FROM SOCIALISM TO LABOURISM

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On this occasion, as I retire from my post as a teacher, it is natural to look back and pose the question: What major changes have taken place in my country Sweden within the area I represent—labour law—during the period from around 1930 until now—i.e. the period during which I have been an interested observer? Such a perspective is indicated by the title of this lecture, "From Socialism to Labourism".

What has labour law developed from and where is it going? In my research, I have viewed the development as the result of a struggle, not between classes, but between ideas or value norms. It is another, and more fundamental, question to what extent the ideas that shape our conduct are conditioned by material circumstances—e.g. the division of society into two groups, the rich and the poor, with opposed interests—or by biological conditions—man is a species that builds societies—or by the population density of the community in relation to available resources. Another of my basic theses has been that the ideas or value norms which are reflected in our system of law are essentially determined by practical needs, but that it takes time before a practical need takes expression in an idea or a norm. One may speak of social inertia. Our current legislation, and even the ideas that we have about amending our legislation, often bear the mark of experiences from a reality which existed several generations ago.

Probably no other political thinker has had so great an influence on the development of society in this country as Karl Marx. I am not referring to Marx's conception of a perpetual class struggle between the rulers, who make use of law as an instrument with which to govern, and the oppressed, who, at some future time, will take over power; nor am I referring to the idea that the class struggle is the driving force in a development whose final goal involves the proletariat's using its political might to "wrest, by degrees, all capital from the bourgeoisie, to centralise all instruments of production in the hands of the State, i.e. of the proletariat organised as the ruling class".[1] Rather, I look on Karl Marx in the same way as an historian of religions looks on the founder of a new creed.

This paper is a slightly revised version of a lecture given by Folke Schmidt on May 31, 1976, on the occasion of his retirement from the position of Professor of Private Law, with special reference to Labour Law.

[1] Karl Marx and Friedrich Engels, *Manifesto of the Communist Party*, originally published in German in London in February 1848. The quotation is taken from the English version of 1888.

Two fundamental premises, above all others, have influenced developments in this country. One is the notion that all workers, primarily the wage-earners, *form a class with common interests*, which can come to power through the growth of unity among its members. The other is the so-called *theory of surplus value*, or the idea that labour is the only true means for the creation of value and that any income that is not the fruit of labour is, in principle, unjustifiable. It is to these two ideas that I refer when using the words "socialism" and "labourism".

The notion of the workers as constituting a social class meant, above all, that the wage-earners came to regard themselves as all occupying the same position in society irrespective of differences in occupation, training and income. It also meant that, as a brotherhood, they felt themselves morally bound to unite in order to prepare the way for the lofty goals of the labour movement—in particular, the goal of equality. This notion was a central feature of the doctrine of socialism. Let me quote from the introduction to the Swedish Social Democratic Party's programme as it read in 1887: "Anybody who feels that he is battling alone and in vain against the present system has only one choice: to join the ranks of his brethren engaged in the common struggle." Again, from the 1886 introduction to the same programme: "If the working class is to be able to bring about its liberation, there are required ..., above all else, *unity* and a *permanent association*. First and foremost, it is vital that working men and women within every trade should combine together to form *trade unions*."[2] The same doctrine is also to be found in the published works of two great popular orators in Sweden at the turn of the century, August Palm and Axel Danielsson.

In view of this, it should be clear that the word "socialism" in the title of my lecture does not refer to what is usually associated with that term, i.e. the transferring of the means of production into the hands of society. Instead, it refers to socialism in its purest meaning—socialism as unity between individuals and groups with the aim of achieving equality. By calling my lecture "From Socialism to Labourism", I have sought to indicate that, in consequence of increased wage-earner power, socialism, in the sense of unity, may, in the future, prove to be less strong than in the past.

For my account of the theory of surplus value, I have chosen to make use of Lenin as an interpreter of Marx. Lenin wrote a short essay entitled "Three Sources and Three Component Parts of Marxism",[3] in which Marx's basic ideas, which otherwise are rather hard to grasp, are clearly set out:

[2] The italics are original.

[3] Originally published in *Prosveshcheniye* no. 3, in March 1913. The passage quoted here is taken from V. I. Lenin, *Collected Works*, vol. 19, Moscow 1964, published in English.

