

# Wages Policy in Sweden

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## Introduction

A MAIN FEATURE of the situation in Sweden is non-intervention by the State, which leaves the responsibility for determining wage levels and trends to the parties concerned. It has been written that "apart from informal talks between the unions and the Government, the determination of the relative shares of labour and other incomes, of industry and agriculture, and so on, has been left to the normal play of economic, political and social forces".<sup>2</sup>

It is therefore a matter of justifiable surprise to find Sweden so often mentioned as one of the countries which are very generally recognised as having a "wages policy". Indeed, if by "wages policy" is meant the formulation by the authorities of a coherent whole of objectives and means considered within the framework of general economic policy and subjected to it, it is perfectly clear that such a wages policy does not exist.

That would, however, be too restrictive a definition of wages policy. It is doubtless more correct to consider that a wages policy exists whenever decisions are taken at the centre, in the light of national conditions, and have an effect on wage adjustments made at the level of the industry and/or the undertaking concerned.

Understood in this way, a wages policy does without any doubt exist in Sweden, and has, in fact, already existed for a long time. As far back as 1931, for example, confronted with the consequences of the great depression, the S.A.F. (Svenska Arbetsgivareföreningen), the main Swedish employers' confederation, succeeded in convincing the L.O. (Landsorganisationen), the most powerful confederation of trade unions, of the need to adopt by mutual agreement a wages policy aimed at reducing labour costs in the five main export industries<sup>3</sup>, and the L.O. in turn persuaded the trade unions affiliated to it to accept wage reductions of

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<sup>1</sup> International Labour Office.

<sup>2</sup> Organisation for Economic Co-operation and Development (O.E.C.D.): *The problem of rising prices* (Paris, 1961), p. 413, paragraph 47.

<sup>3</sup> The importance of external trade to the Swedish economy is well known.

some 5 per cent. on the average for the whole group of industries concerned.<sup>1</sup>

It is not the intention here, however, to make a detailed historical study of wages policy in Sweden, particularly because it was only some ten years ago that it actually became customary to have negotiations on the national level with a view to determining salaries as a whole for a given period of time by means of "frame-agreements", which constitute the main and original means of applying wages policy in Sweden.

It is proposed to deal mainly with the period, which is relatively homogeneous from the point of view of procedures for determining wages, starting with the frame-agreement of 1956 between the S.A.F. and the L.O., and continuing up to the present time. Of course, the S.A.F.-L.O. agreements apply more particularly to workers in industry and leave aside an important fraction of the wage-earning population, namely non-manual employees and officials affiliated to a special central organisation, the T.C.O. (Tjänstemännens Centralorganisationen), or Central Organisation of Salaried Employees; but they do have a determining effect on the movement of wages for all workers.

This study will therefore mainly concern the determination of wages for industrial workers within the framework of the S.A.F.-L.O. agreements, although, of course, additional information relating to the remuneration of other paid workers may be given too. A study will first be made of the quasi-institutional framework within which the wages policy is drawn up, and then consideration will be given to the way in which it works. Finally, after an attempt to assess the results obtained, an endeavour will be made to estimate the value of the system in terms of those results.

### **Procedure for working out a wages policy <sup>2</sup>**

Basically, as indicated in the introduction, the procedure for working out a wages policy is simple: the parties themselves, through collective bargaining, and taking into account the general economic situation, determine, first of all on the national level, the main lines of wages policy which they recommend for a given future period (one or two years <sup>3</sup>). Such negotiations on the national level have long taken place in respect of individual industries, at varying periods of the year and at rather infrequent intervals. Since the beginning of the Second World War, how-

<sup>1</sup> See B. C. ROBERTS: *National wages policy in war and peace* (London, George Allen & Unwin, 1958), pp. 84-85. It will be found, as B. C. Roberts points out, that the reduction in wages which was thus accepted did not, in fact, result in a reduction of real wages, owing to the fall in prices.

<sup>2</sup> See also "Wage negotiations and wage policies in Sweden", in *International Labour Review*, Vol. LXXX, No. 4, Oct. 1959, pp. 319-330, and No. 5, Nov. 1959, pp. 391-409.

<sup>3</sup> The frame-agreement signed on 2 April 1966 after particularly difficult negotiations is valid for a period of three years (1966-69), but the provisions relating to wages concern the first two years only.

ever, there has been a certain tendency towards co-ordination and centralisation, and it has now become the custom to have negotiations between the S.A.F. and the L.O. relating to all industrial workers, laying down the standards which should govern the agreements subsequently concluded in respect of each industry considered separately. That has, in fact, been the constant practice since 1956 (and it had already been applied in 1952); a return to earlier practices does not at present appear to be likely.<sup>1</sup>

It is therefore proposed in the present section to study in detail a typical form of centralised negotiation procedure on wage matters, such as generally occurs between the S.A.F. and the L.O. in respect of industrial workers. It will subsequently be seen how the results obtained at the time of these negotiations have a determining effect on the remuneration of paid workers as a whole and, consequently, are a key factor in determining wages policy.<sup>2</sup>

### **The determination of wages for industrial workers: the S.A.F.-L.O. agreements**

#### **COURSE TAKEN BY NEGOTIATIONS**

Most of the agreements concluded in industry expire between 30 January and 30 March each year, and as the notices of expiry, without which the agreements are automatically renewed for a period of one year, must generally be given three months in advance, the "season of collective agreements" extends from September of one year to March of the following year. In fact, the imminence of negotiations begins to have an effect at the beginning of the previous summer: those responsible in the employers' and workers' organisations and the members of the Government begin to put forward in public statements their arguments in connection with the forthcoming negotiations.

Then the Wages Conference of the L.O. meets and receives general information on the economic situation from the Wages Policy Council. This Council is an advisory body set up by the L.O. Congress in 1951 and consists of seven members of the organisation's Executive Committee. It receives the assistance of the L.O. Research Department, which consists of professional economists, and its duties are to prepare recommendations for coming negotiations; to analyse the results of agreements during the agreements period; to keep itself informed of the claims of the different groups of workers; to compile wages statistics; and to prepare

<sup>1</sup> As it is merely a matter of practice, and not of a rigid, legally defined and organised procedure, there is of course no commitment as to the future, and the adoption of new methods or a return to old, relatively decentralised forms of negotiation may occur.

<sup>2</sup> See in particular, on the points touched on above, I.L.O.: *The trade union situation in Sweden* (Geneva, 1961), pp. 55 ff., and T. L. JOHNSTON: *Collective bargaining in Sweden* (London, Allen & Unwin, 1962), pp. 264 ff.

the L.O.'s assistance to individual unions in wage negotiations.<sup>1</sup> On these bases the main lines of the policy to be followed are laid down, unless the Conference does not consider that it is in a position to give an opinion immediately and therefore postpones the formulation of the Confederation's views in a policy statement until a later meeting, generally convened in November.

It is at this stage that unofficial consultations generally take place between the various parties concerned: representatives of the L.O., of the S.A.F., of the ministries concerned and of the other trade unions. Then, in October or November, the National Institute for Economic Research publishes a study of the economic situation, giving in particular an assessment of development prospects for the coming year. This study, which serves as a basis for the debates in the Riksdag on the economic situation, may contain direct references to wage problems, and of course has an influence on the position of the parties to the future negotiations.

It is also at this time that the Wages Conference of the L.O. meets again, makes its recommendations and decides whether the negotiations are to be centrally conducted with the S.A.F. (which, as indicated, has been the constant practice since 1956), or whether they will take place at the level of the trade unions.

Negotiations can then begin between the L.O. and the S.A.F. When it is a case of centralised negotiations, each party appoints a delegation of some 25 persons, generally including members of the secretariat, together with trade union chairmen (for the L.O.), representatives of the affiliated employers' associations (for the S.A.F.), and some negotiating experts.

The negotiations generally go on until March and take into consideration the report on the economic situation submitted by the Economics Department of the Ministry of Finance and the National Institute of Economic Research during the month of January. This report often contains assessments of the income increases which the economy can support. At the same time, the Minister of Finance submits to the Riksdag his fiscal budget, in which he examines the conditions on which the stability of the economy depends, and in which he may suggest the limits for an increase in wages compatible with that stability.

Finally, the L.O. and the S.A.F. arrive at the point of concluding a "frame-agreement", which contains recommendations regarding wage increases to be included in the individual agreements relating to the various industries.<sup>2</sup>

<sup>1</sup> L.O.: *Trade unions and full employment* (Stockholm, 1953), p. 109.

<sup>2</sup> When the negotiations have been "decentralised", the first important agreement—generally that relating to metalworkers—is concluded towards the end of January and the other agreements follow shortly. The frame-agreements are normally concluded for one or two years, depending on how the parties feel about the future development of the economic situation. The employers often make the conclusion of an agreement for a two-year period a condition of their concessions, with a view to making it easier to stabilise their costs.

SETTLEMENT OF DIFFICULTIES IN THE COURSE OF NEGOTIATIONS:  
OFFICIAL AND UNOFFICIAL CONCILIATION

The conclusion of such frame-agreements is doubtless in general not an easy matter, and discussion is frequently held up by the incompatibility of the attitudes adopted by the parties to the negotiations. In such cases, if deadlock has been reached, it is customary to have recourse to the good offices of an independent chairman, appointed by agreement between the two parties. That chairman may be chosen from among the official mediators, about whom more later, but that is neither a legal obligation nor a practice which is always followed.

