Chapter 1.
Power over, within and through institutions

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Power is often in focus in investigations undertaken from a political science perspective. As contributions to this book show, this is also the case when political scientists study the labour market. The outcomes of power struggles are, of course, dependent on ‘the rules of the game’, or what is now usually called the design of institutions. This volume considers struggles over institutional design, how conflicts and cooperation occur within institutions, and how some institutions may disable or enable actors within industrial relations regimes.

Power over institutions: wage negotiation, equality and corporatism

There has been a renewed interest in institutions since the 1980s, within both social science in general and political science in particular. In most studies, institutional differences are used as an explanation for some variation of interest to the researcher. Expressions such as ‘institutions matter’ or ‘rediscovering institutions’ are frequently employed to insist on the importance of political or economic arrangements as determinants of behaviours and various social phenomena (Rothstein, 1998, p. 139ff). The same trend is evident among economists, where we find a growing interest in the effects of political institutions on economic policy and public finance, thus enabling talk of a ‘new political economy’ (Persson, 2002; Persson et al., 2000; Gilles, 2000). Within the sphere of industrial relations, such development is reflected in a growing body of literature concerned with the importance of bargaining systems. Most studies in this arena take institutions as given, and focus on variation on one or another measure of welfare. The discussion emanating from Calmfors’ and Driffield’s (1988) study of the effects of unemployment and inflation provides a good example.

Such endeavour seems to be both reasonable and fruitful. Institutions are, by definition, enduring entities that demarcate, restrict and enable human action. Therefore, the existence of a certain institution can have tremendous implications for the behaviours of the actors concerned, and also has great social, economic and political effects.

But, at the same time, even though institutions are stable, they are chosen by humans in the first instance; they exist only for so long as they are accepted by the majority, and they do change from time to time. From a rationalistic perspective, it is obvious that agents prefer rules that favour their interests, and therefore
try to change the rules accordingly. We can talk about institutional design, which puts power at the centre of analysis. As Rothstein (1998, p. 153) puts it, ‘powerful agents will try … to change “the rules of the game” in ways which they believe will serve their interests in retaining and extending that power’. Thus, whether agents, in line with their interests, choose to stick to an existing institution or try to change it can be explained by their capacity and willingness to do so.

Analysis from another perspective regards the remarkable stability of institutions as proof of path dependency. The most powerful explanation of an institution lies in earlier choices, rather than in rational actors’ deliberations over costs and benefits. The interests of actors are not exogenous to institutions; rather, actors define their views on who they are and what they want within existing institutions. As soon as an institution has come into existence, it seems to be self-reinforcing in that it influences the interests and preferences of the actors involved: ‘the probability of one outcome rather than another … increases with each “step down the path” after an initial event’ (Wood, 2001, p. 375). So, even if the reason for setting up an institution in the first place has gone, there is a strong tendency for the institution to endure.

Three contributions to this volume – Lindgren in Chapter 2, Bergqvist in Chapter 3, and Johansson in Chapter 4 – focus on the crucial question of institutional change within the sphere of industrial relations, and also confront the above-mentioned perspectives on how this can be explained.

In Chapter 2, Explaining wage coordination, Karl-Oskar Lindgren poses the fundamental question of why wage bargaining is coordinated in some countries but not in others. He carries out his analysis on data for 20 OECD countries over the period 1970-1998. Coordination within wage bargaining is, on this analysis, identical to voluntarily arranged wage synchronisation, in that it takes the form of centralised or pattern-setting bargaining. Lindgren tests three different hypotheses, of which the first two are neatly derived from an iterated prisoner’s dilemma game model. First, can coordination be explained by what is called ability to enforce agreements? Second, can it be explained by incentives to coordinate, referred to as factors that enhance willingness? Third, can national variation be explained by previous choices? Are the institutions first and foremost path dependent?

