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# CONFLICT OR CROSS-CLASS ALLIANCE? NEW PERSPECTIVES ON THE SWEDISH MODEL IN THE LABOR MARKET FROM THE 1930s TO THE 1970s

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*A number of studies over the past decades find that the Swedish model in the labor market was based on a cross-class alliance between workers and employers. There is, however, reason to question this conclusion. By focusing on bargaining power, conflict of interest in the labor market and employers' attempts to protect their interests, this article shows that the Swedish model in the labor market to a large extent was based on conflict rather than consensus. Thus, employers felt involuntarily forced to accept a rapid increase in real wages and a long-term wage convergence from the 1930s until the early 1970s.*

## Introduction

Excess demand for labor and its long-term effects have spawned a large body of literature in economic research and public debate since the early phase of industrialization. The issue is still of interest in specific sectors and regions, where demand for labor exceeds supply. In economic research, relevant theoretical and empirical literature focuses on labor scarcity's influence on technological progress and innovations (Habakkuk 1962), the level of inflation and economic growth (Friedman 1968) as well as bargaining power in the labor market (Zeuthen 1930; Nash 1950; Young 1975). This article contributes mainly to the bargaining power discussion during a period when north-western Europe was plagued by excess demand for labor. In north-western Europe,

coordinated capitalism and corporatism emerged after the depression in the 1930s, when employers and trade unions saw the need for a relative consensus during times of turbulence. The idea of coordinated capitalism came to play a significant role after WWII, when demand for labor exceeded supply. The risk of hyperinflation, driven by labor shortage and rapidly increasing real wages, could be avoided when employers and trade unions worked together with the intent to achieve stability (Eichengreen 2007, 43-49; Howell and Givan 2011).

Even though corporatist systems were established in a number of European countries there was a specific Swedish slant to the idea of coordinated capitalism reflected in a set of labor market institutions, defined as the *Swedish model* (Iversen and Pontusson 2000). This article comprises a systematic study of the Swedish model, with focus on bargaining power, conflict of interest in the labor market as well as the efforts of the Swedish Employer Confederations (SAF) to protect their interests from the 1930s until the early 1970s. This was a period that saw a rapid shift from mass unemployment and labor market conflicts to full employment and peaceful industrial relations, Social Democratic dominance in parliament and the emergence of the Swedish model. Previous studies and results are tested and a somewhat different picture of the Swedish model in the labor market emerges by highlighting the different points of departure of employers and workers, rather than collaboration. The picture that emerges from previous literature regarding the Swedish model underlines collaboration and consensus, and the role of two labor market institutions: first, the emergence of central coordinated wage negotiations that followed from the Basic Agreement (*Saltsjöbaden* agreement) that was signed by the Swedish Trade Union Confederation (LO) and SAF in 1938, and second, the so-called solidaristic wage policy that was designed to level out wages across labor market categories and was put into practice in the mid-1950s. According to Peter Swenson, as well as Christer Lundh, Lars Magnusson, Anders L. Johansson and Lennart Schön, the Swedish model was based on a cross-class alliance, between SAF and LO (Swenson 2002; Lundh 2010; Magnusson 1996; Johansson and Magnusson 2012;

Schön 2012). The general view among researchers is that trade unions and employers created a consensus-based alliance, with a high level of reciprocity. The alliance guaranteed private ownership for the employers, and inflation-adjusted incomes for the work force, based on a centralized multi-industry collective bargaining system (Elvander 1972; Söderpalm 1980; Åmark 1994; De Geer 1994; Thullberg and Östberg 1994; Stråth 1998; Nycander 2008; Lundh 2010; Magnusson and Ottoson 2012). At the same time Walter Korpi argues that the Social Democratic dominance in the 1930s and 1940s signified a relative loss of power for employers, which in turn explains the institutional changes in the labor market (Korpi 1981). Upon its formation LO decided to pursue a collective link between the confederation and the Swedish Social Democratic Party (SAP). This led to the creation of a united labor movement, with representation in both the labor market and in the parliamentary system (Hansson 1927; Casparsson 1951; Elvander 1972; De Geer 1992; Åmark 1994). This posed a potential threat to employers and had a severe impact on SAF's actions from the 1930s until the 1970s (Adlercreutz 1954).