If the chairman who is thus appointed does not succeed in getting the parties to agree, recourse is had to a mediator, in accordance with a procedure laid down by law.<sup>1</sup>

The mediators, of whom there are eight, are appointed by the King for one year, each for a specific district. They perform their duties under the auspices of the Department of Social Welfare, a central administrative body under the Ministry of Social Welfare, Labour and Housing. If necessary, or should the dispute appear to be particularly serious, the Government appoints not a mediator, but a conciliation commission.

In general, after one or more attempts, a solution acceptable to both parties is reached. If this were not the case, the only remaining possibilities<sup>2</sup> would be a trial of strength (subject to the observance of the notices required by law), or the adoption of exceptional legislation, or, again, recourse to arbitration by the Labour Market Board (*Arbetsmarknadsnämnden*), a joint regulating council provided for by the Basic Agreement<sup>3</sup> of 1936 between the S.A.F. and the L.O., in cases where essential public services are threatened.

SIGNIFICANCE AND SCOPE OF THE S.A.F.-L.O. "FRAME-AGREEMENTS"

The agreements thus concluded between the S.A.F. and the L.O. have in fact no executive force: they acquire this only as from the date on which the provisions they contain are embodied in a collective agreement signed by a national trade union and an association of employers. The national trade unions are free, in principle, to follow a policy different from that laid down in the frame-agreement, as far as wages are concerned.

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<sup>1</sup> Law of 1906 and Law (No. 245) of 1920 on conciliation.

<sup>2</sup> We leave aside the possibility, provided for by Law No. 248 of 1920, of having recourse to special arbitrators, as this practice seems to have fallen into disuse.

<sup>3</sup> This agreement was followed by other agreements relating to general matters, such as vocational training, the protection of workers, enterprise councils, etc. This whole collection of agreements is known as the "Saltsjöbaden agreements", from the name of the resort where the negotiations took place.

In practice, however, they generally follow the directives laid down in the frame-agreements and accept their standards which usually specify a percentage for wage increases, as will be seen later, such standards having been the subject of mutual agreement by the representatives of the L.O. and the S.A.F.

This respect for provisions which are without executive force is to be explained by a number of factors, some connected with the actual conditions governing the working out of frame-agreements, others related to the existence of certain means of control and sanctions which work in favour of the central organisations.

First, the risks of dispute between the parties at different levels are greatly reduced by the fact that the centralised negotiations between the S.A.F. and the L.O. pay very considerable attention to the position of each particular industry. This is ensured in three ways—

(1) In the first place, as has been indicated, the L.O. delegation responsible for the conduct of the negotiations with the S.A.F. consists, in part, of chairmen of national trade unions, who are perfectly competent to see to it that the final agreement does not contain any provisions which would be unacceptable to those whom they represent; similarly, the distribution of seats within the S.A.F. delegation is based on the same principle, and the member federations are widely represented.

(2) Further, owing to the fact that negotiations at the level of the industry are often carried on at the same time as the negotiations relating to the frame-agreement (or even before them), they make it possible to clear the ground as far as difficulties of implementation are concerned.

(3) Finally, when the frame-agreement is being negotiated, "exceptions" are specifically provided for in the case of certain industries which are in a particularly unfavourable position or which for some reason require special treatment; the collective agreements relating to these industries do not then come under the general rule laid down in the frame-agreement.

Secondly, the central organisations have the means to ensure in the majority of cases that discipline is respected by the member organisations. These means are of two kinds—

(1) In the first place, representatives of the S.A.F. and of the L.O. take part in the collective bargaining at the level of branches of industry or at the local level, and endeavour to ensure that the agreements thus concluded are in conformity with the general policy of the central organisations.

(2) Furthermore, in the case of undertakings or employers' organisations which are members of the S.A.F., every draft agreement must be submitted before signature to the Council of the S.A.F. for approval. The sanction for this obligation lies in the fact that the S.A.F. may

impose fines on members who do not observe its rules, and also in the fact that it administers a very considerable mutual assistance fund.<sup>1</sup> Further, members of the S.A.F. may not institute a lockout without the agreement of the Council of the S.A.F., whereas the latter can give its members an order to institute a lockout. As regards the L.O., not only does the representative of the organisation take part in the negotiations, but he has the right to put forward his own proposals. In addition, the collective agreements concluded at the level of the particular branch of industry or at the local level must be submitted to the executive council of the national trade union for approval. Furthermore, the trade unions cannot draw on the national strike fund of the L.O. if they start a dispute in support of a claim relating to wage increases greater than those for which provision is made in the frame-agreement.<sup>2</sup>

Consequently, although having legally only the value of a recommendation, the provisions of the frame-agreements have a very great value as regards standards and practice.

This importance of the frame-agreements is in fact even greater owing to the interplay of procedures which make their influence felt beyond the field specifically covered by the agreements.

### **The determination of wages in fields of activity other than those covered directly and jointly by the L.O. and the S.A.F.**

It cannot be expected that the S.A.F.-L.O. agreements should automatically receive universal application, because the representative character of these organisations is necessarily limited, as will be clear merely from consideration of the numbers covered. While the L.O. is by far the biggest workers' union, it does not cover anything like the whole of the wage-earning population: of the 2,700,000 paid workers mentioned in the census of 1960<sup>3</sup>, 1,400,000 were members of the L.O.<sup>4</sup>

<sup>1</sup> According to the balance-sheet published in the Annual Report of the S.A.F. in 1964, the total amount of the insurance fund administered by the S.A.F. was 277,403,000 crowns (1 U.S. dollar = 5.17 crowns). Moreover, every firm which is a member of the S.A.F. is under an obligation to give a formal guarantee which can be used to cover the cost of any disputes, if the fund is not adequate. In 1964 the amount of these guarantees totalled 339,830,000 crowns.

<sup>2</sup> It is, however, to be noted that certain large trade unions have very considerable funds of their own. In 1964, for example, the metalworkers' union was taxed, in respect of income from its own funds invested in stocks and bonds, on the basis of 7,895,900 crowns; the building trade union, on 2,159,000 crowns, etc. (*L'Usine nouvelle* (Paris), supplementary editions, Mar. 1965, p. 217). This is, of course, a factor tending to reduce the influence of the central organisation. In 1963 the L.O. and the federations affiliated to it owned funds amounting to 701,700,000 crowns (of which 202,300,000 crowns were in cash or on deposit in the bank).

<sup>3</sup> Last figure available. See I.L.O.: *Year Book of Labour Statistics, 1963* (Geneva, 1964), table 4B.

<sup>4</sup> Mention has already been made of the T.C.O., which includes the majority of salaried employees (395,000 members); there are also other organisations of lesser importance: the Central Organisation of Swedish Workers (20,000 members), the Swedish Confederation of Associations of the Liberal Professions (S.A.C.O.) (50,000 members), etc.

The S.A.F., for its part, covered in 1960 "only" some 860,000 paid workers (923,000 in 1961), of whom 200,000 were non-manual employees who were in principle not covered by the frame-agreements between the S.A.F. and the L.O.<sup>1</sup> In the field directly and jointly covered by the S.A.F. and the L.O. there were thus definitely less than 700,000 paid workers, which did not represent more than a quarter of the active wage-earning population.

The real influence of the frame-agreements, however, is much greater than might be imagined from these few figures. This is mainly due to two factors—

(1) In the first place, the extension of the effects of the agreement is the subject of a specific clause in the frame-agreements. That clause<sup>2</sup> stipulates that the S.A.F. and the L.O. will make every endeavour to ensure that the basic principles embodied in the frame-agreement shall be respected even by groups which are not directly affected by the said frame-agreement. In other words, this means that each party to the agreement—the S.A.F. or the L.O.—shall follow the same lines as those laid down in the frame-agreement when dealing with any party which is not a member of the other central organisation.

(2) Furthermore, the conclusion of the frame-agreement between the S.A.F. and the L.O. and the conditions and standards laid down in that agreement give rise to an imitative process in fields which are not institutionally covered by the agreement. The latter constitutes a model, which is followed or taken as a basis in negotiations conducted in every sector. It is interesting to note that even the fixing of agricultural prices has for some years past been linked with the movement of wages provided for in the frame-agreements: in 1959 an agreement valid for six years was signed by the Government and the agricultural producers, and it took the income of workers in industry as a reference basis for determining the incomes of the farmers.<sup>3</sup> Thus, indirectly, the standards laid down in the frame-agreement between the S.A.F. and the L.O. have an importance which goes beyond the sphere of wage determination.

After this study of the way in which wages policy in Sweden has been determined, it is now proposed to examine the content of that policy.

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<sup>1</sup> Independently of the S.A.F., there are several associations of employers who, it is estimated, employ more than 400,000 persons. These include the Commercial Employers' Association (10,000 members, 113,000 employees), the Swedish Agricultural Employers' Federation (10,500 members, 52,000 employees), the Forest Employers' Association, the Swedish Shipowners' Federation, the Newspaper Employers' Association, etc. See I.L.O.: *The trade union situation in Sweden*, op. cit., p. 53.

<sup>2</sup> Clause F of the 1960 agreement, Clause G of the 1962 agreement and Clause F of the 1964 agreement.

<sup>3</sup> See T. L. JOHNSTON, op. cit., p. 267.



## **Content of the wages policy**

Every policy is characterised by two elements: its aims, and the means used to attain those aims.

