

# **The Story of the Swedish Wage-Earner Funds**

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"The LO wage earner proposal which aimed to squeeze excess profits was vehemently opposed by all nonsocialist parties and, of course, by SAF. In 1983 the socialist government reluctantly accepted the principle of collectively owned wage-earner funds but it watered down the original intentions so much as to make the funds a largely symbolic gesture.

At this point the story of the wage earner fund issue, its passage from an overtly socialist union proposal to a number of toothless share holding funds of a rather conventional type, may be briefly recalled.

Wage earner fund schemes had been discussed in Western Europe in the early post-war years. The German DGB put forward the idea of national wage earner funds in the mid-fifties; aimed at correcting the inequitable distribution of wealth which followed with the rapid restoration of the German economy after the war. In the Netherlands the unions proposed in the sixties a similar fund scheme with its origin in the government-inspired [224] incomes policy during the first post-war years. When the Danish unions in 1971 published a report suggesting a wage earner profit and investment fund the focus was mainly on economic and industrial democracy.

All these initiatives and debates had little influence on the Swedish labour movement. Its attention to collective savings was given to the introduction of a general pension system which was successfully accomplished in 1960 after a long and arduous campaign. When the idea of wage earner funds cropped up in Sweden in the 1970s the main motive was different from the motive in other countries. As has been already mentioned, the wage policy of solidarity, which for decades had been the very basis of Swedish unionism, implies the need for restrictive wage claims for well-paid groups, even if they are in profitable firms. It follows that an 'unused potential for wage increases' in profitable firms accrues to the capital owners as extra profits. The fact that wage restraint results in higher profits is a dilemma inherent in the wage policy of solidarity but it became more accentuated and obvious as Swedish export trades boomed in the beginning of the seventies.

The 1971 LO convention commissioned the confederation's executive board to initiate a thorough examination of the problem and to report back to the next convention in 1976. A small working group of experts was set up in 1973 and presented two years later a proposal which was intended to achieve three tasks: (1) complementing the wage policy of solidarity in such a way that modest wage claims would not enrich the owners of highly profitable firms; (2) counteracting the ongoing concentration of private capital; and (3) strengthening employees' influence at the workplace through co-ownership.

The solution which the working group report offered was a scheme for collective profit sharing, i.e. the establishing of a number of wage earner funds, financed by profit-related payments in the form of shares, and administered by union-dominated boards. The proposal was discussed intensively in the union movement, mainly in a large number of rank and file study circles which reacted in a surprisingly positive way. Many active unionists hailed the wage earner fund issue as an important step on the road towards economic democracy. The original motive - to lend support to the wage policy of solidarity - was overshadowed by the broader anticapitalist aspects of the proposal which had a vitalizing effect on the union movement.

The LO leadership which originally had taken a rather neutral position vis-a-vis the working group report, was influenced by the positive, even to some extent enthusiastic reception by the union elite and decided to present the report with minor changes to the 1976 LO convention. It was adopted by acclamation followed by the singing in unison of the *Internationale*.

An issue had been created capable of mobilizing and activating the union movement. [225] This only marked the beginning of an intensive and lengthy debate on the LO proposal. The fierce opposition of all non-socialist parties and business organizations forced the labour movement to make repeated retreats. When the social democratic government finally in **1984** introduced wage earner funds it was the first time that a Western country had realized the idea of employee-owned funds. But the scheme had been changed beyond recognition from the original LO proposal. Five small regional funds were established, mainly financed by an excess profit tax.

The fund capital was used for purchasing shares in the stock market. The scheme was intended to be annulled after only seven years and the total assets of the funds amounted at the end of the period (**1991**) to less than five per cent of the total value of the Swedish stock market. None of the original tasks has been achieved and the whole scheme must now be considered a rather symbolic gesture. The strong Swedish labour movement had proved its inability to encroach upon private ownership, the very core of the capitalist system.”