> The wage-worker sells his labour-power to the owner of land, factories, and instruments of labour. The worker spends one part of the day covering the cost of maintaining himself and his family (wages), while the other part of the day he works without remuneration, creating for the capitalist *surplus value*, the source of profit, the source of the wealth of the capitalist class.

In other words, Marx regards all income accruing to owners of capital as surplus value produced by the workers.

Viewed from the angle of the premises of socialism and the surplus-value theory, the trade union movement is the product of a brotherhood whose task is, through central and local collective bargaining, to take over this surplus value, which would otherwise go to the capitalists as unearned profit.

Before I go on, I should like to emphasize once more, in order to dispel any doubts, that I am not myself one of the faithful. Circumstances are much more complicated than Marx imagined. As I see it, the social system should develop out of compromises between a number of different goals. To name some of these goals without attempting to assign priorities, there are the goals of maximum production, of freedom of movement for individuals, of support for the weak and of protection against accident and sickness, as well, of course, as the goal of equality.

2. As is well known, the Swedish legislation of 1928 on collective agreements and on the Labour Court was given a cool reception by the trade union movement, which was afraid that its freedom of action might be inhibited. No doubt, too, many people saw the legislation as a first step in the direction of compulsory arbitration for disputes of interest. That the legislation quickly became accepted was due not to any eagerness to accept the legal principles which the Labour Court was interpreting into collective agreements but rather to the fact that the legislation turned out to be harmless. Arnold Sölvén, legal adviser of the LO (the Swedish Confederatin of Trade Unions), noted in 1944 that the trade union movement had more than doubled its membership since 1928 and that by 1939 average real wages had risen by approximately 15 per cent. The legislation had not created any barrier to such development.[4]

A rather more obvious reason for acceptance of the legislation, however, was that the trade unions had acquired something which up until then they had lacked—namely, the opportunity to obtain redress in disputes over wages. Before 1928, industrial action had been the only course available if

[4] Arnold Sölvén, "Arbetsrättspolitik", in the miscellany published in honour of Gustav Möller under the title *Ett genombrott*, 1944.

a dispute could not be resolved through negotiations, but industrial action was much too clumsy an instrument. During the first year of the Labour Court's activity, there was general hesitation within trade union circles as to whether they ought to appear before it. As time progressed, however, the unions became the Court's biggest customers. Of a total of 2,856 cases brought before the Court during the period 1929–53, no fewer than 2,516—or nearly 90 per cent—came from the employee side.[5]

During the period immediately after 1928 the main task was seen, in LO circles, as that of preventing the introduction of further legislation. The non-socialists, on the other hand, envisaged that the 1928 legislation on collective agreements would be followed up by legislation on contracts of employment, and in 1931 a committee was appointed under the chairmanship of Professor Martin Fehr. In 1935, this committee put forward proposals for an Act on Labour Contracts.[6] The proposals aimed to regulate such matters as the commencement and termination of employment and to provide for sick pay and holiday pay. The proposed rules, which were not intended to be mandatory, were in line with the circumstances of the time. Periods of notice for employees engaged on qualified work or doing what we would now describe as white-collar work were longer than for manual workers. Thus, a qualified salaried employee on entering into employment would have a two-month notice period, whilst the manual worker had only a one-week period. The two categories also enjoyed different periods of holidays and received different benefits in the event of sickness.

In opposition to the committee's proposals, Sigfrid Hansson, a Social Democratic member of the Riksdag closely associated with the trade union movement, published a dissenting statement which acquired the status of a declaration for future action. "It is necessary ... in modern social legislation to be very careful about dividing citizens into classes in relation to benefits provided under the law. Swedish social legislation knows no parallel to the division into categories which is now proposed. Nor is this in harmony with the trends which characterize the democratic development of society."[7] The Fehr Report was filed away, never again to see the light of day.

In union circles, the most dangerous threat was considered to be the pressure for legislation limiting the right to take part in industrial action

[5] Lennart Geijer and Folke Schmidt, *Arbetsgivare och fackföreningsledare i domarsäte*, 1958, at pp. 13 ff.