### **The aims of the wages policy**

The *primary aim* which the two parties appear to recognise in their wages policy is to avoid intervention by the Government. Traditionally, employers and workers consider that their interests are better served when there is no third party present, and they are consequently of the opinion that the determination of wages is a question solely for the parties directly concerned and should be settled by negotiations between those parties. It can be said that the present practice has grown up progressively with that consideration constantly in mind: customary methods of collective bargaining have always preceded the preparation of labour legislation; when such legislation has, in fact, been adopted it has generally been confined to codifying or sanctioning the institutional arrangements worked out by the parties concerned. One can even go so far as to say that the practices adopted have often been followed with the idea of making it unnecessary to have recourse to legislation. The Basic Agreements of Saltsjöbaden, for example, which came into being from 1936 onwards, were aimed at establishing special machinery to enable the parties concerned to settle amongst themselves questions relating to labour and to protect uninvolved third parties from any harm which labour disputes might cause them. There is no doubt that the conclusion of these agreements was at least facilitated by the fear entertained by employers and workers that the authorities, under the pressure of public opinion, might create legislation which would be imposed in matters of labour relations.

The wish to exclude the State from the determination of wages thus obliges the parties concerned to follow certain lines of conduct: in particular, they are under pressure to reach agreement rapidly, but also to take into account in their agreement the general and national interest. If they did not pay regard to that, the risk of intervention by the authorities would of course be considerably increased.

It may therefore be said that the *secondary aims* are the logical consequence of that primary aim, which has governed relations between employers' and workers' organisations since the beginning of the century. These secondary aims may be stated as follows: no unreasonable rises which would jeopardise foreign trade; no inflation which would lead to the same result; no disorderly movement of wages which would create inflation; and no dispute which would endanger the interests of the community. It is therefore advisable, and in the interests of both parties, to organise, co-ordinate and regularise the movement of wages in order to avoid a chaos of claims and concessions.

That does not, however, mean that employers' and workers' organisations lose sight of the particular interests, which may not coincide, of those whom they represent, or that they agree to subordinate wage policy to a general economic policy decided independently of them. The S.A.F. and the L.O., in particular, have their own concept—doubtless influenced by statements on the part of the authorities but nevertheless independent—of the room for wage increase in any given economic situation, as will be made clear later. They may take such a margin as a basis for discussion, placing on government policy the responsibility for any inflation resulting from the adoption of wage increases which they consider possible within the framework of a policy which would in their opinion be more rational.

Furthermore, and this is the very essence of the negotiations, the L.O. regards it as its duty to obtain for wage earners as high a level of remuneration as possible; whereas the employers, members of the S.A.F., do not wish to pay higher wages than is necessary to secure the labour they need, and, in addition, they desire the establishment of, or respect for, a wage structure in conformity with the needs of the undertaking, on the prosperity of which depend possibilities of future progress.

The L.O. has obtained the agreement of the S.A.F. that a number of fundamental principles should be observed: the principle of solidarity<sup>1</sup>, and two principles which are linked with it, namely equal pay for women<sup>2</sup>, and the placing of responsibility for the maintenance of full employment on general economic policy as it affects the level of over-all demand and the active manpower policy. These three principles will be illustrated in greater detail below.

### **Wages policy: the means**

The frame-agreements which, for more than ten years, have represented the wages policy decided on jointly by the two major organisations, the S.A.F. and the L.O., are extremely brief, particularly on the subject of wages. They generally contain a clause fixing for workers on piece-rates, and for a period of one or two years, an average rate of increase in earnings, to be applied, subject to a certain minimum timetable, in terms of actual value; similarly, for workers on time-rates, the average

<sup>1</sup> The principle of eliminating, for the sake of solidarity, unjustified wage differences as between various jobs, sectors of activity and branches of industry. This principle therefore calls for equal pay for equal work, so that salary scales will only reflect differences of content and kind in the various forms of work. See in particular G. REHN: "Swedish wages and wages policies", in *Annals of the American Academy of Political and Social Science* (Philadelphia), Mar. 1957, p. 106.

<sup>2</sup> It is interesting to note that Sweden has not ratified the I.L.O. Equal Remuneration Convention, 1951. That in no way means that the authorities are opposed to that principle, but—and this is an illustration of what has been said above—they consider that all problems connected with the determination of wages are solely a matter for the parties concerned.

increase is not laid down as a percentage, but as an amount, in actual value, per hour of work.<sup>1</sup> The rates and amounts in actual value thus specified should, in principle, determine the possibilities of increase provided for in the collective agreements concluded under the frame-agreement. The brevity with which these provisions are expressed conceals the real complexity of the machinery. The following observations should bring out the main points:

(1) In the first place, the increases for which provision is made in the frame-agreement relate to actual earnings and not wage rates, which consequently implies in principle that the rate of increase laid down in the collective agreement will in fact be the rate of increase of the main body of wages (subject to minimum "floors", for which, as has been seen, provision is made in the frame-agreement). The statistical basis for the calculation of the global increase is taken from tables published by the S.A.F., in particular those relating to the second quarter of each year: this is traditional and is provided for in most agreements.

(2) The earnings of workers paid by piece-rates figure most prominently in the provisions of the contracts. This is due to the fact that the two parties concerned, employers and workers, both consider that remuneration on the basis of output constitutes the best system of remuneration and should be applied whenever possible. As a result, the system of remuneration by piece-rates is very widespread in Sweden where less than 40 per cent. of industrial workers are paid on a time basis (37 per cent. in 1959).<sup>2</sup> This percentage appears, at the present time, to have become more or less stabilised which may of course mean that pay on the basis of output has been introduced wherever it was technically possible.

(3) The frame-agreements usually refer to the raising of the *average level* of hourly earnings, and therefore fix the amount of such increases as a percentage.<sup>3</sup> This provision has a specific meaning: it should not be taken as signifying that all wages must be increased by that percentage (or by the minimum envisaged)—some may be increased by a greater, and some by a lesser amount. All that the clause means is that the percentage of increase should be applied (subject, again, to the minimum amounts) to the main body of wages, in order to arrive, in respect of every level, at an over-all sum which, in the contractual sphere under

<sup>1</sup> Here, for example, is the text of the 1962 agreement on the subject (as will be seen later, the 1964 agreement differed on this point from the usual practice): "the average level of hourly earnings . . . shall be increased, in the case of work paid on the basis of output, by 2.75 per cent., or by a minimum of 17 öre per hour, whichever is the greater, and, in the case of work paid by the hour, by 19 öre".

<sup>2</sup> According to B. KUGELBERG, in 1963, 65 per cent. of man-hours were remunerated on the basis of output. See his preface to E. LIND: *Wage differentiation in Swedish industry* (Stockholm, S.A.F., 1963), p. 5.

<sup>3</sup> The 1966 frame-agreement does not fix a percentage increase but provides for a rise in hourly earnings of an amount given in actual value: 20 öre in 1966, 14 öre in 1967; the result would seem to be the same.

consideration, is to be used for financing wage increases. That over-all amount will be distributed among the wage earners in conformity with what will be decided in the course of collective bargaining at the level of industries, sectors, or undertakings. Similarly for workers paid by time, the number of hours worked multiplied by the amount of the average increase per hour will give the total value of the increases to be subsequently shared among those concerned.

(4) The average rise in wages thus defined is in fact a *minimum*: as has already been seen, it is not made binding on the parties concerned, since it is only a recommendation. It is therefore open to workers to claim more, and to employers to grant more; but if their negotiations go beyond the amounts fixed in the frame-agreement, the parties concerned are under an obligation to respect social peace, and there must be no strikes or lockouts.

(5) It is frequently agreed, when a frame-agreement is being negotiated or even before such negotiations, that certain industries or sectors shall receive special treatment and may be granted higher increases than the average increases envisaged. Lists of "exceptions" are therefore drawn up, with a view to helping industries which have been less favoured as regards wages to make up lost ground.<sup>1</sup>

Be that as it may, the major problem—as it were, the key to the wages policy—is the determination of this average percentage earnings increase. Some indications as to how this percentage is arrived at have already been given. As a rule, joint negotiations at the national level start with a survey of the general economic situation in Europe and the United States, to enable those taking part to compare views and to get a clear idea of Sweden's economic prospects. It is on the basis of such an analysis that an endeavour is made to ascertain what room there is for wage increases.<sup>2</sup> We have seen that the State attempts to influence the negotiators' view of the situation, both by publishing documents and economic studies and by public speeches. One may therefore normally be confronted with three interpretations of national prospects: those of the State, the S.A.F. and the L.O. The attitude adopted by the authorities has of course a not inconsiderable effect on the negotiators, particularly in so far as it indicates the lines of development of the national economy corresponding to the future policy proposed by the Government. How-

<sup>1</sup> Questions connected with "exceptions", special cases and disputes may be referred for solution to what are called "small delegations", which generally consist of three representatives of the L.O. and three representatives of the S.A.F. These "small delegations" have, generally, been able to solve the difficulties thus referred to them, in particular, difficulties which may have arisen when the frame-agreements were being applied. The 1966 frame-agreement provides that workers in the low-income group will also benefit from an additional rise in hourly earnings, amounting to an average of 9 öre, but in 1966 only.

<sup>2</sup> See, for the notion of "room for wage increases", B. HANSEN: *The economic theory of fiscal policy* (translated from the Swedish) (London, Allen & Unwin, 1958), p. 331.

ever, the employers and workers do not regard themselves as in any way bound to conform to the viewpoint of the authorities if they do not consider it as being in accordance with their legitimate interests. For example, in 1955, the President of the L.O. stated that there was no reason to ask the trade unions to agree to moderate their claims with a view to maintaining economic balance, when economic expansion and high profits had been responsible for the lack of balance.<sup>1</sup> Again, in 1956, the Director-General of the S.A.F. stated that it was "naturally incumbent upon the parties in the labour market to comport themselves with such discretion and moderation that new inflationary impulses are not set off by too hasty wage increases", but he had previously said "... the primary responsibility for preserving the value of our currency devolves upon the Government, which alone controls the instruments of economic policy".<sup>2</sup>

The percentage increase is thus finally fixed by the negotiating parties at an agreed average level, taking into account the economic situation. As that level is fixed for all industries and is to be adopted in the agreements concluded for each particular industry (apart from the "exceptions"), and in the subordinate agreements, it is clear that the percentage chosen represents, for each particular industry, a percentage smaller or greater than that which would have been arrived at if the negotiations had not taken place at the outset on the national level. The workers in the more dynamic industries receive a lesser benefit than they would doubtless have obtained if they had negotiated on their own; conversely, those in backward industries probably get the benefit of a higher percentage than that which would have been conceded to them in the normal course of events.