Lindgren shows convincingly, and rather surprisingly, that path dependency does not have the importance widely ascribed to it. Unlike most case studies that emphasise the significance of sticky institutions, Lindgren is able to distinguish between country specific factors in general and past experiences proper. But, however he measures path dependency – by most recent choice, by full history of choices, or by recent continuous duration of coordination or non-coordination – the factor performs badly. With regard to ability and willingness, the results are somewhat mixed. Both are important determinants in general, but only some of
the included factors show significant associations. From looking closer at the various factors, it becomes clear that coordination is linked to the factors that enhance union strength. There is coordination where unions are concentrated, where union density is high, where there is a peace obligation, and where countries have high trade openness. Generally speaking, rationalist accounts of institutional design, which emphasise actors’ powers, are far more promising as explanations than their sociological counterparts.

Further, following the logic of institutional complementarity and increasing return, the existence of institutions within one sphere seems to strengthen the possibility of complementary institutions in other spheres. Accordingly, it is possible differentially to cluster countries along dimensions that distinguish coordinated from liberal market economies. However sticky, they are still human constructions. Over time, institutions and human actors interact and shape the political landscape in distinct ways. Political struggle, followed by the creation of new political institutions, reinforces and empowers certain social and political forces, which then obtain political weight as time goes by. This is clearly shown in Chapter 3, *Gender equality politics: ideas and strategies*, where Christina Bergqvist explains the development of the distinct, so-called ‘social democratic model’ of gender equality in Sweden.

In the Nordic welfare model the basic household unit is the individual, rather than the family as is traditional in continental Europe. Rejecting the male-breadwinner norm, the Swedish model is based on the idea that both women and men are full members of the labour force, and also share responsibility for domestic tasks. The Swedish gender equality model can be traced back to the 1970s when three crucial reforms were introduced, concerning individual taxation, public childcare expansion, and gender-neutral parental leave insurance.

In other comparative studies of this phenomenon, it has been argued that Sweden has acquired a women-friendly policy without feminists. That prevailing policies benefit women is looked upon as a byproduct of general welfare and economic policies, which are the product of an extraordinarily strong working class in political power. However, by contrast with the explanations that emphasise class structure and social democratic power, Bergqvist convincingly demonstrates the importance of the mobilisation of women’s organisations, especially within the Swedish Parliament, as a driving force. She focuses particularly on the political development of parental leave insurance, from the 1970s when the reform was introduced to the late 1990s when the so-called ‘daddy month’ (where a part of the insurance became strictly coupled to the father) came into force. At all stages, women played crucial roles in debates and behind proposals, within parties in general and in the Social Democratic Party in particular, and as ministers and on parliamentary committees. However, in the debate over the ‘daddy month’, the Liberal Party and feminist men came to play a more prominent role. The key institutional factor was the extraordinarily high representation
of women in the political parties and in the parliament, which offered an important platform for women’s political action. The exceptionally strong political position of women was crucial to implementing the reforms. Hence, in alliance with empathetic and influential men, women managed to change the rules of the game, ie to design new institutions.

Of particular institutional importance for Swedish politics has been the corporatist system. This has entailed arrangements whereby labour market actors have been important participants in political decision-making. In this respect, Sweden has been a role model for social dialogue over most of the 20th century. In the early 1900s, union leaders and leaders of the powerful Swedish employers’ organisation were appointed as members of the government agency boards that handled ‘the labour question’. From then on, representatives of the social partners became, by default, members of all important government agency boards (Rothstein, 1992). Hence, public policy in Sweden was the result of compromises, to a large extent involving the social partners, and governance of the Swedish labour market was exclusively left to them. Industrial relations have been predominantly regulated by collective agreements between unions and employers. Basic labour laws have been prepared in social dialogue within national government commissions. Further, these laws have been implemented within the confines of an elaborate social dialogue held in the shadow of the Swedish Labour Court, where the social partners appoint a majority of judges. For many years, researchers, politicians and the social partners agreed that such highly institutionalised dialogue mitigated conflicts, and that the consensus emanating from the process was efficient for Swedish enterprise and society.

In recent decades, however, the social dialogue has come under severe strain. Most importantly, the employers’ organisation, dissatisfied with the outcome of the dialogue, withdrew all its representatives from government agency boards. This prompted the Swedish Government totally to decorporatise the boards, eventually leading the unions also to lose their seats on them.