[6] *Betänkande med förslag till lag om arbetsavtal. Kommittén angående privatanställda* (Report proposing an Act on Labour Contracts. The Committee on Private Employees), *SOU* 1935: 18.

[7] Translated from *SOU* 1935: 18, p. 200.

affecting third parties. The Social Democratic Government under Per Albin Hansson gave in to this pressure, and even went as far as laying proposals before the 1935 session of the Riksdag for an Act on Certain Economic Industrial Action. It was intended that the Bill should lay the foundation for a political compromise, but this proved not to be possible owing to the fact that the Conservative Party put forward demands that were more far-reaching than anything the Social Democrats were prepared to accept. The Riksdag consequently rejected the Bill. During the debate in the Second Chamber, the Prime Minister expressed the hope that the organizations of the labour market would take note of the strong views expressed in favour of rules to protect third parties and would, through agreement, take steps to remedy what was generally viewed as an unsatisfactory state of affairs.

These hopes eventually came to fruition with the signing of the Basic Agreement between the SAF (the Swedish Employers' Confederation) and the LO in Saltsjöbaden on December 20, 1938.

3. The period inaugurated in 1938 has been described as the period of Saltsjöbaden, after the Basic Agreement concluded at that place. The designation refers primarily to the fact that the Basic Agreement introduced a long and fruitful period of cooperation between the SAF and the LO. The period, which lasted until around 1970, may be characterized as one of *a legal system in harmony*. By this I mean (1) that the parties on both sides of the labour market accepted the system and did not question its main foundations, (2) that the two opposing groups, the SAF and the LO, felt themselves equal in terms of power, and (3) that the system was open to alteration through collective agreements and legislation.

During the period 1938–70 considerable progress was made towards the central goal of equality. Sweden ceased to be the country depicted by August Palm, with a ruling minority and a broad mass of oppressed citizens. Along with social policy and taxation measures, two factors were of particular importance—namely, central wage negotiations which paid special attention to supporting the low paid, and successive law reforms providing certain minimum benefits for all.

Central wage negotiations have been conducted continuously between the SAF and the LO since 1956, and between the SAF and the private-sector white-collar workers since 1957. Furthermore, as soon as state and municipal officials were given the right to enter into collective agreements in 1966, negotiations for the public sector, too, became a part of the picture.

Of the legislative reforms, I would mention, in particular, the legislation

on paid holidays, the 40-hour week, and the National Supplementary (Earnings-Related) Pensions Scheme, all of which have contributed towards a blurring of the earlier distinction between manual workers and white-collar employees.

4. During the period 1938–70, which I have called the period of a legal system in harmony, there occurred certain changes which decisively shifted the balance of power in society. At the beginning of the period, employers were still able to look upon their white-collar staff as standing in a special, confidential relationship with themselves, or at least as being neutral in the power struggle with the LO unions. However, the trade union movement's conception of group unity in order to defend common interests vis-à-vis the employer gradually gained ground amongst white-collar workers. After that, it was inevitable that the employers should enter into a position of inferiority once the LO and TCO groups learned to act in concert. It would not be incorrect to say that, on today's private labour market, it is a case of two to one. I do not have in mind only the existence of substantial strike funds and the capacity to withstand a general conflict. More important are the opportunities which the LO and TCO unions jointly have to influence opinion, both within the community at large and amongst its political leaders.

The Act on National Supplementary (Earnings-Related) Pensions of 1959 constituted a step towards the removal of the differences between manual workers and white-collar employees. This reform meant, at the same time, a shift of power from private interests to society at large, although not everybody anticipated this effect from the establishment of the National Pensions Fund, which was primarily intended to guarantee agreed pension rights. Between 1960 and 1975, this Fund grew from nothing to nearly 90,000 million kronor. Particularly important is the amount of new savings coming in every year—the sum corresponding, by and large, to what can be lent, or the so-called *investment capacity*. In 1975 this sum amounted to nearly 11,000 million kronor. The Fund now enjoys about the same share of the credit market as the commercial banks, with the consequence that disposal over risk-bearing capital now lies in the hands of the community to a considerably greater extent than previously. It is true that each year a substantial part of the Fund is invested in housing (3,500 million kronor in 1975) and in holdings in state enterprises (2,500 million kronor). Nevertheless, the amount invested in trade and industry represents the largest item (4,000 million kronor in 1975).