This relative sacrifice<sup>3</sup> on the part of trade unions in the more favoured industries, which enables workers in less advantageously placed industries to improve their position, is made for the sake of the *policy of solidarity*, which is, as already mentioned, a constant factor in trade union policy. This policy of solidarity, which aims at translating into fact the principle of "equal pay for equal work", also finds logical fulfilment in action on behalf of a large group which is often in a less favoured position, namely women workers. As a result of the work of a joint commission set up under an agreement between the S.A.F. and the L.O. in 1951, it was decided in 1960 to omit from the texts of collective agreements all reference to the sex of the wage earners. Moreover, in many cases, with a view to making up for lost ground, women workers had previously obtained greater increases than those of men workers.

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<sup>1</sup> M. STRAND, quoted by T. L. JOHNSTON, op. cit., p. 266, note 2.

<sup>2</sup> M. KUGELBERG; quotation taken from L. LOHSE: "Centralisation of bargaining in Sweden since 1939", in *Monthly Labor Review* (Washington), Nov. 1958, p. 1231.

<sup>3</sup> It is possible that this sacrifice may be compensated at a later stage in negotiations, and in any case as a result of the wage drift, of which more later.

The policy of solidarity has very important consequences as regards the functioning of the economy. It is aimed, as already stated, at fixing the remuneration of workers in relation solely to the nature of their work, without taking into account the particular circumstances of the undertaking employing them. That means that pressure towards the reorganisation or elimination of marginal undertakings, which might otherwise have been able to continue their existence without change if they had paid wages which were lower than normal, will be exerted and strengthened by a process of wage standardisation. That situation is in fact accepted by the employers' central organisation and is generally regarded as a factor likely to maintain the flexibility and dynamic character of the industrial structure.

A corollary of the principle of solidarity is that the part played by the law of supply and demand will be reduced or even, ideally, abolished, as far as wage determination is concerned. The consequences of this are twofold: on the one hand, job evaluation<sup>1</sup> and merit rating play a greater part in the determination of wage structures; on the other hand, recourse is had to procedures other than the differentiation of wage rates to bring about a redistribution of manpower in accordance with the requirements of the economy. This is the task assigned to the active manpower policy.

Let us briefly examine these two points.

*Recourse to job evaluation and merit rating* is now accepted both by the S.A.F. and by the L.O. This attitude is of relatively recent adoption on the part of the central trade union organisation, but for more than ten years systems which have been the subject of agreements between the S.A.F. and the unions have been in force in various industries<sup>2</sup> and even applied at the local level by management and workers jointly. It should also be pointed out that in 1948 a collective agreement on time and motion study was signed by the central organisations, and as a result a joint council was set up to study questions in that field.

*The active manpower policy* has been said to find its justification in the fact that the objective determination of wages should be carried out independently of the particular conditions affecting the firm or industry and solely in consideration of the intrinsic characteristics of the task to be performed by the wage earners. This has two consequences—

- (i) first, the closing down or reorganisation of the less efficient undertakings at a more rapid rate, such undertakings being obliged to dismiss their staff, or finding a change in their manpower require-

<sup>1</sup> It will be noted that, to some extent, job evaluation may lead to the indirect reintroduction of the factor of supply and demand. The scarcity of certain qualifications, or the ability to endure particularly severe working conditions, which are likely to reduce the supply of labour in certain fields, may result in very marked weighting of certain factors affecting the evaluation of a particular job.

<sup>2</sup> Particularly in the engineering industries, steel works, breweries, etc. See T. L. JOHNSTON, *op. cit.*, p. 249.

ments; hence the need to provide for machinery facilitating the integration of the workers in other forms of employment, that is to say, the organisation of the geographical and occupational mobility of labour;

- (ii) secondly, the need for such a policy is rendered still greater by the fact that the objective fixing of wages in relation solely to the work content in theory does away with the part which might be played by wage differences in encouraging the workers spontaneously to adapt the achievements of labour to the needs of the economy; such adaptation will thus have to be facilitated by alternative means.

It will moreover be noted that if the need for an active manpower policy should thus appear to belong to the debit side of the policy of solidarity<sup>1</sup>, recent studies seem to show that in actual fact—which is a justification of that policy—the mobility of labour in response to wage differences would be slight.<sup>2</sup> The existence of differentials other than those justified by the nature of the work done and the extent of the qualifications required would thus largely cease to be justified, and as it is in any case difficult to justify on an ethical basis, its *raison d'être* would disappear completely.

However, the adoption of an average rate of increase of earnings, uniform for all industries, only makes it possible to ensure identical progression of remuneration in all branches of activity; it does not make it possible to remedy inequalities already existing as between branches. That is why the policy of solidarity is in conformity with the provision of the *exceptions* to which reference has more than once been made—in fact, it implies the existence of those exceptions.

The importance of those exceptions is, in practice, relatively slight in terms of absolute value, without however being negligible. For example, between 1956 and 1963, in respect of contractual increases which amounted on the average to 3 per cent. in the sector covered by the S.A.F., the special adjustments for the less-well-paid groups (or “exceptions”) amounted to some 0.5 per cent. (see table I<sup>3</sup> for the years 1960-63).<sup>4</sup>

However, negotiations on this subject have always been a difficult matter: in particular, the determination of the groups whose remuneration is abnormally low is generally a very delicate problem, particularly

<sup>1</sup> In fact, the active manpower policy should not be considered as a real debit. Even if a wage policy did not render it particularly necessary, it would retain all its usefulness as a factor of rapid adaptation of the economy to general evolution.

<sup>2</sup> See, in particular, O.E.C.D.: *Wages and labour mobility* (Paris, 1965), especially pp. 116-118. See also R. MEIDNER: *Svensk arbetsmarknad vid full sysselsättning*, quoted in O.E.C.D.: *The problem of rising prices*, op. cit., p. 415.

<sup>3</sup> The tables appear in the appendix.

<sup>4</sup> Figures quoted by K. O. FAXÉN in “Incomes policy in Sweden: problems and developments”, in *British Journal of Industrial Relations* (London), Nov. 1964, table I, p. 341.

if it is admitted that, in spite of the principle of solidarity, such differences "may" nevertheless be justified as between different branches.<sup>1</sup>

That is why, in 1964, on the occasion of the conclusion of the 1964-65 frame-agreement, a new method of approach to the problem was sought, at any rate for the first year (1964) covered by the agreement: this system is known as the "wage-kitty" system. Under this system, no percentage is specified: the frame-agreement fixes directly, for each branch of activity, the total amount (wage-kitty) which is to be devoted to increasing the earnings of the workers. That amount, which varies according to the fields of activity, in fact corresponded to an average increase of 1.3 per cent. of wages as a whole (taking into account the special wage increases for the less favoured groups). This relatively low level of contractual increase was justified by an appreciable rise in the cost of labour resulting from various legislative measures (improvement of the pensions system, increase in paid holidays).

However, this system, which was introduced as an experiment, was not envisaged for the second year of the frame-agreement (1965). It was not applied in the 1966 agreement.

In one way or another, whether through the recognised system of exceptions, or through that of the "wage-kitty", the question of low-wage groups will continue to call for attention. That is largely due to the phenomenon known as "wage drift", which, although universal, plays a particularly important part in Sweden. This wage drift takes the form of—and is measured by—the increase in earnings which is not due to negotiations. In Sweden, as has been pointed out, negotiations take as a basis the *level of earnings* paid at the time when the previous agreement was in force, and not the *wage rates*; and whereas in many countries new agreements often merely consolidate the increases already obtained, the frame-agreement takes as a basis the actual position already reached, which speeds up the process. Moreover, in the literature on the subject it is customary to regard the term "negotiations" as restrictive, and to take it as meaning only negotiations binding employers' organisations and trade unions. Thus discussions carried on at a lower level—and which cannot be supported by strikes or lockouts—if they result in the payment of wages higher than those implied in the frame-agreement, are causes of a wage drift. Finally, it would appear—and this is a feature which contributes to the wage drift phenomenon—that in spite of the effort, mentioned earlier, to develop improved systems of job evaluation and merit rating, formulas for wages based on output, which are too flexible, often prevail.

<sup>1</sup> For example, a declining sector where the income level was 95 (the average for the economy being 100) would not be regarded as a low-wage sector for that reason alone; on the other hand, if the wage level was only 80, it doubtless would be included in that category. See I. OHLSSON, quoted by K. O. FAXÉN, *op. cit.*, p. 343.



The result is that the wage drift varies enormously from branch to branch, creating disparities which are deplored by both the employers' central organisation and that of the workers (see table II). These organisations in fact endeavour to combat this phenomenon, both by using their influence with those they represent (but that influence can only be limited, as the organisations concerned are voluntary) and by advocating, particularly on the employers' side, an improvement in the efficiency of job evaluation, or, particularly on the workers' side, a wider application of the active manpower policy which may be expected to reduce, through action in respect of the supply of labour in declining sectors, inflationary pressures with regard to remuneration which are such as to distort the wage structure. The frame-agreement of 1966, moreover, envisages an original solution to the problem of distortions in the wage structure caused by uneven drift: for 1967 it provides for measures which will bring into line wages which have drifted less than a given amount (27 öre an hour) corresponding to the average drift expected for 1966.

