Written by Stefan Löfven
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"It is not acceptable to have a situation where industrial workers once again have to pay the bill for the crisis", writes Stefan Löfven, President of the Swedish industrial workers' union IF Metall, ahead of the negotiations on new national collective agreements.

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Sweden economy and labor market is facing deep crisis, perhaps the worst situation since the 1930s. Industrial workers have paid a high price for the crisis, both in terms of unemployment and increased job insecurity. Today, more than 60,000 of the IF Metall members are without jobs – representing about one fifth of our membership.

The past year IF Metall has repeatedly made proposals to strengthen the industrial workers for the future and make it easier for Swedish industry to cope with the worst crisis. The government has listened, but not taken any action. Their drastic deterioration of the unemployment insurance system has not made the situation any easier. Since the government has made no effort, IF Metall was forced to take matters into our own hands - we signed a Special Framework Agreement on shorter working time with our bigger national employer organizations.

The Special Framework Agreement became a tool that gave the local parties the possibility to negotiate about shorter working time in order to avoid layoffs and to keep the competence within the company and help maintaining the competitiveness of Swedish industry. By this, viable companies were given a chance to survive, and many industrial workers the opportunity to keep their jobs. IF Metall took responsibility and we rescued about twelve thousand jobs by this agreement.

Very soon there is a new year, with new challenges ahead. Despite some positive signs on a change for the better in several industry sectors, the labor market situation is serious. The unemployment rate in the industry will likely continue to increase, although at a slightly slower pace than before.

In this exceptionally difficult situation IF Metall and national employers' organizations will start negotiations on new national collective agreements which determines wages and working conditions for nearly 300,000 industrial workers. The unstable economic development indicates shorter national agreement duration. At the same time, agreement duration is always dependent on the total content of a settlement.

The employers claim that there is no room at all for pay increases next year. They try to take advantage of the economic crisis to weaken the working conditions. The industrial workers, on the contrary, did not abuse the economic boom during the last bargaining round. Instead, we took responsibility. As workers we know very well that a sustainable wage formation is favorable for us, as well as it is for the rest of the society and the companies. This is a fact and confirmed not least by the national agreements made within the Industrial Agreement, which is a twelve years cooperation work between employers and trade unions within the industry.

Despite the crisis, IF Metall claims that there is room for a real wage increase in our national collective agreements, even if it is during a short-term to a limited extent. Neither sharp wage increase nor very low increases would be good for consumption, production or employment. The National Institute of Economic Research makes a similar estimation.

The Swedish national collective agreement structure allow for the local parties themselves to negotiate on the allocation of the national agreement. This structure provides a high level of flexibility and ability to adapt to local situation.

The fundament of our collective agreement demands is to achieve a real wage increase, decrease unemployment rate and improve the companies' competitiveness. Temporary changes of exchange rates, interest rates and inflation are very unstable elements to base a wage formation on, and therefore not taken into account when forming the demands. Such a consideration would increase the instability further. We assume that our National bank Sveriges Riksbank will keep its inflation target around two percent. As we now, the financial crisis is first and foremost caused by a lack of demand, and therefore a reasonable wage increase will instead help maintaining the demand of products.

Therefore, in mid-December when we are to submit our various collective agreement requirements to the employers, our wage demands will be on a level that is both responsible and also serves to strengthen the long-term purchasing power of the union members.

Another assumption is that the industry, which is the core of sectors exposed to international competition, continues to be wage standard for the rest of the labor market.

Sweden is a small country with big international dependence. The value of Swedish exports represents about 50 percent of gross national product, GNP. Industry accounts for about 75 percent of exports and including the industry related services, the figure is even higher. Thus, the Swedish welfare largely depends on how well the industry can compete on markets that are exposed to international competition, both in Sweden and abroad.

Within the sector exposed to international competition, companies have little opportunity to lay the costs on others. This implies a restriction on wage-increase. Therefore, we believe that the labor market parties within the industry should be the first to agree on which national wage space that would be most favorable in the long-term for employees, business and society. This space should then serve as a standard for the rest of the Swedish labor market.

To abandon a national wage standard is the same as starting a continuous climb at local and central level, with agreements to outdo each other. Those who receive the minimum wage will then enter into the next national bargaining round with compensation requirements. Such a situation is neither desirable nor acceptable.

Nor is it acceptable to have a situation where industrial workers - who have already taken a great responsibility and through the Special Agreement helped out the companies, and in some cases, also postponed wage increase - once again have to pay the bill for the crisis.

Stefan Löfven
President, trade union IF Metall

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