5. This being said, we may now move on to another observation. Until quite recently, the official labour-market policy was for the state to remain

neutral and to leave it to the parties to decide about wages. This policy was pursued even in the face of general conflicts. Thus, the General Strike of 1909 ran its entire course without the Government getting involved. The same approach was adopted in 1945 during the metal industry dispute, the second biggest industrial conflict in Sweden's social history. Right up to 1971, when the Riksdag passed an act to compel the confederations of professional staffs to instruct their members to return to work, Sweden could claim to be almost the only industrialized country where governmental intervention in wage disputes had been avoided.

We live in a new era of labour law—an era whose beginning I would fix at December 14, 1970. On that date, in close consultation with the Government, the State Bargaining Office took on the role of wage leader. The Office then proceeded to pursue LO's solidarity wage policy by offering the lowest-paid state employees substantial increases whilst, at the same time, announcing that it was not prepared to make any immediate offer to SACO and SR, which represented the higher categories. In their impatience, SACO and SR ordered extensive strikes, and the State Bargaining Office responded by resorting to the lockout weapon. SACO and SR expected the state to follow the old pattern, anticipating that an employer who had been forced into a weak position would be ready to make concessions. As you all know, however, this did not happen. The Government responded by rushing through the Riksdag the statute to which I have just referred, the Act to Renew the Validity of Certain Collective Agreements of March 12, 1971. The justification given for this action was that the strikes constituted a threat to "essential public interests". In the longer perspective, the consequence of the 1971 Act was primarily that the best-paid groups of officials had to submit to a levelling out, being forced to accept a reduction in purchasing power, whilst the lowest-paid groups were given a bigger share of the increased gross national product.

The events of the spring of 1971 show that in Sweden industrial relations are no longer a matter solely for the employers' associations and trade unions most closely concerned. Industrial relations have become a three-party relationship, into which the community has entered with the claim to safeguard essential public interests—*inter alia* the maintenance of production and of full employment, and ensuring the availability of the most important consumer items at reasonable prices.

6. In my introduction, I said that two fundamental premises, above all others, have influenced developments in Sweden in the area of labour law—namely, the notion that the workers form a class which can win power through a growing unity and by combining into trade unions with the aim

of achieving equality and the notion that labour is the sole true means for the creation of value and that labour produces a surplus value which, under existing power relationships, goes to the owners of capital as profit. The first of these notions made its entry into the legal system in 1928, when the collective agreement was acknowledged as the primary instrument for regulating wages and conditions of employment. The same basis was adopted for later reforms in line with the programme which, as I have already mentioned, was outlined by Sigfrid Hansson in 1935—that certain basic benefits, such as holidays and pensions, should be enjoyed by everybody on the same terms. I look upon the Employment Protection Act of 1974 and the Act on Study Leave of the same year as the latest examples of statutes based on this idea of equality.

The second idea, according to which labour is the primary means for the creation of value and return on capital, in principle, an unjustifiable surplus value, has found expression in the 1972 legislation on boardroom representation for employees, in the Act on the Status of the Union Representative at the Workplace, of 1974, and above all, perhaps, in the forthcoming Act on the Joint Regulation of Working Life. One may ask why this idea, which has been a living concept for the trade union movement over the best part of a century, did not break through earlier. The answer is that the prevailing power relationships did not allow it to do so. It was not until the structure of society had undergone substantial changes that the preconditions for such a breakthrough existed. I have already pointed to the shifts in power relationships which have followed from the establishment of trade unionism amongst white-collar workers and from the importance of the Pensions Fund for the credit market.

7. I should like to label the era ushered in by the State Bargaining Office's initiative on December 14, 1970, *the period of wage-earner power*—or why not the "Period of Labourism"? Wage-earner power finds its principal expression in the forthcoming Act on the Joint Regulation of Working Life. Under the system existing hitherto, wages and other benefits for a given future period were decided centrally by the parties on both sides. On the other hand, the employer had unilateral rights of decision-making in questions of how the individual firm was to be managed, how business was to be carried on, what the production targets and investment levels were to be, and how the labour force, whose price had been fixed in collective agreements, was to be distributed and managed. It was normal to say that the employer alone decided about management of the business and management of the work, unless limitations followed from a statute or an agreement.