### **Results**

Wherever possible the results achieved by a particular policy should of course be evaluated in relation to the aims originally set. An attempt was made above to identify the aims in question<sup>1</sup>, when we saw that it was possible as a first approximation to reduce them to two essential elements: (i) to avoid government intervention in wage fixing; and (ii) to apply the principle of solidarity with a view to "objective" determination of the wage structure, this being considered not only equitable but also in accordance with economic development needs.

Evaluation of the results achieved by a wage policy cannot, however, be restricted to these two elements. It should also be seen to what extent the policy, in which the workers' organisations have so decisive a role to play, has affected two variables which, from the workers' point of view are of basic importance in determining the effectiveness of trade union policy, namely the workers' share in the national income and the volume of employment.

### **Non-intervention by government authorities and its implications**

The non-intervention of the government authorities in wage fixing is a recognised fact: the farthest they have gone is to make the occasional statement specifying when or in what circumstances they might be impelled to intervene, and this has certainly tended to put pressure on the parties concerned to reach agreement more easily. But these are very

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<sup>1</sup> See p. [174] above.

indirect forms of intervention, scarcely more direct than those described earlier where the responsible leaders give written or verbal expression to their opinions during or at the start of collective bargaining.

In any event, such non-intervention depends on upholding the public interest, which it is the function of governments to preserve. In the present context this requirement hinges on observance of a certain number of conditions: (i) preservation of social peace; (ii) keeping prices at a level compatible with the general economic equilibrium; and (iii) safeguarding the balance of payments, this also being partly conditioned by domestic price trends as well as by variations in demand, both domestic and foreign.

These various points will be dealt with in turn.

#### SOCIAL PEACE

Sweden is undoubtedly one of the industrialised countries where labour disputes are least acute, this being a permanent feature of the situation. Table III presents three "measurements" of social peace. It shows that, proportionately speaking, that is to say for the same size of labour force, disputes are less numerous, affect fewer workers and last less time on average in Sweden than in France, in the United Kingdom or in the United States. It also shows that this is no isolated phenomenon. In 1963, for example, for one labour dispute in Sweden there were over 20 in France, taking the same number of workers, over 11 in the United Kingdom and over six in the United States; similarly, for one worker in Sweden on strike or affected by a lockout in 1963, there were some 195 in France, over 28 in the United Kingdom and nearly 15 in the United States; for every day lost owing to a dispute in Sweden, there were 50 lost in France, over nine in the United Kingdom and over 36 in the United States.

Taking social peace as the criterion, there can be no doubt that the Swedish experiment is a success. The habit of negotiating at all levels and the methodical study of the economic repercussions of wage trends, undertaken jointly by experts from the employers' and workers' organisations and by leaders of those organisations, in accordance with the procedure described above, are definitely factors which help reason to triumph over emotion, thereby creating a climate conducive to the maintenance of good relations.

#### PRICES

Even in the absence of disputes, the government authorities may consider it their duty to intervene where trade unions' claims are accepted by employers but where the effect on prices is liable to compromise the general economic equilibrium of the nation. It is therefore particularly interesting to examine the repercussions of wage increases on prices.

Table IV shows trends in hourly wage costs in industry for some recent years. The rate of increase seems fairly high, and wage drift appears to play a major role as compared with increases negotiated at the central or industrial level: in this respect wage policy has very clearly gone awry in a manner which tends somewhat to neutralise the effect of frame-agreements. However, the aspect of greatest significance with regard to the effect on prices is not so much the rise in the cost of an hour's work as the rise in item cost. The rise in the hourly wage cost should therefore be related to increases in productivity.

It has been calculated that in recent years productivity per man-hour has increased by an annual average of 6 to 7 per cent.<sup>1</sup> If this figure is related to the 8 to 9 per cent. increase in hourly cost it will be seen that the impact on unit production costs in industry lies around 2 per cent. per year, which is no more than was noted in a number of industrialised countries during the same period. Table V, in particular, which compares trends in productivity and wage costs per unit produced in Sweden and other west European countries, shows that the figures for Sweden are the average for those countries.

Nevertheless, the increase in wage costs frequently accounts directly for only a fraction of the rise in prices: table VI shows that for the four years from 1962 to 1965 the proportion of the rise in prices due to rising wages remained relatively slight.<sup>2</sup>

Thus the impact of wages on costs does not seem in recent years to have been such as to jeopardise price stability, since it can be made accountable for only a limited part of the slight increase which did occur.

The influence of wages on the expansion of final demand is obviously difficult to measure but it has rarely appeared excessive<sup>3</sup>, and it is generally the other economic variables (investment, budgetary expenditure, monetary and fiscal action) that are used in order to keep over-all demand within the limits necessary for economic equilibrium. As an example, when the economy seemed likely to become "overheated" in 1960 and it was considered necessary to take restrictive action in order to prevent excessive expansion of demand, the measures adopted were purely budgetary (reducing public investment outlay), fiscal (instituting a general 4 per cent. turnover tax and raising other tax levels) and monetary (raising the statutory liquidity ratio for banks and the discount rate).

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<sup>1</sup> See O.E.C.D.: *Economic surveys: Sweden* (Paris, Apr. 1965), p. 12.

<sup>2</sup> At the same time, the indirect effect of the rise in wages is greater than might appear at first sight, because it causes the price of agricultural produce to rise also as a result of the Government's policy of parity for agricultural incomes.

<sup>3</sup> Although the increase in wages as a whole may appear rapid (see table VII), the non-centralised negotiations in 1955, which were held at a time when the economy was fully stretched, resulted in considerable wage increases, so much so that the Government considered them excessive and envisaged the imposition of enforced saving with a view to reducing consumer demand by 2 per cent. Finally, however, it was decided to act through monetary policy and to raise the profits tax.

Similarly, the measures envisaged early in 1965 in order to reduce dangerous expansionist pressure in the economy were essentially budgetary and fiscal.

#### THE BALANCE OF PAYMENTS

In a country such as Sweden, whose economy is closely tied to its foreign trade<sup>1</sup>, it is not so much the domestic price pattern as such which counts but rather the behaviour of national prices as compared with foreign prices (competition for exports), as well as the movement in absolute terms of prices for raw materials and imported goods.

Consequently the margin for wage increases expands when prices also rise in other countries for competitive items (exports), and similarly when imported commodity prices decline, whereas the situation is very unfavourable for employees if commodity prices rise on the world market at the same time as export prices fall.

Foreign trade prices do not appear to have moved in such a manner as to allow wage increases to be passed on to other countries, at least in so far as exports are concerned: table VIII, which shows wholesale prices in Sweden and in certain other industrialised countries, reveals considerably higher price increases in Sweden than elsewhere (except in France). Table IX, however, shows very clearly that exports steadily rose during the period with which we are concerned and that they generally increased in terms of value more than did imports.<sup>2</sup> At the beginning of 1965 it was believed that exports were one of the most dynamic elements in the expansion noted in 1964: if ships are excluded, they increased by 16 per cent. in terms of value, the rise in prices accounting for only one-quarter of this percentage, and they were expected to increase by a further 8 per cent. in 1965, with the same proportion due to price increase.<sup>3</sup>

At the same time, the trend in prices for imported goods has frequently been favourable to the balance of trade. In 1960, for example, the rise in wage costs was largely offset by a fall in commodity prices<sup>4</sup>, and by and large the terms of trade have remained stable since 1955.

The point of particular importance here is that it seems impossible to ascribe any particular responsibility to wages in connection with the development of Sweden's foreign trade.

At this stage government non-intervention in wage questions therefore seems perfectly justifiable since from the point of view of social peace, of domestic economic equilibrium and of the balance of payments

<sup>1</sup> Exports of goods and services represented an average of 26 per cent. of the gross national product between 1959 and 1963, whereas the corresponding imports accounted for 27 per cent. over the same period. See O.E.C.D.: *Economic surveys: Sweden*, op. cit.

<sup>2</sup> Except for 1960. Exports and imports dropped in 1958 which was a year of general economic recession.

<sup>3</sup> See O.E.C.D.: *Economic surveys: Sweden*, op. cit., p. 8.

<sup>4</sup> Idem.: *Economic surveys: Sweden* (Paris, Apr. 1962), p. 10.

the policy of employers and workers was not such as to bring about any deterioration in the existing situation. But we still have to consider whether this policy was equally efficient in the establishment of a rational wage structure.

### **The wage structure and the principle of solidarity**

In the earlier comments on the nature and implications of the principle of solidarity it was pointed out that this does not consist of suggesting that all workers should earn the same wage but aims rather to ensure that differences in wages should be justified by differences in the nature or the conditions of work. The wage structure to be attained would therefore be "objective" and equitable. Such a structure would also be rational to the extent that it accelerated the disappearance of marginal undertakings unable to bear the "normal" wage burden and to the extent that it was accompanied by an active manpower policy enabling workers displaced in this process to find new employment without delay and providing expanding industries with the labour they required.

It is difficult to attempt any direct calculation of the extent to which the principle of solidarity has in fact been translated in terms of a policy yielding specific results with regard to the workers' earnings. At the national level this principle has undoubtedly operated and, as already mentioned, has been expressed in two features of central bargaining—

- (i) first, the acceptance of a single mean growth rate for wages, entailing some degree of sacrifice on the part of those employed in the more dynamic industries, to the advantage of those for whom such rates could not have been achieved if they had had to bargain on their own;
- (ii) secondly, the provision of exceptions for workers in the least favourable situations.