In Chapter 4, Undermining corporatism, Joakim Johansson examines whether the decision by the Swedish Confederation of Employers (SAF) unilaterally to withdraw from government agency boards was nothing but a passive reaction to changes in the organisation’s political environment (as some have claimed), or whether it was a well-considered and far-sighted decision to change prevailing power relations in Swedish politics. Based on unique private archives and interviews, he shows convincingly that persons within SAF acted extremely rationally (see his doctoral thesis for further evidence). In fact, they acted almost as the ideal-typical rational man, who – after decades of attacks from researchers with a non-rational perspective – is often, and defensively, regarded as ‘straw man’. SAF analysed the state of affairs, defined a strategic far-sighted goal, considered several alternative means, pondered upon their opponents’ conceivable counter-reactions, and finally acted on the basis of these considerations. The organi-
sation’s actions were designed to change the prevailing ‘rules of the game’ in order to strengthen its power, especially vis-à-vis the unions. In terms of content, SAF came to the conclusion that the government agency boards were important centres of power. However, their own organisation did not gain anything from participating; they were ‘hostages to fortune’ within the system, and – albeit unintentionally – legitimised policies of which they did not approve. Consequently, persons within the organisation became convinced that organised employers would gain more by lobbying from outside then being within the system, and succeeded in pushing the organisation in that direction.

The decision to decorporatise the government agencies was, at least symbolically, a very important element in the transition of the Swedish model. But, there have been other important changes as well. The wage negotiation system has changed from being highly centralised to one that is less centralised, although still coordinated. Even the widely supported Labour Court has been criticised, and proposals have been raised in political debate that the social partners should no longer be entitled to appoint judges. Such changes and proposed changes raise a lot questions that have to be answered elsewhere. Is there still a social dialogue in Sweden? Is what remains of the dialogue deliberative or confrontational? What are the effects on consensus and trust between the social partners in forthcoming situations? We have some preliminary answers. Formal participation in government agency boards has declined, but the social partners still participate in public policy-making to a considerable extent (Hermansson et al., 1999; Svensson and Öberg, 2002). Dialogue within government agency boards used to have the character of rational deliberation (Öberg, 2002). Nowadays, decorporatised agencies are still regarded as the most deliberative actors, but the social partners do not think that their opponents listen to and reflect on each others’ arguments to the same extent as previously (Öberg and Svensson, 2002). Much more research is needed to understand how the current Swedish model is working? But, how exclusively Swedish is the model? Indeed, in times of European harmonisation, is it still a distinguishable model?

**Power within institutions: cleavages and coordination**

To understand Swedish politics, particularly the development of the Swedish welfare system over the last century, account has to be taken of the profound cleavage between business and wage earners. Both capitalists and workers have been encompassed by centralised, cohesive interest organisations, which has generated deep conflicts in society, but also made trustworthy compromises possible. The impact of this has not been on labour market politics alone. Business and liberal/conservative parties on the one hand, and wage earners and social democrats on the other, have constituted two antagonistic alliances for more than a hundred years. Ever since the antagonism between these two forces
developed, it has totally dominated Swedish political life. The main issues in political debate have been connected with disputes over the regulation of private enterprise, and the electorate has – more distinctly than in most other countries – been arrayed on a single left-right continuum (Lewin, 1967; Oscarsson, 1998).

A major change in this respect would, of course, bring about thoroughgoing changes in Swedish politics. If new cleavages were to overshadow the old, we would see alliances between former contenders; further, historical compromises between antagonistic but predictable organisations would be less solid or even dissolve. Hence, it is important to obtain in-depth knowledge of the development of political cleavages, especially between business and wage earners, not only to be able to understand Sweden’s political history but also to be prepared to meet possible changes in the future.