Most researchers have analyzed the Swedish model by using material from LO and the Social Democratic Party archives, while limited interest has been shown in sources focusing on employer interests. In recent years, however, the number of international studies focusing on employer interests has increased. In Swedish historical industrial relations research, employer interests have been highlighted by Torbjörn Lundqvist, Anders L Johansson and Lars Magnusson, Hans de Geer, Swenson and Lundh, but mainly from a cross-class alliance perspective. In general previous research claims that SAF and LO had a common interest in signing the Basic Agreement, since the Swedish labor market was plagued by conflicts during the 1920s and 1930s. Thus, the agreement led to a consensus-based bargaining model with peaceful industrial relations (De Geer 1992; Lundqvist 2000; Swenson 2002; Lundh 2008; Johansson and Magnusson 2012). Recently, however, the idea that the foundation of the Swedish model was based on a cross-class alliance has been questioned by Joacim Waara, who has used material from the SAF archives. Waara claims that the inclusion of the LO

members in the Social Democratic party, which held power in the Swedish parliament from the early 1930s until the mid-1970s, strengthened the blue-collar workers' "power resources". It was thus problematic for SAF and its members to "stand their ground" when bargaining for wages, due to the unified workers' interests (Waara 2012; 2014). However the danger of socioeconomic disorder during WWII called for collective efforts to coordinate the wage structure. Thus, a cross-class alliance was formed during the period 1939-1945 (Prado and Waara 2015). When peace arrived there was no need to uphold the cross-class alliance and the unified labor movement was eager to put pressure on employers when bargaining for wages. As a result the history of consensus in the Swedish labor market was short-lived. Labor shortage made it hard for employers to control wage levels, and real wages increased rapidly in manufacturing from 1945 until the 1970s, which was not in the interest of employers. SAF protested repeatedly, but neither the Social Democratic government nor LO heeded the wishes of employers. Waara thus contradicts previous research and concludes that the Swedish model in the post-WWII era should be understood as a model based on conflict, whereby blue-collar workers benefited while business owners felt forced to accommodate working-class demands, rather than a cross-class alliance.

### **Bargaining Power**

Within the field of historical Swedish industrial relations research, the relevant literature has primarily examined formal bargaining models and institutions, while the impact of labor supply/demand and the size of labor market organizations have received limited interest. A variety of factors can be assumed to have impact on employers' and workers' power resources. In the following section the focal point is directed towards jobseekers per vacancy, unemployment rates and organizational development in the labor market, as well as the parliamentary situation. These factors have to a large extent been ignored in previous research, and therefore need to be brought into the spotlight, since they had impact on the power balance between employers and workers (Elvander 1972;

Söderpalm 1980; Åmark 1994; De Geer 1994; Thullberg and Östberg 1994; Stråth 1998; Swenson 2002; Nycander 2008; Lundh 2010).<sup>1</sup>

Changing demand for, and supply of, workers had a significant impact on bargaining power of SAF and LO. Excess demand for labor increased workers' ability to demand higher wages, while the employers' bargaining power was strengthened when labor supply far exceeded demand. In order to weight the importance of supply and demand for labor, descriptive statistics are used in the present section, to analyze long-term changes in jobseekers per vacancy and unemployment rates.

The National Labor Market Board published monthly and annual labor market statistics. Surprisingly, most previous studies on employment patterns have overlooked this rich source of information (exceptions include Johansson 1985; Sandberg and Waara 2014; Lundh and Prado 2015; Prado and Waara 2015).

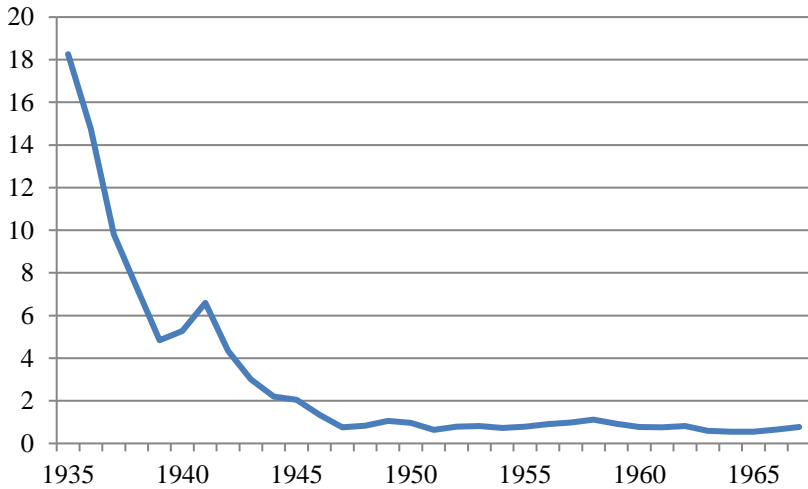
It offers evidence of jobseekers to vacancy ratios until 1967. Figure 1, which shows the evolution of the number of jobseekers per vacancy between 1935 and 1967, testifies to a radical decline in the supply of workers relative to demand. In 1935, the aftermath of the Great Depression was still reverberating and the number of vacancies in manufacturing was limited; there was an average of 18 jobseekers per vacancy. The latter half of the 1930s and early 1940s saw a dramatic improvement and the demand for labor remained high throughout the 1940s. The decline in the supply of workers mainly stemmed from low nativity in preceding decades and war mobilization, as young males were called up for military service. The post war-economic boom resulted in a labor shortage; in 1947 there were on average 0.8 jobseekers per vacancy. The labor shortage in manufacturing remained throughout the 1950s and 1960s, despite mass labor migration and increased female labor market participation. Excess demand for labor affected the power balance in the labor market. It was hard for SAF to protect employers' interests when bargaining for wages with LO and organized labor interests took advantage of the labor shortage

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<sup>1</sup> For factors influencing bargaining power on the labor market, see Zeuthen (1930), Young (1975), Roth (1977), and Svejnar (1986).