Nevertheless, wage drift has undoubtedly sapped the efficiency of these measures adopted at the central level, and it should now be considered whether the impulse emanating from the centre is felt in the outlying areas, that is to say in fixing actual earnings.

If the principle of solidarity is applied, it should have a dual impact—

- (i) first, on the inter-industry wage structure, since workers in occupations that are comparable as regards skills and conditions of work must also be remunerated in a comparable manner;
- (ii) secondly, on the occupational wage structure within each industry, since variation in wages must also be justified by objective differences.

Of course it is a very complicated matter to determine directly whether these differences, both from industry to industry and from occupation to occupation, correspond to the implications of objective job

evaluation.<sup>1</sup> What follows is therefore an attempt to make an indirect evaluation of the extent to which this principle is applied.

#### THE INTER-INDUSTRY WAGE STRUCTURE

Comparison of average earning levels in various branches of activity points to a fairly high degree of stability in Sweden: a recent O.E.C.D. study relating to the period 1952-60 shows the coefficient of correlation between the classification grades for 88 manufacturing trades with regard to the yearly earnings of male and female production workers to be 0.94 between the beginning and the end of the period in question.<sup>2</sup>

Table X, which relates to more recent years, also reveals remarkable stability in the classification of activities according to the average level of remuneration.

In itself this degree of stability has little significance, however: it merely implies the lasting existence of a situation, and it cannot be judged *a priori* whether or not this corresponds to the principle of solidarity. There may even be some doubt regarding the effective application of this principle if it is found that the situation in Sweden is no different from that observed in other industrialised countries which do not claim that the principle of solidarity comes into the business of wage fixing. And in fact the above-quoted O.E.C.D. study analysing variation in remuneration and employment in certain industries in Denmark, Sweden, the United Kingdom and the United States shows that the list of industries where the increase in earnings was above or below the average was practically the same in all four countries.<sup>3</sup>

There therefore seems no *prima facie* case for suggesting that the principle of solidarity has had any particular effect on the inter-industry wage structure in Sweden.

#### THE OCCUPATIONAL WAGE STRUCTURE

It is no less difficult to give any over-all assessment of the way in which the principle of solidarity may have affected the occupational wage structure. Here again, comparative evaluation of skills and earnings would seem the only feasible method of arriving at any well-founded conclusions. It is possible, however, to make a partial analysis by examining in turn: (1) trends in dispersion of wages by industry; (2) trends in women's remuneration as related to men's remuneration; (3) trends in remuneration of salaried employees as related to that of wage earners.

<sup>1</sup> Concerning the difficulties that would be encountered in this respect if the principle of solidarity were strictly applied, see K. O. FAXÉN, *op. cit.*, in particular p. 345.

<sup>2</sup> O.E.C.D.: *Wages and labour mobility*, *op. cit.*, table 2, pp. 26-27.

<sup>3</sup> *Ibid.*, p. 32. For similar observations relating to an earlier period see LEBERGOTT: "Wage structure", in *Review of Economics and Statistics* (Cambridge, Mass.), Nov. 1947.

(1) As regards trends in dispersion of wages by industry, it may be assumed that application of the principle of solidarity should pursue the general aim of bringing the extremes together, that is to say reducing dispersion by eliminating differences that do not appear justified by the conditions of work or the skills demanded. Table XI, however, which covers certain characteristic occupations within various industries, points to a trend in the opposite direction. This suggests that at the level of individual earnings the principle of solidarity has hardly played the part it might have been expected to.

(2) The situation seems more favourable as regards the relative trends in men's and women's remuneration. Table XII indicates that women's earnings have slightly reduced the leeway. The fact that this process intensified after 1960, from the time when the S.A.F. and the L.O. agreed to do away with any reference to sex in collective agreements for a period of five years, makes it reasonable to suppose that the trend in question was at least partly due to application of the wage policy agreed between the major confederations.

(3) Concerning the differences in remuneration between wage earners and salaried employees it is possible to say in general that salaried employees are at a disadvantage, because their earnings cannot be based on output or benefit from the consequent wage drift. This is why salary negotiations conducted between the organisations affiliated to the T.C.O. and the S.A.F. or the Government generally come after the negotiation of rates for wage earners<sup>1</sup>: the concessions granted to production workers are normally taken as the basis for discussion, and the increase rates adopted for salaried employees are generally higher than those for wage earners in order to provide some compensation for the fact that salaries cannot benefit from drift effects. Broadly speaking, salaried employees appear to have upheld their positions since 1950, and table XII shows no marked change in the position in recent years. But it is difficult to attribute this situation to the effects of the policy of solidarity, seeing that salaries are normally fixed through negotiation between the S.A.F. and the organisations affiliated to the T.C.O. rather than between the S.A.F. and the L.O.

This concludes our brief survey of the results attained by wage policy in the light of the aims jointly set by the major organisations of employers and workers. But the success of any policy laid down by a trade union confederation is determined by the support the confederation has from its members. To conclude this attempt to evaluate the situation it would therefore be useful to consider how far recent developments which have occurred with the participation of the L.O. have given the workers the

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<sup>1</sup> There are no frame-agreements between the T.C.O. and the S.A.F.; each of the federations affiliated to the T.C.O. negotiates its own agreement.

satisfaction for which they hoped as regards their share in the national income and as regards the volume of employment.

### **Other objectives of trade union policy**

#### **THE WORKERS' SHARE IN NATIONAL INCOME**

Table XIII shows that the workers' share in national income has grown noticeably in recent years: in fact it has grown more rapidly in Sweden than in any of the other three countries for which figures are quoted.

For the absolute value of the workers' share in national income, the figures quoted show Sweden as coming second, immediately after the United Kingdom. In actual fact, since the data for Sweden are calculated on the basis of the *gross* product and not of national income, which is a *net* figure, the percentage representing wages and salaries is not strictly comparable between Sweden and the other countries: it is artificially depressed, and if it were possible to deduct amortisation rates and thus calculate a net income figure this would be at least comparable to the level quoted for the United Kingdom.

It may therefore be asserted that the advantages enjoyed by the Swedish workers as a result of their bargaining system are very probably at least as great as those derived by workers from the forms of wage determination practised in the other countries quoted in the comparison.

#### **VOLUME OF EMPLOYMENT**

It might be thought that a straightforward theoretical relationship must exist between the wage level and the volume of employment, and that if wages are fixed at excessively high levels, unemployment will inevitably follow. However, the wage levels reached in Sweden do not in fact appear to have had a negative effect on employment. Table XIV shows that the number of unemployed remained comparatively low<sup>1</sup> throughout the period under consideration, and since the end of 1959 the number of offers of employment has in fact been higher than the number of unemployed.<sup>2</sup>

Employment has expanded steadily. It has been limited above all by the exhaustion of manpower reserves, but certainly not by the rise in wage levels. If anything, the cause and effect relationship is the reverse: the relative shortage of manpower and the efforts made by undertakings to retain or increase their staff in expanding sectors is generally held

<sup>1</sup> The figures in table XIV relate only to members of unemployment insurance funds and therefore lie some 10 per cent. below the actual total.

<sup>2</sup> Following correction to eliminate seasonal variation. See O.E.E.C.: *Economic conditions in member and associated countries of the O.E.E.C.* (Paris, June 1961), p. 9.



responsible for the substantial wage drift already noted and analysed above. Table XV suggests a fairly close link between these two phenomena.

None the less, although the employment situation is on the whole satisfactory and no adverse effect can therefore be laid at the door of wage policy in this connection, unemployment does raise certain problems at the regional level: the authorities have been obliged to take action, especially in the north, to maintain the employment level in certain areas but, as already mentioned, they prefer to deal with unemployment through measures aimed at increasing the geographical and occupational mobility of the labour force and not through measures affecting the wage level. That question will therefore not be discussed here.

### Conclusions

Broadly speaking, the assessment of Swedish experience suggested by this rapid analysis is distinctly favourable: with a wage increase rate comparable to the most advantageous for workers in other countries, Sweden has enjoyed greater social peace and has preserved its economic stability and its balance of foreign trade while achieving a rapid growth rate, as shown in table XVI. Moreover, employment has been maintained at a satisfactory level.

It is difficult, however, to establish any definite link connecting all of these favourable findings with the existence and effectiveness of a wage policy. As the author has endeavoured to demonstrate, wage directives coming from the centre and incorporated in frame-agreements have only a limited effect on peripheral behaviour. Wage drift in particular provides evidence of the limited effectiveness of the central instruments for determining and implementing wage policy. It robs central agreements of a good part of their meaning, and is liable to bring disenchantment regarding both the agreements themselves and the signatory organisations, thereby threatening the whole machinery. The difficulties experienced in the bargaining operations conducted in November 1965, with a view to drawing up a new agreement, were attributed by some observers to the adverse consequences of the wage drift.<sup>1</sup>

This does not mean that wage policy has had little or no effect, but it is equally true that wage policy is not enough in itself to explain the

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<sup>1</sup> See "Swedish wages: Alice in Lapland", in *The Economist* (London), 18 Dec. 1965, pp. 1363-1364. The S.A.F. had refused to enter into negotiations over what it considered to be excessive claims by the L.O. (an increase in earnings of over 10 per cent.). The reason why the L.O. made such a claim was that, after it had agreed to a moderate wage increase (2 per cent.) during the 1964 negotiations in view of the pessimistic forecasts regarding the economic future, there was a considerable degree of wage drift (8 per cent.), which practically cancelled out the value of the contractual advantages. For the first time since negotiation had been placed on a centralised footing the transport workers' union, which has a large number of low-paid workers among its members, decided to boycott the central bargaining procedure right from the start of consultation.

favourable experience in Sweden. The most reasonable explanation for the success achieved, and for the very existence of this wage policy, lies in the exceptional national conditions in Sweden: the population is relatively homogeneous, the traditional social climate is well balanced, with a marked preference for co-operation and collective action rather than for ideological conflict, industrialisation came comparatively late in the day and gave rise to industries which were not highly concentrated and generally not urban, and both workers and employers are strongly organised in highly centralised structures conducive to rational negotiation.<sup>1</sup>

Wage policy in Sweden forms part of a wider complex. By empirical means its instruments have gradually been shaped in accordance with the context, of which it is an emanation rather than a conditioning factor. There must therefore be serious doubt as to the feasibility of directly transposing Swedish experience to other contexts.

