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WAGE POLICIES IN ITALY AND SWEDEN**

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ABSTRACT • Through an analysis of industrial relations developments in Italy and Sweden --- two countries especially committed to egalitarian wage policies --- this article argues that wage egalitarianism as it was conceived in the 1960s and 1970s (compression of inter-occupational wage differentials) proved to be a strategic mistake for unions. It brought about fragmentation (involving multiple cleavages between blue- and white-collar workers, skilled and unskilled, male and female, and even private- and public-sector employees) as opposed to unity and thus produced the opposite results from its stated goals. The article also argues that if words like ‘equality’ and ‘solidarity’ continue to have meaning for labour organizations, they will need to be associated in the future with completely new supply-side strategies aimed at bringing about equality of *jobs* as opposed merely to *wages*.

The 1980s saw a marked increase in wage inequality in most, if not all, advanced industrialized countries (OECD, 1993: ch. 5).¹ Income inequality, which appeared to be declining in the 1970s, grew once again over the course of the decade (Freeman and Katz, 1994). Linked to this resurgence of wage inequality was a related, although perhaps unexpected reconsideration of

egalitarian wage policies by various national unions.

This article focuses on the latter development. How do we understand this shift in the unions' position and what does it mean for the future of the labour movement? Is this merely a rational response to the new realities of the global market and the shifting balance of power between labour and management? Or, does it reflect some deeper, more internal transformation in the unions' own conception of what they are and whom they should represent?

Through an analysis of industrial relations developments in Italy and Sweden --- two countries in which egalitarian wages were especially prominent --- we seek to address these questions. We argue that wage egalitarianism as it was conceived in the 1960s and 1970s, in terms of the compression of inter-occupational wage differentials, proved to be a strategic mistake for the labour movement: It brought about fragmentation as opposed to unity and thus produced the opposite results from its stated goals. In other words, rather than favour aggregation of different kinds of workers, wage egalitarianism unintentionally resulted in the creation of multiple cleavages between blue- and white-collar workers, skilled and unskilled, male and female, and even private- and public-sector employees. Based on our analysis of Italian and Swedish developments, we also argue that if words like 'equality' and 'solidarity' are to continue to have meaning for labour organizations, they will need to be associated in the future with completely new supply-side strategies aimed at bringing about equality of *jobs* as opposed to *wages* as such.

Unions in Italy and Sweden, as in several other industrial nations, have historically sought to represent the 'generalizable interests' of the working class by organizing and building solidarity among different categories of workers. Yet rather than pursue this objective through strategies aimed at transforming working conditions on the shop floor or equalizing the employment, training, and promotion opportunities of different kinds of workers (strategies that were, in fact, debated and experimented with in these countries), Italian and Swedish unions

focused on devising and institutionalizing distributional formulae aimed at compressing wage differentials across different occupational groups. Initially, these wage policies proved extremely successful for aggregating a variety of different groups, including semi-skilled production workers, craft and clerical workers, and public sector employees. Although these various groups held different perceptions of their material interests (Sabel, 1982), they nonetheless all identified with the egalitarian project being promoted by the unions.

Over time, however, these egalitarian wage policies foundered. They failed for a variety of reasons, not least because of their inflationary consequences but also because they became increasingly resisted by both employers --- who felt these policies hindered their ability to attract and reward more skilled and technical workers --- *and* for the same reason, more skilled workers who resented the compression of their wages and interpreted this development as an unwillingness, perhaps even inability by the established unions to appreciate (let alone defend) their interests.

In Sweden, internal fragmentation emerged most clearly in the private sector. There, workers grew to resent what they perceived as free-riding on their hard-earned, productivity-based wage drift by the public-sector workers. As a result, the metalworkers' union *Metall* began striking separate deals with the corresponding employer association *Verkstadsföreningen* (VF), leading ultimately to the collapse of centrally-coordinated industry bargaining. In Italy, public-sector unions were the principal groups mobilizing against the egalitarian policies of the central union confederations. Here too, these workers felt underappreciated and thus began to defect from the dominant union confederations CGIL (*Confederazione Generale Italiana del Lavoro*), CISL (*Confederazione Italiana dei Sindacati Lavoratori*) and UIL (*Unione Italiana dei Lavoratori*), and created their own 'autonomous' organizations (the so-called *sindacati autonomi* and the *cobas*).

In response to this process of internal conflict and disintegration, trade unions in Italy and Sweden began to relax and even abandon their commitment to egalitarian wages. In Italy, this shift was marked by the abolition of what had come to represent *the* symbol of egalitarianism during the 1970s and 1980s, the *scala mobile* (cost-of-living sliding scale). In Sweden, it was accompanied by the collapse of centralized collective bargaining. This has led not only to a resurgence of wage inequality across job categories in both countries (Edin and Holmlund, 1994; Di Gennaro, 1994: 33), but also to a more general strategic impasse for these same labour movements. In other words, following the failure of these egalitarian wage policies, trade unions in Italy and Sweden found themselves lacking the strategic and organizational resources necessary to launch new, alternative aggregating projects. Instead, they seem sometimes to have shifted their focus away from representing the working class as a whole and towards their most privileged ‘core’ members.