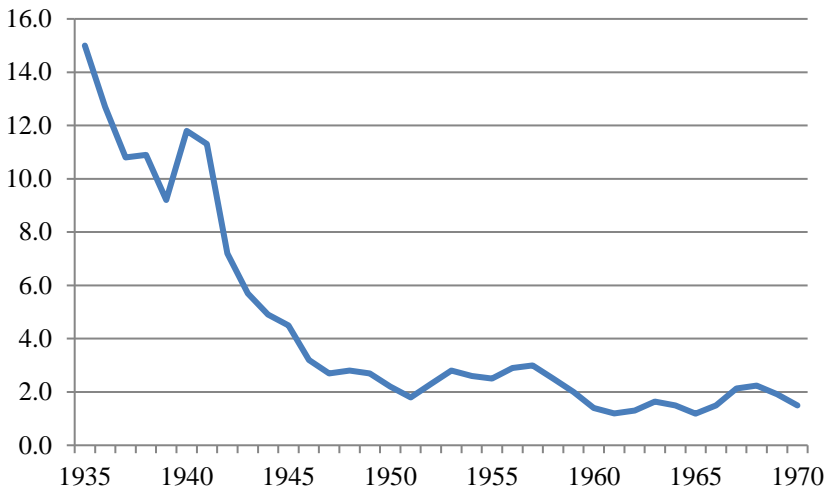
## Conflict or Cross-Class Alliance?

to improve working conditions (The National Social Welfare Board, Statistical Division; Statistical Abstract of Sweden; Waara 2012).



*Source:* The National Social Welfare Board, Statistical Division; Statistical Abstract of Sweden. From 1968, the number of jobseekers per vacancy is not reported in the official statistics.

**Figure 1**  
Jobseekers per vacancy in Sweden, manufacturing, 1935-1967



*Source:* Lundh (2010, 166-167).

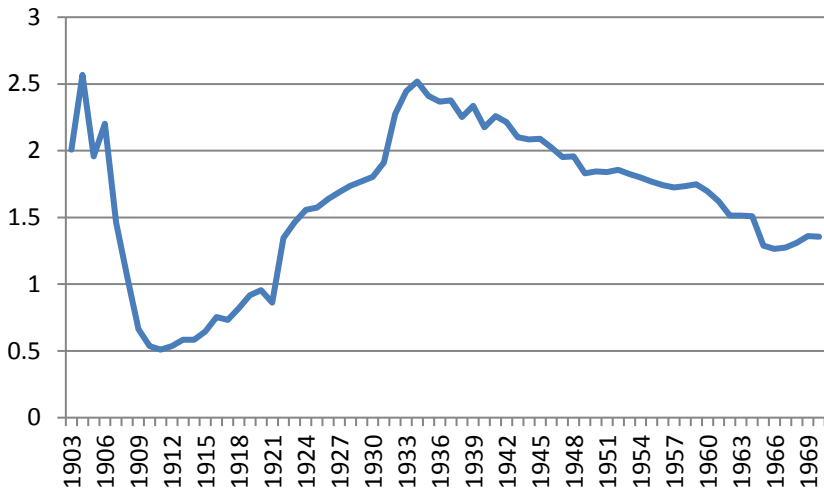
**Figure 2**  
Unemployment in Sweden, 1935-1970 (%)

The unemployment statistics points towards a long-term change in the balance between supply and demand in the labor market, just like the jobseekers per vacancy data. However, they are also a reflection of the state of the economy. High unemployment rates in the latter half of the 1930s can be explained by the aftermath of the depression. War mobilization led to a lack of male labor in certain sectors and regions, which led to a rapid shift from high unemployment to full employment. The problem of insufficient supply of workers continued to be a problem after WWII because of rampant economy-wide growth rates and booming exports. Thus, Figure 2, which shows the average annual unemployment rate, testifies to radically declining unemployment from the mid-1930s until the end of WWII. Unemployment ceased to be a problem and instead the labor market was characterized by full employment until the 1970s. Full employment increased LO's bargaining power and the trade union demanded far-reaching improvements in the living standard and working conditions of



blue-collar workers. SAF, on the other hand, tried to increase the labor supply and thereby strengthen employers' bargaining power. Despite SAF's efforts, full employment continued and employers in general found it hard to resist the demands made by LO and its affiliates (Waara 2012; 2014, 208-209).