This does not, however, rule out the possibility of deriving lessons from the example of Sweden, proving as it does that free discussion among the parties concerned can, in a favourable setting, enable social conflict to be avoided without adverse effect on the general interest. It also provides evidence that, even if the application of decisions made at the central level by the employers' and workers' organisations is hampered by resistance from the parties at the industry or enterprise level, these decisions nevertheless retain a certain degree of effectiveness in a system based on voluntary support, when the organisational structures are strong and when the presence of the central organisations is felt even in the outlying areas of negotiation. This is very largely the case in Sweden, and it is perhaps one of the features of the system most deserving of attention.

*(The appendix follows overleaf)*

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<sup>1</sup> See I.L.O.: *The trade union situation in Sweden*, op. cit., and Ch. BUSCH-LÜTY: *Gesamtwirtschaftliche Lohnpolitik* (Basle, Kyklos-Verlag, 1964).

**Appendix: tables**

**TABLE I. S.A.F. SECTOR: CONTRACTUAL INCREASE AND WAGE DRIFT, 1960-63**  
(Percentage increase over the preceding year)

	1960	1961	1962	1963
<b>Contractual increase . . . . .</b>	<b>4.1</b>	<b>3.6</b>	<b>4.5</b>	<b>2.8</b>
<i>including :</i>				
frame-agreements . . . . .	3.4	3.4	3.5	2.5
exceptions . . . . .	0.7	0.2	1.0	0.3
<b>Wage drift . . . . .</b>	<b>3.3</b>	<b>4.4</b>	<b>4.1</b>	<b>4.5</b>

Source: K. O. FAXÉN: "Incomes policy in Sweden: problems and developments", in *British Journal of Industrial Relations* (London), Nov. 1964, p. 341.

**TABLE II. WAGE DRIFT, BY INDUSTRY, 1952-59**  
(Mean annual percentage)

Metallurgy and engineering . . . . .	3.9
Mining . . . . .	3.5
Woodworking . . . . .	2.7
Printing . . . . .	2.2
Food . . . . .	1.5
Drink and tobacco . . . . .	1.3

Source: "La politique des salaires en Suède", in *Notes et études documentaires*, No. 2976, 26 Mar. 1963 (Paris, La documentation française), p. 14.

TABLE III. RELATIVE VOLUME OF LABOUR DISPUTES IN SWEDEN AND CERTAIN OTHER COUNTRIES, 1955-63  
(Sweden = 100 — The figures are weighted in accordance with the labour force in each country)

Year	Number of disputes				Number of workers involved				Number of days lost			
	Sweden	United States <sup>1</sup>	France	United Kingdom <sup>2</sup>	Sweden	United States <sup>1</sup>	France	United Kingdom <sup>2</sup>	Sweden	United States <sup>1</sup>	France	United Kingdom <sup>2</sup>
1955 . .	100	1 070	3 100	1 820	100	3 150	5 750	2 360	100	760	410	322
1956 . .	100	1 420	4 250	3 000	100	5 400	13 700	4 380	100	37 000	7 400	7 000
1957 . .	100	960	3 220	1 800	100	3 830	38 300	11 400	100	1 380	1 620	2 150
1958 . .	100	1 640	2 000	3 580	100	110 000	278 000	84 500	100	7 100	1 590	3 130
1959 . .	100	980	1 900	1 660	100	8 300	15 800	7 150	100	12 900	2 150	3 000
1960 . .	100	480	1 000	1 240	100	3 950	15 100	7 600	100	4 600	1 320	2 230
1961 . .	100	1 580	3 800	3 040	100	46 000	380 000	75 000	100	34 900	25 800	19 600
1962 . .	100	1 620	3 900	3 600	100	1 560	8 700	17 000	100	16 600	8 000	15 800
1963 . .	100	625	2 060	1 170	100	1 480	19 500	2 830	100	3 650	5 000	960

Source: Calculated from I.L.O.: *Year Book of Labour Statistics, 1964* (Geneva, 1965), table 28.

<sup>1</sup> 1955-58: not including Alaska; 1955-59: not including Hawaii or disputes involving less than six workers or lasting less than one day or shift.  
<sup>2</sup> Not including disputes not connected with terms of employment or conditions of labour. Disputes involving less than ten workers or lasting less than one day are not included unless a loss of more than 100 working days is involved.

TABLE IV. HOURLY WAGE COSTS IN INDUSTRY IN SWEDEN, 1960-65  
(Annual percentage increase)

Source of increase	Year					
	1960	1961	1962	1963	1964	1965 <sup>1</sup>
Revision of collective agreements . . . . .	—	3.5	—	3	2	3.5
Wage drift . . . . .	—	5.5	—	3.75	4.5	4
Additional payments by employer . . . . .	—		—	1.75	1.75	1.5
Total . . .	8 to 9 <sup>1</sup>	9	9 <sup>1</sup>	8.5	8.5	9

Source: O.E.E.C.: *Economic conditions in member and associated countries of the O.E.E.C.* (Paris, June 1961), p. 9; O.E.C.D.: *Economic surveys: Sweden* (Paris, Apr. 1962), p. 10; ; *ibid.* Mar. 1964, p. 13; *ibid.* Apr. 1965, p. 12; National Institute of Economic Research (Stockholm): *The Swedish economy, April 1963* (Stockholm, 1963), p. 55.

<sup>1</sup> Estimate.

TABLE V. COMPARISON OF TRENDS IN PRODUCTIVITY AND UNIT WAGE COSTS IN INDUSTRY IN SWEDEN AND IN CERTAIN OTHER INDUSTRIALISED COUNTRIES, 1958-64

(Index numbers, previous year or half-year = 100)

		1958	1959	1960	1961	1962		1963		1964	
						1st half	2nd half	1st half	2nd half	1st half	2nd half
Sweden:											
	O	105	105	102	103	102	105	105	104	105	109
	W	101	99	105	106	103	104	104	104	101	98
France:											
	O	105	106	109	104	106	105	101	104	110	102
	W	107	100	99	104	102	104	108	105	98	105
Federal Republic of Germany:											
	O	105	108	108	105	106	108	105	107	110	108
	W	101	98	102	107	106	102	102	101	98	101
United Kingdom:											
	O	100	107	104	100	100	103	104	106	107	103
	W	104	98	103	106	103	100	99	99	100	103

Source: United Nations: *Economic survey of Europe in 1961* (Geneva, 1962), Chapter I, table 11, and *Economic survey of Europe in 1964* (Geneva, 1965), Chapter II, table 10.

O = Output per man-hour (per worker in the case of the United Kingdom).

W = Wage costs (per unit produced).

TABLE VI. IMPACT OF WAGE COSTS ON RETAIL PRICES, 1962-65  
(Percentage increase in the course of the year)

	1962	1963	1964	1965
Impact of wage costs on price fixing in sectors protected against foreign competition . . . . .	2.2	1.1	1.5	1.7
Total variation . . . . .	5.0	3.4	3.8	5.8

Source: O.E.C.D.: *Economic surveys : Sweden* (Paris, Apr. 1965), p. 13.

Note: The substantial variation in 1962 and 1965 is due essentially to the effect of fiscal measures.

TABLE VII. OVER-ALL GROWTH OF WAGES IN SWEDEN AND IN CERTAIN OTHER INDUSTRIALISED COUNTRIES, 1957-65  
(Percentage increase over the previous year)

Year	Sweden	United States	France	United Kingdom
1957 . . . . .	7.5	5.5	12	5.5
1958 . . . . .	4.5	0.5	15	4
1959 . . . . .	4.5	8.5	10.5	4.5
1960 . . . . .	11	5.5	9.5	7.5
1961 . . . . .	10.5	3	11	8
1962 . . . . .	11.5	7	11.5	5
1963 . . . . .	8	—	—	—
1964 . . . . .	8.5	—	—	—
1965 . . . . .	8.5	—	—	—

Source: Calculated from I.L.O.: *Year Book of Labour Statistics, 1964* (Geneva, 1965); O.E.C.D.: *Economic surveys : Sweden* (Paris, Apr. 1965), p. 12; National Institute of Economic Research; and the revised national budget for 1965.

TABLE VIII. WHOLESALE PRICE INDICES IN SWEDEN AND IN CERTAIN OTHER INDUSTRIALISED COUNTRIES, 1956-63  
(1958 = 100)

Year	Sweden	Federal Republic of Germany	United States	France	United Kingdom
1956	101	99	96	85	106
1957	102	100	99	90	107
1958	100	100	100	100	100
1959	100	99	100	105	101
1960	103	100	100	107	101
1961	105	102	100	110	100
1962	107	103	100	113	100
1963	110	104	100	117	102

Source: I.L.O.: *Year Book of Labour Statistics*, 1964 (Geneva, 1965).