It is to this area of the employer's unilateral right to make decisions that the proposed Act on the Joint Regulation of Working Life belongs.[8] Formally, the right to make decisions will continue to rest with the employer. However, the forthcoming Act has adopted the method of linking in the local union in the preliminary stages of the decision-making process.

One link will exist as a result of the employer's *primary duty to negotiate*. Before making a decision about a production target, investment, principles for the recruitment of personnel, or more permanent transfers of individual employees, the employer, on his own initiative, will have to discuss every such matter with representatives of the local trade unions concerned. If agreement cannot be reached, the employer may be obliged to continue discussions with central union representatives. Connected with this primary right to negotiations in advance of the employer's decision are rules about information, which are intended to put union representatives on an equal footing with the employer in respect of the basis for decisions. Up to now, the union has been regarded as an outsider—legally, in the same position as the representative of a group of people who sell their labour—but this, according to the Secretary of State responsible for the preparation of the new Act, is an out-of-date and incorrect approach. It should be added, however, that the employer's duty to furnish information has been limited by virtue of the Parliamentary Home Affairs Committee's comments on the contents of the new Act.

A second link will occur by reason of the rules giving *priority of interpretation* in the event of disputes over the duty to perform work. This may concern the question of whether an individual employee or a group of employees are under a duty to make themselves available for overtime work, or to perform work with a newly acquired machine. The background is as follows. The Labour Court developed a rule of priority in disputes over the employee's duties under the contract of employment. If the employer ordered an employee to work overtime hours or to perform a new job, the employee had a duty to obey the order. He was not allowed to plead that it was not his duty under his contract of employment. The job had to be performed whether the employer's interpretation was correct or not, provided that it was made in good faith. The new Act gives the right of priority of interpretation to the local branch of the union. In sec. 34 (1) of the Joint Regulation Act, the rule is expressed as follows: "Where, between an employer and an organization of employees bound by the same collective agreement, a dispute arises over a member's duty to perform work

[8] At the time when this lecture was delivered, the Act on the Joint Regulation of Working Life had not yet been passed by Parliament.

under an agreement, the organization's view (of the interpretation of the agreement[9]) shall apply until that dispute has been finally tried."

Nevertheless, the Act on the Joint Regulation of Working Life has not gone so far, in the case of a dispute, as to let the union assume the management of the work or to confer on it the right to give the necessary orders. If, in the employer's view, there exist urgent reasons against postponing the disputed work, he may require that the work be performed in accordance with his view in the dispute (sec. 34 (2)). Under this provision, the union will then be obliged to give way and to instruct its member to follow the order.

A third link will exist in a special case—namely, the contracting out of work to another firm, an entrepreneur. The Act gives a *right of veto to contract out work* to the national trade union, although the provisions on that right have very limited application.

Those responsible for the Act on the Joint Regulation of Working Life have assumed that any really radical transfer of rights to make decisions on various matters—social facilities, principles for recruiting and promotion, production targets, etc.—will be made through joint regulation agreements concluded centrally or locally. In order to give the employee side greater power at the negotiating table, the Act contains the much-discussed rules providing for a surviving right to industrial action. The legislator has assumed that questions of joint regulation will be discussed at the same time as the usual wage agreements, but has recognized the possibility that the parties may not be successful in this round in reaching agreement on how the joint regulation agreement is to be formulated. In that case, the wage agreement may begin to run without the employee side being bound by a peace obligation. At any time during the period of agreement, a trade union may then make a demand for a joint regulation agreement. When the parties have finished negotiating, it will then be open to both sides to resort to a stoppage of work and other industrial action.