The power balance between LO and SAF fluctuated due to the number of workers "covered" by each organization. The two labor market organizations strived for broad multi-industry coverage, compared to the "closed shops" strategy used in numerous countries. The ability to use strikes and lockouts as effective "bargaining weapons" was dependent on the relative strength of labor/employer organizations, which motivated the strategy of broad labor market coverage. In theory, a relative power balance would be achieved with a ratio of 1 between the numbers of LO members to workers in SAF-affiliated enterprises. Figure 3, testifies to a situation where LO's relative bargaining power declined rapidly in the early 20<sup>th</sup> century, due to the loss in the general strike in 1909 (Schiller 1967; Lundh 2008, 100). Thus, SAF's bargaining power increased and the ability to use lockouts during conflicts improved. However, LO recuperated during the 1920s and workers' bargaining power grew steadily over the decades that followed. This resulted in a severe increase in the number of strikes initiated by those who were LO-affiliated. In the 1930s LO had twice as many members as there were workers employed by SAF firms. The scale thus tipped in favor of the organized workers. This resulted in radically improved working conditions from the latter half of the 1930s and through the early post-war period, on the basis of an agenda set by the unified labor movement. Notably, the number of LO members compared to workers employed by SAF members peaked in the mid-1930s, and from that point on the difference diminished continuously. This can partly be explained by the increasing number of white-collar workers, who were employed by SAF firms but were not members of LO. Thus the statistics are partly biased since it is not possible to exclude white-collar workers from the data covering the number of employees in SAF-affiliated enterprises.



Sources: Nilsson (1990); Kjellberg (1982); *Statistical Abstract of Sweden 1948-1971*.

### Figure 3

Number of LO members relative to number of employees in SAF-affiliated enterprises, 1903-1970

As mentioned above, LO decided to pursue a collective link between the confederation and the Social Democratic Party upon its formation, which came to play a significant role during the 20<sup>th</sup> century. The dominance of SAP between 1932 and 1976, and collaboration with LO, made way for significant institutional changes in the labor market. It became possible for the labor movement to demand comprehensive reforms and policy changes, which became clear particularly after SAP's electoral success in the mid-1930s (Casparsson 1951, 27-35; Korpi 1981; Åmark 1994, 27-28). Thus, SAP's position in the parliamentary system affected the power balance in the Swedish labor market. Axel Hadenius, and Waara, both argue that SAF adopted an increasingly negative attitude towards labor legislation during the 1930s, as SAP had acquired increasingly stable control over the government. Employers simply feared that the labor movement would "open the way for intervention in

the world of free production” through legislation (Hadenius 1976, 48; Waara 2014, 223). This negative attitude persisted after WWII, when it became clear that SAF had been reduced to a somewhat passive backseat passenger, who enjoyed the ride only on rare occasions (Waara 2012). The bargaining power of employers was profoundly reduced in the 1950s and 1960s. SAF’s complaints regarding the labor shortage, which resulted in competitive demand for workers that boosted wages, was not a top priority for either LO or SAP during the early post-WWII era. On the contrary, the unified labor movement strived for a steadily improved living standard for blue-collar workers.

### **Towards the Basic Agreement**

Initially, SAF discouraged union organization and challenged workers’ right to organize (Adlercreutz 1954, 232-233). Recurring labor market conflicts and battles concerning workers’ rights to organize proved costly for both parties. For that reason SAF gave up the fight for the right of association in the early 1900s; instead they espoused the notion of a collective bargaining system because it would reduce competition for labor among employers by equalizing employment contracts and wages. Non-organized companies that offered wages higher than stipulated by the collective agreements could be subjected to order and delivery stoppages by SAF. LO too endorsed the idea of a collective bargaining system because it would eliminate the risk of underbidding. Companies that offered wages lower than those set by the agreements could be subjected to blockades and boycotts by LO (Lundh 2010; Waara 2014). Regardless of their different points of departure, the two parties in the labor market shared a mutual interest in creating and maintaining a collective bargaining system. Unions were keen to establish a wage floor, and employers a wage cap (Åmark 1994, 76, 141; Swenson 1991; Lundh 2008, 54-55). The breakthrough of the collective bargaining system came with an agreement in the engineering industry (*Verkstadsavtalet*) in 1905 and the centrally negotiated “December compromise” in 1906 between SAF and LO (Adlercreutz 1954, 328-343; Schiller 1967, 22-49; Elvander 1972, 26-27; De Geer 1992, 50-52; Lundh 2010, 54-55).