TABLE IX. SWEDEN: FOREIGN TRADE (IN TERMS OF VALUE), 1956-63

Year	Imports (cost, insurance, freight)		Exports (free on board)		Terms of trade
	Value (in millions of crowns)	Percentage variation	Value (in millions of crowns)	Percentage variation	
1956	952	—	837	—	99
1957	1 046	+ 9.3	924	+ 10.4	96
1958	1 021	— 2.4	901	— 2.5	100
1959	1 037	+ 1.6	951	+ 5.5	100
1960	1 241	+ 19.7	1 107	+ 16.4	102
1961	1 260	+ 1.5	1 181	+ 6.7	102
1962	1 343	+ 6.6	1 261	+ 6.8	100
1963	1 462	+ 8.9	1 381	+ 9.5	100

Source: O.E.C.D.: *General Statistics* (Paris), Nov. 1964.

TABLE X. CLASSIFICATION OF MANUFACTURING ACTIVITIES ACCORDING TO AVERAGE HOURLY EARNINGS IN SWEDEN, 1956-63

*(Adult male worker, öre earned; the figure in parentheses indicates the rank occupied by the particular activity in the year concerned)*

Year	Mining	Glassworks, quarries and assimilated activities	Metal trades	Food industries	Drinks and tobacco	Wood- working	Pulp and paper	Printing and assimilated trades	Textiles and clothing	Leather and skins, rubber	Chemical industry
1956 . . .	629 (1)	466 (7)	527 (3)	450 (9)	462 (8)	448 (10)	505 (4)	553 (2)	433 (11)	474 (6)	503 (5)
1957 . . .	673 (1)	496 (7)	558 (3)	475 (9)	481 (8)	475 (9)	531 (4)	584 (2)	456 (11)	504 (6)	530 (5)
1958 . . .	712 (1)	526 (7)	595 (3)	505 (8)	505 (8)	505 (8)	554 (4)	619 (2)	482 (11)	533 (6)	554 (4)
1959 . . .	748 (1)	551 (7)	621 (3)	532 (9)	536 (8)	532 (9)	579 (4)	646 (2)	502 (11)	556 (6)	574 (5)
1960 . . .	797 (1)	598 (6)	658 (3)	568 (9)	585 (8)	567 (10)	625 (4)	692 (2)	533 (11)	596 (7)	610 (5)
1961 . . .	857 (1)	644 (6)	710 (3)	615 (9)	635 (8)	611 (10)	669 (4)	758 (2)	582 (11)	642 (7)	655 (5)
1962 . . .	899 (1)	706 (5)	767 (3)	690 (9)	701 (7)	666 (10)	710 (4)	827 (2)	642 (11)	697 (8)	704 (6)
1963 . . .	954 (1)	759 (4)	819 (3)	751 (6)	748 (9)	719 (10)	758 (5)	898 (2)	688 (11)	750 (7)	749 (8)

Source: *Statistik Årsbok 1953-1964* and *Statistika Meddelanden*, Nr. Am. 1964: 38.



TABLE XI. HOURLY EARNINGS OF ADULT WORKERS IN CERTAIN OCCUPATIONS (MALMÖ)

Industry and occupation	October 1956		October 1960		October 1964	
	Earnings (crowns)	Ratio of $\frac{a}{b}$	Earnings (crowns)	Ratio of $\frac{a}{b}$	Earnings (crowns)	Ratio of $\frac{a}{b}$
<i>Coal mining:</i>						
(a) Coal hewers (underground) . . . . .	5.68	1.30	7.52	1.38	11.20	1.57
(b) Helpers, loaders (underground) . . . . .	4.38		5.43		7.14	
<i>Manufacture of textiles:</i>						
(a) Loom fixers (tuners) . . . . .	5.22	1.38	6.50	1.33	9.15	1.35
(b) Labourers (unskilled) . . . . .	3.78		4.90		6.80	
<i>Printing and publication:</i>						
(a) Machine compositors . . . . .	5.18	1.15	6.41	1.17	9.18	1.24
(b) Labourers (unskilled) . . . . .	4.50		5.47		7.39	
<i>Iron and steel basic industries:</i>						
(a) Melters . . . . .	5.70	1.19	7.60	1.22	10.54	1.28
(b) Labourers (unskilled) . . . . .	4.77		6.24		8.24	
<i>Manufacture of machinery:</i>						
(a) Fitters (assemblers) . . . . .	5.36	1.27	6.86	1.15	9.18	1.19
(b) Labourers (unskilled) . . . . .	4.21		5.94		7.74	
<i>Construction:</i>						
(a) Carpenters . . . . .	7.22	1.22	9.60	1.14	13.68	1.29
(b) Labourers (unskilled) . . . . .	5.90		8.40		10.58	

Source: *International Labour Review*, Vol. LXXVII, No. 1, July 1957, and Vol. LXXXIV, Nos. 1-2, July-Aug. 1961, Statistical supplements; *Bulletin of Labour Statistics* (Geneva, I.L.O.), 1965, second quarter.

## Wages Policy in Sweden

TABLE XII. COMPARISON OF MEN'S AND WOMEN'S EARNINGS, 1957-63 <sup>1</sup>  
(1959=100)

Workers	1957	1958	1959	1960	1961	1962	1963
<i>Wage earners in mining and manufacturing industries :</i>							
Male . . . . .	90	95	100	107	115	125	133
Female . . . . .	90	96	100	107	115	128	140
<i>Salaried employees in mining and manufacturing industries :</i>							
Male . . . . .	91	96	100	106	119	127	135
Female . . . . .	92	96	100	105	116	126	134
<i>Salaried employees in wholesale and retail commerce :</i>							
Male . . . . .	90	95	100	108	117	125	—
Female . . . . .	92	97	100	106	113	125	—
<i>Sales staff in wholesale and retail commerce :</i>							
Male . . . . .	95	97	100	109	117	128	—
Female . . . . .	93	96	100	106	113	132	—
<i>Wage earners in public sector covered by collective agreements :</i>							
Male . . . . .	90	96	100	108	117	128	138
Female . . . . .	91	97	100	107	115	125	140

Source: National Institute of Economic Research, and the revised national budget for 1965.

<sup>1</sup> Average hourly earnings for wage earners; average monthly salary for other groups.

TABLE XIII. COMPARISON OF THE WORKERS' SHARE IN NATIONAL INCOME IN SWEDEN AND IN CERTAIN OTHER INDUSTRIALISED COUNTRIES, 1956-62

Year	Sweden <sup>1</sup>	Federal Republic of Germany	France	United Kingdom
1956 . . . . .	65.0	59.5	59.0	73.0
1957 . . . . .	65.0	59.7	59.1	73.2
1958 . . . . .	65.4	60.5	59.0	72.8
1959 . . . . .	64.6	60.2	59.5	73.0
1960 . . . . .	66.7	60.8	58.3	73.7
1961 . . . . .	67.7	62.4	60.3	74.5
1962 . . . . .	70.5	63.7	60.6	75.4

Source: I.L.O.: *Year Book of Labour Statistics*, 1964 (Geneva, 1965), table 19.

<sup>1</sup> For Sweden, gross national product at factor cost; for the other countries, national income.

TABLE XIV. GENERAL LEVEL OF UNEMPLOYMENT,  
1956-64 <sup>1</sup>

Year	Number of unemployed		Offers of employment unfilled <sup>2</sup>
	In absolute terms	As percentage of the corresponding active population	
1956 . . . . .	19 120	1.7	—
1957 . . . . .	23 472	1.9	—
1958 . . . . .	31 694	2.5	—
1959 . . . . .	26 529	2.0	—
1960 . . . . .	18 884	1.4	—
1961 . . . . .	16 611	1.2	46 500
1962 . . . . .	18 644	1.3	44 000
1963 . . . . .	20 060	1.4	49 000
1964 . . . . .	17 000	1.2	55 000

Source: *Bulletin of Labour Statistics*, 1965, first quarter, p. 26; National Institute of Economic Research (Stockholm); and the revised national budget for 1965.

<sup>1</sup> Members of unemployment insurance funds registered as unemployed. <sup>2</sup> Annual averages for monthly data.

TABLE XV. COMPARISON OF WAGE DRIFT AND  
UNFILLED VACANCIES IN MINING AND IN MANUFACTURING  
INDUSTRY, 1956-64

(Wage earners ; percentage variation from November to November)

Year	Wage drift	Index of unfilled vacancies <sup>1</sup>
1956 . . . . .	3.6	103
1957 . . . . .	2.8	85
1958 . . . . .	2.0	70
1959 . . . . .	2.5	83
1960 . . . . .	4.4	123
1961 . . . . .	3.4	141
1962 . . . . .	2.9	132
1963 . . . . .	4.4	148
1964 . . . . .	—	165

Source: O.E.C.D.: *The problem of rising prices* (Paris, 1961), p. 400; and National Institute of Economic Research (Stockholm).

<sup>1</sup> 1953-58=100.

TABLE XVI. EXPANSION OF THE ECONOMY, 1956-62

Year	Gross national product (current prices) <sup>1</sup>	Wholesale price index <sup>2</sup>	Gross national product (constant prices) <sup>1</sup>	Annual growth rate
				%
1956 . . . . .	45 122	101	44 675	—
1957 . . . . .	48 496	102	47 545	6.42
1958 . . . . .	50 466	100	50 466	6.15
1959 . . . . .	53 293	100	53 293	5.60
1960 . . . . .	57 360	103	55 689	4.49
1961 . . . . .	62 448	105	59 474	6.76
1962 . . . . .	66 812	107	62 441	4.99

Source: I.L.O.: *Year Book of Labour Statistics*, 1964 (Geneva, 1965).

<sup>1</sup> Millions of crowns.

<sup>2</sup> 1958=100.