Is there any reason to believe that change is on its way? Yes, this seems to be the case. As Kåre Vernby shows in Chapter 5, *Classes, sectors and political cleavages*, several influential students of European and Swedish politics have argued that the cohesiveness of business and union interests has been overestimated, and that other cleavages, which cut across class lines, are at least as important as the one that divides business and wage earners. However, such propositions have not so far received reliable empirical support. From other studies, we know for certain, when it comes to voters’ perceptions of distances between the Swedish political parties, that the most important dimension by far is still left-right, although this has decreased somewhat over the last 20 years (Oscarsson, 1998). But voters’ perceptions of political space might lag behind the actual development of relationships between the parties to the labour market. This makes Vernby’s contribution both interesting and important.

On the basis of a unique dataset, assembled by the author himself, which covers the positions of the most important organisations on the Swedish labour market with regard to a great number of issues, Vernby is able to show that cleavages between the current actors on the labour market may be described on just two dimensions. The most important is still the old one between business and unions. Hence, the political positions of actors on the labour market in Sweden are still largely explained by reference to the social classes they represent. But there is also a significant dimension that represents a cleavage between organisations belonging to the exposed and sheltered sectors (industry and services, respectively). There are certain issues that clearly cut across class lines, where cross-class alliances are possible and indeed already existent.

Vernby’s conclusions may be interpreted in two ways. **On the one hand**, they indicate that we should not place too much stress on change. As long as there is a clear division on important issues between organised business and unions, there is no reason to expect any transformation in the relations of power within or between confederations. Indeed, Vernby’s results may be yet another indication that the peak organisations in Sweden are still very powerful (cf Chapter 6). **On**
The other, we have to be careful not to over-emphasise stability. Although the old cleavage still dominates politics in the industrial relations sphere, there is a significant dimension uniting organised business and unions in the industrial sector, whereas there are cross-class alliances between organisations in the service sector. If the strength of these alliances is growing over time, we might well see some radical changes in Swedish politics in the future.

Hence, how actors within an industrial relations regime coordinate their contending interests, in alliances or in less formalised cooperation, is decisive to the outcome of power struggles. But, despite the growing literature on the coordination of economic actors in research on political economy, it is very seldom specified how such coordination works. Svensson and Öberg make a contribution to remedying this deficiency in Chapter 6, entitled Power and trust: the mechanisms of cooperation.

A well-organised economy is crucial to all nations’ wealth and welfare, which means that actors in the economy must be able to handle conflicting interests without too high a cost. Numerous institutions are at hand to manage this. These institutions produce informal relations of power and trust, where some actors are perceived by others to be very powerful and/or trustworthy. Since there are a lot of actors involved in the industrial relations system, with different relationships of power and trust between them, the whole system can be described as a complicated web of actors who are connected because one has power over the other, or because one trusts or distrusts the other. Svensson and Öberg argue that coordination is dependent on how these patterns appear within any specific industrial relations regime.

Svensson and Öberg specify five ideal-typical patterns of coordination, which differ according to the density of relations. Further, if actors are divided into different groups, it is the important ones that hold them together, ie they bridge relations – in this case of power or of trust – between the separate groups. By applying social network analysis, the authors are able to show which of these patterns provides the best descriptive approximation of industrial relations in Sweden. They also pinpoint the actors who take up the position of bridging power or trust between separate groups.

In substance, Svensson’s and Öberg’s results contradict the claim that there has been radical change in Swedish industrial relations. Despite changes in wage negotiation systems and representation on government agency boards, the government (ministries) and the national confederations of unions and employers are still powerful. However, other actors, especially unions in one and the same sector, act as bridges within the system.

The Labour Court has an outstanding position as the most trusted actor, and is also the one best able to bridge trust between contending parties. It is shown that a formal institution with finely tuned rules, accepted by the parties concerned, can bridge trust between actors who otherwise do not trust each other. Hence, in
order to understand relations of trust – as well as relations of power – it is not only direct unilateral relationships that should be taken into account, but also the whole pattern of direct and indirect links between all the important actors.