Despite the mutual interest in maintaining the collective bargaining system, conflicts plagued the Swedish labor market in the following decades until at least the early 1930s (Schiller 1967; Hadenius 1976; De Geer 1992; Åmark 1994; Nycander 2008, 25). Both SAF and LO affiliates were aggressive and initiated conflicts to control wage levels. Thus, strikes and lockouts were used as tools to increase the relative bargaining power among buyers and sellers in the labor market. The recurring labor market conflicts took place because the collective bargaining system by no means guaranteed peaceful industrial relations; as a result, collective bargaining was gradually entrenched in law (De Geer 1992, 69-69; Lundh 2008, 56). In 1928, the Swedish parliament legislated laws concerning collective agreements and the Labor Arbitration Court (*Arbetsdomstolen*), which meant that laws regulated the collective bargaining system and banned conflicts during the current contractual period. Violation of the rules set out in the collective agreements would be heard in the Labor Arbitration Court, whereupon damages could be imposed (Göransson 1988, 201-209). The legislation was a liberal initiative, which SAF sanctioned. Employers saw great advantages in setting clear rules in the labor market. After some hesitation, the labor movement also accepted the supremacy of the Labor Arbitration Court on the grounds that it would eliminate the risk of wage dumping and breach of contract (Schmidt 1958, 11-17; De Geer 1992, 86-88; Åmark 1994, 111).

In 1935 an official report of the Swedish government recommended that LO should take control over its affiliates and, in collaboration with SAF, initiate central wage negotiations since that would have a dampening effect on the number of labor market conflicts. SAF already had a centralized organizational structure, and the board of the organization had full control over negotiations as well as lockout funds. The official report made way for the negotiations that would lead up to the Basic Agreement in 1938 and a centralization of LO's organizational structure in 1941 (Hadenius 1976, 31-67; Lundh 2010, 192; Nycander 2008, 74-77). Swenson and Lundh claim that LO and SAF had mutual interests in the formation of a cross-class alliance, manifested by the Basic Agreement, since it made way for stability and reduced the level of

conflict (Swenson 1991; 2002; 2009; Lundh 2008, 57-59). This is far from a controversial conclusion. In previous research the Basic Agreement has been seen as the foundation upon which the unique Swedish consensus model rested (Elvander 1972; De Geer 1993; Åmark 1994; Thullberg and Östberg 1994; Magnusson 1996; Schön 2000; Nycander 2008). However, the interpretation of the Basic Agreement has to a large extent been formulated by researchers using material from the labor movement archives. This material is biased, since it paints a positive picture of an agreement that was reached during a period when SAP held power in parliament. The SAP government saw to the workers' interests and collaborated with the board of LO regarding labor market programs, as well as economic policies. SAF on the other hand, felt involuntarily forced to negotiate with LO, and sign the Basic Agreement, in the aftermath of the official report of the Swedish government in 1935. If SAF had refused to negotiate, the social democratic government could have adopted strict labor market legislations in the interest of LO. Thus, SAF chose to negotiate, since it was "the lesser of two evils" (Norberg 2009, 103-117; Waara 2014). Unquestionably, SAF strived for a centralization of LO's organizational structure and implementation of a centralized collective bargaining system, since that would make way for a standardization of sector-specific wage levels. In the lion's share of previous research, this has been interpreted as if SAF was a driving force in the initiation of the negotiations leading up to the Basic Agreement (Swenson 2002; Nycander 2008; Lundh 2008; 2010). However, a system where bargaining for wages was based on an "equal pay for equal work" policy could have been achieved without SAF signing a deal with a prevailing trade union, with strong influence over the social democratic government as well as labor market legislations.

### **Cross-Class Alliance 1939-1945**

The SAP government accepted the freedom of contract in the labor market and the negotiating authority that SAF and LO held, as stipulated in the Basic Agreement, as long as the parties maintained socio-economic order (Waara 2014). The situation changed drastically by the outbreak of WWII. Inflation soared and the strained economy during the war years

called for collective efforts, enforced by the government. LO and SAF agreed on: first, the need for moderation when bargaining for wages, and second, the necessity to avoid labor market conflicts (Lewin 1967, 176; De Geer 1986; Johansson 1989, 230-232). An agreement was signed between the two labor market adversaries, stipulating that wages would follow changes in the cost of living index. The purchasing power of workers would thus be maintained at a fixed level. The point of departure when bargaining for wages was restraint and the agreement established the foundation for how the wage structure would evolve during the war. The agreement between SAF and LO was renewed annually until the end of the war (Prado and Waara 2015).

The “WWII agreements” were open to sector-specific corrections of wage levels, under SAF and LO supervision. This was motivated by the need to control inflation and avoid wage drift in sectors with a labor shortage. Notably, in case the Swedish economy was hit by a price fall, there were limited possibilities to reduce the nominal wages and thereby maintain workers’ purchasing power (*Landsorganisationens berättelse* 1939, 345; *Sociala meddelanden* 1939; *Industria* 1939 No. 11; *Industria* 1940 No. 1; *Industria* 1940 No. 2; De Geer 1992, 106; De Geer 1986, 104). Overall the agreements were part of a broader economic policy, with the long-term goal to achieve socio-economic stability (Ullenhag 1971, 57-58).

