the unprecedented controversy of the WEF debate after 1978, but rather the underlying economic upheavals and clashing interests between the Swedish employers on the question of wage formation.

The crisis of the Swedish Fordism in the 1970s and early 1980s was not unique, but was closely related to the crisis of global Fordism. Comparative research between European countries and the Asian-Pacific region can enrich our understanding of that crisis. Such an approach would compare the different strategies pursued by European employer organisations and business organisations in Australia, New Zealand, and Japan during the crisis of Fordism.

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