**Power through institutions: production regimes, employment and EU membership**

Sometimes, politicians advocate simplicity. Maybe to find scapegoats, they walk hand in hand with scientists in striving for general and simple explanations. In Chapter 7, *Organised labour and varieties of capitalism*, Sven Oskarsson challenges a tenacious myth that seems to have the lives of a cat. This concerns the supposed detrimental effects of economic globalisation. Socioeconomic change across the industrial world is said to have brought about increased economic interdependence and increasing capital movements across borders. Several factors are jointly working in the same direction. Competition for investment capital and markets, growing competition from low-wage countries, technological change biased toward skilled workers, increased exit options for capital are all changes that are supposed to have weakened redistributive policies and organised labour. They result in a convergence towards political and economic institutions of a market-liberal type. At least, so the story goes!

Oskarsson, however, convincingly demonstrates that this commonly held belief is plainly not correct. Data on strike activity, union density and wage-inequality levels not only contradict the convergence hypothesis but also lend support to the opposite scenario, namely that the strength of organised labour across the western world over the last decades is clearly characterised by divergence. In a brilliant analysis, he also explains the nature of this divergence. Using Hall’s and Soskice’s (2001) theoretical framework, ‘Varieties of Capitalism’, he shows that the effects of the common forces of globalisation are contingent on specific production regimes. Different institutional settings in coordinated countries (such as Sweden) and liberal market countries (with economies like the US and the UK) condition the pressures for change. In liberal market economies, pressures for change will determine the fate of organised labour. In coordinated economies, by contrast, institutional constraints will insulate the actors from these forces, and the trends in union density and wage inequality; strikes will develop without any relationship to changes in economic openness, unemployment or government partisanship.

The scientific evidence speaks against oversimplified models, where the sole focus is on general direct effects. Political, social, and economic behaviours are highly context specific, and – since contexts vary both over time and across space – a failure to take contextual variation into account in our grasp of a complex of social realities will certainly lead us astray. The powers of actors and
their opportunities to react to change are conditioned by institutional arrangements.

Hence, Oskarsson shows how institutions affect the power of organised labour. Related to this, the contribution made by Per Adman (Chapter 8) describes how individual workers’ power is affected by different institutional settings, eg by institutions regulating employment and workplace participation. As is well known, the idea that unemployment and democracy in the workplace affects the power of individuals is one reason why these issues have been the subjects of fierce conflict in all industrial countries. Sweden is no exception in this respect, governments have been forced to resign, while unions and political parties have experienced severe internal disputes. The reason for this is that unemployment and workers’ influence over their work are at the heart of struggles for power within the labour market sector. Moreover, it is claimed that being unemployed or having no influence over one’s own work also affects a person’s economic, social and mental situation. Although studies of the various effects of work have been extensive, a number of questions have not yet been satisfactorily investigated. One such question is how the aspects just mentioned affect democracy more generally, eg through their impact on political participation.

Per Adman’s chapter, Unemployment, workplace democracy and political participation, which is a summary of his doctoral dissertation, presents convincing evidence that casts in doubt the most important research findings in the field so far. According to previous research, there is no support for the popular conception that unemployment causes low political participation. But, using survey data from Sweden, Adman is able to show that there are indeed expected effects on participation (except for participation in political parties). The unemployed participate in politics to a lesser extent than people who are employed. The author argues persuasively that earlier results have relied far too much on crude measures of participation.

While he re-establishes support for one popular assumption (earlier not supported by scientific empirical evidence), Adman undermines support for another widely held view. Several researchers, including Carole Pateman, have argued that an increase in influence at work will lead to an increase in political participation. Once again, Adman shows that knowledge in the field is methodologically flawed. Using two Swedish surveys that allow for panel data analysis, Adman does not find any support for the hypothesis presented by Pateman and others.

Adman’s contribution, which may be fully evaluated by reading his doctoral dissertation (Adman, 2004), is especially relevant to discussions of political equality. He shows that the unemployed are not less motivated to participate in political life; rather, they do not have the resources that participation takes, and they lie outside the social networks crucial to involving people in politics.
Consequently, as can be concluded from Chapter 8, institutions that affect the rate of unemployment, and how the unemployed are treated, influence the strategic prerequisites for the political parties, and hence also the future shaping of the welfare state.