In addition to the agreement on wage moderation, SAF and LO declared their approval of solidarity across high- and low-wage industries. This was a pre-1950s version of a solidaristic wage policy, a short-lived version of the *Swedish model in the labor market* that to a large extent has slipped below the radar in previous research.<sup>2</sup> Previous literature maintains that a solidaristic wage policy did frame wage agreements from the mid-1950s. As an example, Axel Hadenius and Lundh claim that the fear of centralization among unions associated with LO made the LO leadership promise their associates that centralization of power within the

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<sup>2</sup> Notably, the debate within the unified labour movement regarding a solidaristic wage policy during WWII is described briefly in Johansson (1992, 372-376) and Ullenhag (1971, 33-62).

organization would not pave the way for a general wage compression, when signing the amendments of the Basic Agreement in 1941 (Hadenius 1976, 57-62; Lundh 2010, 202). Nevertheless, a substantial wage convergence occurred between 1939 and 1945. The reason for this was the mutual interest in avoiding tension between export sectors and protected sectors. In the 1920s and early 1930s wage increases in the protected, domestically oriented sectors, particularly in construction, outpaced those in the export industries by far. SAF disapproved of the protected sectors' wage premium because a large wage gap across sectors posed a danger of elevating the average wage level as a whole. SAF's main interest was to keep down wages in general (*Industria* 1938 No. 23, 619). Within the LO collective, friction arose in the inter-war period as workers in export-oriented sectors voiced concern about the inclination of domestic sectors to pass on the cost burden of growing wages to domestic consumers. The board of LO therefore proclaimed that: first, market forces would increase wage divergence in the long run; and second, the trade union should act collectively to avoid unreasonable wage divergence. This idea was also presented by the LO economist Albin Lind in 1938. He argued for the implementation of a solidaristic wage policy as a way to counteract the growing friction between the domestic market and export market sectors (Lind 1938; Ullenhag 1971, 33-41; *Landsorganisationens berättelse* 1935, 362-372).

Based on their mutual interest in an overall standardization of pay, the parties agreed to implement an element of solidarity in the indexation of wages. The general idea was to allow wage increases to cover inflation only among the lowest paid workers, whereas those in the high-wage sectors should only cover part of the rising costs. According to statistics from the Social Board between 1935 and 1946, on average nominal wages increased by 31 per cent in high-wage industries, compared to 46 per cent in low-wage industries (SOU 1946: 48, 70).

In many ways, the WWII agreements between SAF and LO could be defined as a cross-class alliance. Buyers and sellers in the labor market realized that collaboration was necessary during times of turbulence. The question is whether or not the short-lived WWII cross-class alliance has made a huge imprint on research regarding the Swedish model? For some reason this short-lived feature of the “Swedish model in the labor market” has largely slipped below the radar of previous literature.<sup>3</sup> Most researchers have focused on the Basic Agreement, signed in 1938, or the solidaristic wage policy implemented in the mid-1950s, while little or no attention has been given to the period in between. This is remarkable since the only period that could be defined as a *real cross-class alliance* is the WWII period. During the years that followed WWII, tension grew in the labor market and in parliament, as liberals and the employers’ collective felt threatened by the unified labor movement.

### **Conflict Rather than Cross-Class Alliance 1945-1970**

In 1944, SAP and LO adopted a radical post-war program, based on economic planning ideals. The program was used as a Statement of Government Policy in the summer of 1945. In retrospect, many of the reforms proposed in the program appear to be off the mark, but the fear of a post-war depression provides a backdrop for it. A long-term goal of the program was improved living standards for the working class and a fair distribution of resources. The program mentioned the possibility of implementing a policy of wage solidarity, to achieve a fair distribution of incomes (*Arbetarrörelsen efterkrigsprogram; Landsorganisationens berättelse 1944*; Ullenhag 1971, 58-59). The labor movement’s aim to implement a planned economy based on socialist ideals resulted in the breakdown of the wartime consensus across class and party lines. Instead of consensus, an economic-political and ideological battle emerged. This ideological conflict lasted until the elections in 1948 due to the radicalization of the labor movements (Lewin 1967). The so-called Directors Club, in which many of Sweden’s largest SAF affiliated export

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<sup>3</sup> The only exception is Prado and Waara (2015).



industries were represented, directed particularly sharp criticism towards the program (Söderpalm 1976, 15-16). The unified labor movement's fear that a post-war depression was lurking around the corner proved to be unfounded, which gave critics a field day. Sweden experienced an economic boom with labor shortage and raging inflation (Lewin 1967, 340; Ullenhag 1971, 63; Waara 2012, chap. 2 & 3). Rapid economic and industrial growth continued in the 1950s and 1960s which, in combination with low nativity in the inter-war period, resulted in excess demand for labor until the 1970s (Waara 2012, 28-34).