3. Labour law, as formulated in the 1928 Act on collective agreements, may be said to have proceeded from the same principle as the Companies Act—namely, that all power over the enterprise flows from the ownership of the capital. The managements of enterprises were the representatives of the owners. During the period 1928–70 the legal system was in harmony because the power of ownership was counterbalanced and kept under surveillance by the employees' organizations. The Act on the Joint Regula-

[9] Added by the author.

tion of Working Life and the Act on Boardroom Representation now mean that the power of ownership has been curtailed. In consequence of this, new problems are arising which cry out for solution. In the concluding part of my lecture I shall say something about what we can perceive on the horizon. However, before I go on to discuss problems of the future, I would emphasize that legal scholars are better trained to interpret past events than to point out the path we are currently pursuing. At the same time, I would make clear that it is not my aim to declare any personal sympathies for or against—merely to pinpoint particular difficulties which come as more or less necessary consequences of changes in the power relationship. It cannot be expected that the system will, in all respects, function in the future as it has up until now. When, in conclusion, I make a proposal which may be said to aim at restoring balance in the legal system, it is one that possesses the advantage of not having been discussed by the political parties. It ought, therefore, to be capable of being judged as a technical solution, without reference to party-political considerations. I shall limit my comments to private trade and industry—i.e. the private sector of the labour market.

I readily agree with the comment of the Parliamentary Home Affairs Committee that the Act on the Joint Regulation of Working Life may prove to be the source of "new social dimensions for working life. Increased work satisfaction, which is a goal in itself, may be calculated to release new energies and to give rise to positive consequences, not least from the point of view of efficiency". Nevertheless, it would be wrong to imagine that the future will be free from problems.

9. The manager of an enterprise follows the primary goal that his enterprise should expand and grow strong. On this point, there is hardly any disharmony between the goal of the manager and the goal which the employees may be pursuing. However, as the representative of the owners, the employer, at the same time, has to regard it as a basic aim that the enterprise should make the maximum possible profit—the precondition for which is that production can be achieved at the lowest possible cost. In the well-managed enterprise, therefore, it is a matter of course that, at every turn, the management will cut out unnecessary costs. In this respect, there is no obvious harmony between the goal of the management and that of the employees. The employees may view cost-cutting with displeasure because it presupposes continuous adjustments and alterations, with consequent inconvenience for the individual employee. In place of the goal of maximum profit, the employees may be expected to demand maintenance of the level of job opportunities, or, at least, to insist that no manpower cuts

take place except those which are the effect of a policy of no-replacements for those who retire or seek other jobs. Further, the employees may require that they shall not be put under too much stress. Nor is it impossible that the shift in the power relationship will mean that managements will begin to regard themselves more as representatives of the employees than as representatives of the owners. One can envisage a new style of management, characterized by a capacity to fill the employees with enthusiasm for new projects and to convince the Pensions Fund and other sources of public credit that they should make risk-bearing investments. It is easy to imagine what such a change of attitude could mean for efficiency in trade and industry.

It must also be assumed that employees will make use of their power to a greater extent than now in order to obtain greater returns on their contributions of labour. This can hardly fail to mean that employees of an enterprise which, thanks to favourable trading conditions or an advantageous competitive situation, makes large profits will secure higher wages than employees in weaker enterprises. Such a wages policy must appear right and natural to the employees, in whose view profit is a surplus value produced by labour which would otherwise go to the owners of capital as an unjustifiable profit.

There is no need to stress that the dominating problem in today's society is how the common cake—the gross national product—is to be divided among individuals. One part has to be given up to paying for community needs, such as medical care, education, road building, the police service, etc. Another part has to go to the weak—*inter alia* children, old people, and invalids. Approximately half of the gross national product then remains to be divided amongst those who work. It is agreed that the available means should be divided between them in proportion to their contributions of labour—i.e. the amount and quality of those contributions. This means that a person who works for 50 hours a week will receive more than a person who works for 20. It also means that remuneration will be related to the nature of the labour. Payment will differ as between heavy work and light work, as between work which requires a long period of training and work which can be performed by an unskilled person, as between work which involves responsibility and work which does not, and so on.

It is obvious that few of us would consider it right for certain employees to receive larger incomes solely because they are employed in a profitable enterprise, and I do not believe that others will readily accept the justification that such employees have taken over a surplus value which would otherwise have constituted profit. I shall not go into the problems which this may cause the legislator who wishes to effect a redistribution by means

of taxation. Instead, I shall confine myself to posing the question whether, under such conditions, the LO would have the same opportunities as it has now to pursue the solidarity wages policy—a policy to which so much importance has been attached in the central negotiations during recent years.