There are also other changes in institutions that might affect the industrial relations regime in Sweden. In Chapter 9, *Equal pay and the impact of the European Union*, Tanja Olson Blandy deals with one of the greatest challenges of the Swedish model, namely the confrontation between the Swedish tradition of informal regulations in collective agreements and the European tradition of legally regulated individual rights. Olson Blandy takes up a very interesting case, which highlights the conflict between these two forms of governance.

The most distinct feature of the Swedish model is minimal interference by the state in the field of working life. More or less everything that involves working life – and the definition of working life is wide – is regarded as a task exclusively for the social partners, i.e. employers’ organisations and unions. Since regulating wages in negotiations without interference by the state lies at the heart of this tradition, equal pay and discrimination in the workplace are no exceptions. An illustration of this was the refusal of Sweden’s Social Democratic Party to accept proposals for an Equal Opportunities Act, which were persistently put forward by liberals and conservatives in the 1970s. Even though, of course, the Social Democrats ideologically supported the idea of gender equality, the party disagreed with the Opposition over the means to achieve it. They were reluctant to instigate state regulations that would infringe the social partners’ right to solve issues on the labour market through collective agreement. If necessary, unresolved conflicts should be handled by the tripartite Labour Court. An Equal Opportunities Act was finally passed after the Social Democrats lost the election of 1976, but the main features of the Swedish model remained intact. The social partners are still in control of the regulation and implementation of working life issues.

This key position of power is now threatened by EU membership. Olson Blandy describes the *institutional and policy misfit* between Sweden and the EU in the way issues of equal pay are treated, and explains how the confrontation between the two traditions affects the ‘rules of the game’ for actors in Sweden. Political actors with an interest in changing the current state of affairs may be empowered by the fact that they can refer to EU Directives.

Olson Blandy focuses on how another world famous Swedish institution, the Ombudsman – in this case the Equal Opportunities Ombudsman (JämO) – uses changes to the nature of the power struggle as a window of opportunity. JämO is responsible for the enforcement of the Equal Opportunities Act, and has been disappointed over how the social partners have treated gender issues in the Labour Court. Olson Blandy shows how the EU’s equal pay principle empowers the Ombudsman to use new strategies. Most importantly, when a number of
strategically chosen cases have been taken to the Labour Court, as well as in communication with responsible ministers and with the mass media, JämO has referred to EU rules and regulations. Hence, the Ombudsman has used the misfit between domestic and EU policy as a structural opportunity in law enforcement.

JämO’s strategy has not been successful so far. The social partners and their representatives on the Labour Court have managed to defend the power positions associated with the Swedish model. However, criticism from the Equal Opportunities Ombudsman may have longer-term consequences. Today, for the first time since all the social partners accepted the Labour Court in the 1930s (despite the unions being critical at the very beginning), restricting its functions is being genuinely considered. This is a real challenge to the Swedish model, and there are further challenges ahead. At time of writing, there is a fierce ongoing dispute over a foreign company that has refused to negotiate a Swedish collective agreement. The company has referred to the fact that they have negotiated a collective agreement in their home country. The unions have put the company under blockade, and are supported by preliminary rulings of the Court. The rules of the host country should apply when work is carried out in another EU country. The problem is that not everyone agrees about the status of rules established in collective agreements. Given that more or less everything in working life in Sweden is still regulated by collective agreement, the challenge to the Swedish model is readily apparent.

How these and other external pressures will affect the transition of the Swedish model is of course crucial to the future of individual citizens as well as to organised interest groups. As will be obvious from the contributions to this book, future rules of the game will hamper some actors’ powers while enhancing those of others. This will affect how alliances are built and coordination is achieved. But, what is also clearly demonstrated in this book, in particular in its first section, is that the parties concerned will not just sit back and watch. Whether development of the institutions will continue along the same path as hitherto, or whether it will change direction, will be determined in power struggles between well-informed and goal-oriented actors.

References