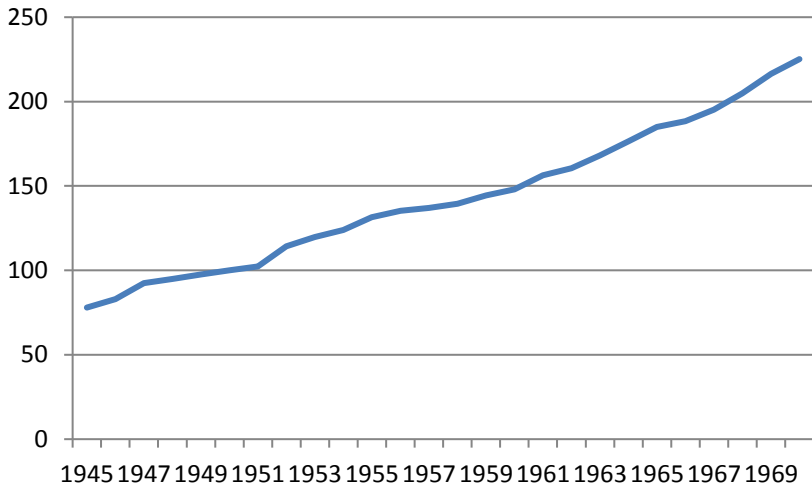
The labor shortage led to stiff competition for workers. Thus high demand for labor replaced unemployment as the most challenging problem in the labor market, as some employers tried to fill vacancies by offering higher wages than their competitors (Waara 2012; De Geer 1986). The combination of overbidding and high inflation arrested the previous tendency of wage convergence. Due to the inflation crisis and labor shortages the government was forced to abandon several parts of the post-war program and impose a pay freeze from 1948 to 1949. SAF and LO stood behind the idea of a wage freeze because both parties had an interest in countering strong wage increases in certain sectors and regions. However, the wage freeze did not stop wages from drifting upwards at sector and firm levels (*Industria* 1948-1949).

LO aimed to continue the quest for wage convergence, as stated in the post-war program, while SAF aimed to achieve solidarity within the employer collective and bring down the general wage level (Waara 2012). A statutory reform in 1948 equipped the board of SAF with additional power to achieve solidarity among its associates. A new wage policy program took shape that identified disloyal competitive demand that drives up wages as a problem in need of a solution. It was argued that the problem could best be eliminated through coordinated centralized bargaining and equal pay for equal work (De Geer 1986, 74-83). At the time LO lacked a similar wage policy program. However, in 1941 a statutory reform was pushed through by the board of LO that made way for the implementation of a wage policy program based on centralized bargaining for wages in the 1950s. The LO-initiated so-called Rehn-Meidner model that saw the light of day in 1951 laid the foundation for a

solidaristic wage policy (Lundh 2008, 60-61). Its actual implementation, however, did not occur until 1956 when SAF and LO initiated coordinated centralized wage negotiations, despite being recommended by the board of LO and Albin Lind in the 1930s, and in the post-war program of the unified labor movement immediately after World War II. The LO wage policy program buffaloesd SAF, since it was transformed into a program based on ideas of overall wage convergence. The original plan, presented by LO economists Gösta Rehn and Rudolf Meidner, was to create a wage structure with equal pay for equal work. This was also in the interest of SAF since employers thereby avoided immense wage increases caused by the labor shortage. Swenson as well as Lundh draw the conclusion that both SAF and LO saw great advantage in a solidaristic wage policy, since it would result in moderate and controlled pay increases, which in turn would have a positive impact on inflation (Lundh 2010, 207; Swenson 1991, 338). However, there is reason to question their conclusions since an overall wage convergence was not in the interest of the organized employers. There are numerous traces of SAF's negative attitude towards the labor movement's solidaristic wage program in the SAF archives. The critique against wage convergence was based on a few different aspects. First of all, SAF argued that female wages should be lower than male wages, because male workers tended to be more productive than female workers (SAF, F19K: 13. *P.M. om full sysselsättning och centraliserade förhandlingar*; Hirdman 2001, 104; De Geer 1986, 342-343). Secondly, SAF argued that a solidaristic wage policy would not benefit skilled labor. Thus, there would be no reason to take on more responsible tasks or invest in human capital, since there was no payoff. Thirdly, according to SAF, heavy and dirty industries as well as factories that operated a shift system found it hard to recruit workers if there were limited possibilities to offer higher wages than other industries (SAF, F6GB: 128. *Diskussions-promemoria angående bristen på yrkesarbetare och arbetare inom vissa industrier samt beträffande åtgärder för en vidgad lönedifferentiering*). Last, but not least, employers criticized the outcome of the solidaristic wage policy since less profitable sectors had to adapt their wage levels to the pay in sectors with high returns.

Thus, the wage convergence that LO strived for forced firms with limited returns to shut down (Waara 2012, 72-73).