10. Every problem in society can find different solutions. To me, it seems clear that the starting point should be that we should all strive to discuss rationally the problems that we encounter and cast off the yoke of adherence to fixed doctrines. I am referring *inter alia* to adherence to the surplus-value theory, under which profit represents an unjustifiable surplus value. We may imagine re-examining the bases of our labour law and introducing rules under which employers and employees will no longer be two separate parties with essentially opposed interests. We may look for incentives to cost-cutting other than the interest of profit through ownership, and seek ways of coordinating wages other than central negotiations between the top organizations. However, solutions of this kind demand time and imagination—and the debate on how such a system of labour law should be developed has not even begun. Instead of creating an entirely new system, we ought rather to make the attempt to restore equilibrium to the existing one and thereby to recharge it to its full working capacity.

I have already mentioned that industrial relations have become a tripartite relationship, with the state making claim to safeguard "essential public interests". The 1971 Act to Renew the Validity of Certain Collective Agreements was seen by the public as support for low-wage groups. In consequence, many people tend to believe that the primary societal interest will be manifested in a policy of taking the side of the wage-earners against the employers, as owners of capital. I do not believe in this view of the future. Seen from the positions of SACO and SR, the 1971 Act represented intervention in support of the employer, who would otherwise have been obliged to make concessions. Indeed, this will be the essential societal interest in the future, too. Society will have the task of strengthening the position of the weaker party—in this case, the employer—by placing representatives of society—the state as well as consumers—alongside representatives of the owner interest.

The first step along this road has already been taken. In 1972, an Act on Public Boardroom Representation in Certain Limited Companies and Foundations was passed. This Act, which is in force for a test period until the end of June 1976, confers on the Government powers to appoint public boardroom members in a maximum of 30 limited companies and foundations. The principal aim has been to obtain an insight into the working

both of certain limited companies which, as investment companies and holding companies, exercise ownership influence over other enterprises and of certain foundations whose assets largely consist of shares in Swedish companies. In the next few days, the Riksdag will consider a Bill for an Act on Public Boardroom Representation in Limited Companies, Cooperative Associations and Foundations, which goes considerably further than the 1972 Act. The Government is asking for powers to appoint public directors in a maximum of 60 limited companies and cooperative associations and in 10 foundations. As well as the groups covered by the 1972 Act, the new Bill is directed towards enterprises which are important from a public point of view because they have a considerable number of employees, or carry on business at several places in the country, or are Swedish multinational companies. In practice, the new Act will mean public boardroom representation in all large stock-exchange-quoted companies.[1] There has also been discussion of a proposal for municipalities to be given boardroom representation in enterprises of major importance for employment in their area, but legislation on this will take some years yet.

It is the intention that public boardroom members should serve primarily as contact and information intermediaries between enterprises and general societal interests—there is no question of Government intervention in the management of privately-owned enterprises.[2] Nevertheless, it is clear that a decision taken by a board containing a public director can be expected to command more general approval amongst the employees than would a decision taken by the representatives of the owners alone.

Bearing in mind the desirability of a balance between the parties on the labour market, there would seem to be reason for also providing public representation in the Swedish Employers' Confederation and in its affiliated trade organizations. Such societal representation would give increased weight to decisions about wages—particularly where these are reached during central negotiations. By such means, the Swedish Employers' Confederation could achieve the same powerful position on the private labour market as the State Bargaining Office has shown itself to command in conflicts in the public sector.

[1] The Act was passed during early June, 1976.

Apart from a short interval in 1936, the Social Democratic Party was in power, either alone or in coalition with other parties, from 1932 to September 1976. The non-socialist Government which was formed after the election in September 1976 may break the trend towards stronger control over big enterprises. In its Declaration of Policy of October 1976 the Government announced that it did not intend to use its new power to appoint public boardroom members of limited companies, cooperative associations or foundations.

[2] *Prop.* 1975/76: 166, pp. 130, 134.