SAF's critique was not only directed towards overall wage convergence. Yet another snag, from the employer's point of view, was the rapidly increasing real wages for blue-collar workers. According to SAF, organized labor interests used their strong bargaining power to improve their members' working conditions. The main reason for the uneven power balance between employers and workers was the parliamentary situation and the imbalance between supply and demand in the labor market (SAF, A3C: 51. *P.M. angående lönepolitiken vid full sysselsättning*; SAF, A3A: 43. *Styrelsemöte 28 augusti 1947*; *Industria* 1946 No. 7, 48; *Industria* 1950 No. 12, 3; *Industria* 1966 No. 10, 22, 26-28; SAF, F6GB: 128. *Diskussionspromemoria angående bristen på yrkesarbetare och arbetare inom vissa industrier samt beträffande åtgärder för en vidgad lönedifferentiering*). Real wages on average increased by 4.3 percent annually from 1945 until 1973, and over the same period the social security system underwent substantial improvements. These included longer holidays, a new pension system and a reduction in weekly working hours (Waara 2012, 67). All these reforms and the increased real wages were partly financed by the employers. According to SAF, LO used its strong bargaining power to push up the average wage level to such an extent that it was hard for the employers to bear. The critique against the constantly increased costs of labor intensified during the 1960s, when international competition had intensified and Swedish export oriented companies found it hard to compete with firms located in regions with lower labor costs (*Arbetsgivaren* 1964 No. 10, 2; *Arbetsgivaren* 1968 No. 1, 3; *Arbetsgivaren* 1965 No. 22, 2. De Geer 1986, 197).



Source: Waara (2012, 67).

**Figure 4**

Real wage in Sweden, manufacturing, 1945-1970 (Index 1950 = 100)

Based on SAF's criticism of the wage convergence and the rising real wages it is fair to question the conclusion that LO and SAF formed a cross-class alliance based on consensus during the early post-war era. The employers felt that they had limited opportunities to fulfil their wishes, while the workers' interests were seen to. This has largely slipped below the radar of previous research, which can be explained by the sources used (Elvander 1972; Söderpalm 1980; Åmark 1994; De Geer 1994; Thullberg and Östberg 1994; Stråth 1998; Swenson 2002; Nycander 2008; Lundh 2010). When sources are used that represent employer interests, an alternative picture emerges, namely the fact that the post-war Swedish model was controlled by the unified labor movement, which rarely saw to the wishes of employers. How come then that SAF chose to take part in the coordinated centralized bargaining system, even though it would lead to wage convergence among blue-collar workers and profoundly increased wage costs? The answer to this question is complex.

After being more or less forced to sign the Basic Agreement in 1938, SAF entered the bargaining process with the intention of introducing a wage cap and creating a system with equal pay for equal work. This plan failed, but SAF still chose to stick to the bargaining system since it was the only way employers could avoid even worse pay rises. Within the realm of the Swedish model, high-wage industries had to adapt their demands to the situation in low-wage industries. If the highest paid workers had not been forced to be more moderate in their demands they would probably have asked for even more substantial pay rises, which would have pushed up the average wage levels. Thus, from SAF's point of view it was better to have some control over the wage structure than no control at all. Besides, there was never really an alternative for SAF due to the extensive power of the unified labor movement in the labor market as well as the political arena. So, left without a choice SAF had to adapt to the circumstances and maintain the Swedish model in the labor market even though it was mostly beneficial for the workers, not the employers. Thus, the post WWII Swedish model can be interpreted as a model based on conflict of interest rather than consensus.

### **Summary**

In previous research the Swedish model in the labor market has mainly been defined as a consensus model based on a cross-class alliance between workers and employers, resting on the Basic Agreement and coordinated centralized bargaining for wages. Thus, the Swedish model has been viewed as an outcome of the coordinated capitalism that was implemented in parts of north-western Europe to achieve stability. However, there is reason to question the idea of a cross-class alliance. The majority of the existing literature has used sources from the labor movement archives, while employer interests and measurements of bargaining power have received limited attention. Due to the biased choice of source material a one-sided picture of the Swedish model has become established.

By digging deep into sources from the SAF archive and descriptive statistics reflecting the power balance in the labor market, this article shows that the level of conflict of interest in the Swedish labor market was severe. The long-term changes in the relationship between SAF and LO can be illustrated as follows:



**Figure 5**

Long-term changes in the relationship between SAF and LO

Based on the descriptive statistics used to identify the relative bargaining power of SAF and LO, it is fair to claim that the power resources were in favor of the workers from the late 1930s onwards. Due to the uneven power balance in the labor market the idea of a cross-class alliance is worth questioning, with the Second World War as the main exception. Demand for labor exceeded the supply and the unified labor movement strengthened its position in parliament as well as in the labor market. Thus, SAF found it hard to defend its interests and the employers felt forced to sign the Basic Agreement in 1938. Employers' organization disliked the overall wage convergence, which LO set out to implement through a solidaristic wage policy, as well as rapidly increasing real wages in the post-war era. Thus, the foundation of the Swedish model in the labor market should be viewed as a conflict-based model, from an employer perspective, rather than a cross-class alliance.

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