The remainder of this article develops our argument by analysing the evolution of industrial relations in Italy and Sweden. We illustrate how both the *scala mobile* in Italy and centralized bargaining in Sweden, the key institutions of these two countries’ industrial relations systems, were intimately connected with the unions’ egalitarian strategies.² We also show that apparently unrelated phenomena like the emergence of competitive unions in Italy and the collapse of centralized bargaining in Sweden are in fact both perverse consequences of the same phenomenon, the crisis of wage egalitarianism. We conclude in an advocatory mode: trade unions need to alter fundamentally their conception of equality if they want to maintain their capacity to aggregate and represent the interests of the ‘working class’ as opposed to single worker groups. There are different conceptions of equality: some target outcomes, others opportunities (Sen, 1992: Ch. 1). Rather than focusing on equality of wages *per se*, unions should direct their action at equality of working conditions through new, supply-side strategies aimed at equalizing the opportunities for more challenging and rewarding jobs.

The Rise and Fall of Egalitarianism in Italy and Sweden

Italy

The Italian labour movement emerged from the Second World War organizationally weak and politically divided. In the 1950s, Italy's unions organized only a minority of workers --- about 20 percent in the metalworking sector (Pizzorno et al., 1978: 295). Moreover, hundreds of thousands of unskilled or semi-skilled workers --- most of whom did not possess affinities for, let alone affiliation with, the unions --- migrated from the rural South to take up the less qualified positions in the factories of the 'industrial triangle' of Milan-Turin-Genoa. These workers appeared to be more responsive to managerial demands and less politically engaged than skilled workers from the North (Sabel, 1982: 148-50). As a result of these various organizational weaknesses and cleavages, Italy's major employer association, *Confindustria*, was able to promote, more or less unilaterally, a low-cost, labour sweating, export-oriented strategy of growth (Locke, 1995: 70-7).

The 'hot autumn'

All of this changed with the 'hot autumn' --- a period of intense social and labour mobilization that began with student demonstrations and mass rallies over pension reform in early 1968 and lasted until the end of the 1970 bargaining round (Pizzorno et al., 1978; Sabel, 1982: 145-67). These strikes helped establish closer links between skilled workers from the North and semi-skilled migrants from the South. Moreover, the common experience of struggle by these different groups of workers appeared to transform their collective identities in a way that further cemented

their alliance (Pizzorno et al., 1978; Sabel, 1982). The terms in which this new alliance was cast were clearly egalitarian. In the late 1960s, the unions began to advance demands aimed both at redressing distributive inequalities among different categories of workers and at transforming the organization of work in Fordist firms. Thus, campaigns for the unification of blue- and white-collar job classification schemes (*inquadramento unico*), the abolition of territorial differences in wage levels (the so-called *gabbie salariali*), equal wage increases for all workers regardless of skill levels, improvements in health and safety conditions, and reductions in the speed and duration of work were all promoted.

Wage equality and work transformation appeared to be closely intertwined in these years. In fact, equal wages were conceived not only as a way of redressing distributive inequalities but also as a productivity-enhancing mechanism aimed at encouraging management to restructure and modernize their companies. Thus, organizational innovations like job rotation and job enrichment, multi-skill training and asynchronous assembly by autonomous work teams, which are today at the centre of the recent wave of management-led work reorganizations, were first promoted in Italy by the union movement (Bianchi and Merli Brandini, 1974).

The 'hot autumn' increased dramatically the strength and unity of the Italian labour movement and thus its ability to promote these demands at both shop-floor and sectoral levels. It also contributed to a profound change in the unions' organizational structures. For example, increased collaboration among Italy's three major union confederations, CGIL, CISL, and UIL led to a partial re-unification in 1972 with the signing of the so-called 'federative pact' and the establishment of the *Federazione Unitaria CGIL-CISL-UIL* (Lange and Vannicelli, 1982: 132-5). Moreover, new union structures were established on the shop floor, the so-called *consigli di fabbrica* (factory councils), elected by union and non-union workers alike (Regalia, 1978). These became the official workplace organs of the three confederations, replacing the earlier *commissioni interne*.

However the consequences of the 'hot autumn' were disastrous for the Italian economy. As a result of higher wages, shorter working weeks and more stringent labour regulation, Italy's competitiveness in foreign markets deteriorated in the 1970s. Moreover, because of extremely high dependence on imported raw materials, especially oil, and rapidly growing labour costs, Italy experienced in the 1970s and early 1980s one of the highest price-level increases among the OECD countries. Italy's economic crisis during the 1970s led the three major union confederations to drop their demands concerning the transformation of work on the shop floor, and instead develop a new strategy focused on defending as much as possible the conquests of previous years (Lange and Vannicelli, 1982). The first step towards this turnabout in union strategy was the 1975 reform of the *scala mobile*.

The scala mobile

Introduced initially in the national contracts of 1945 and 1946, the *scala mobile* was a cost-of-living sliding scale aimed at safeguarding workers' real wages against inflation. Price increases were periodically calculated in relation to an 'average' working-class family's 'shopping basket' of goods. An increase in the cost of the basket translated automatically into a proportional rise in workers' wages. In the early postwar years, the *scala mobile* was calculated as a lump-sum amount equal for all workers. In 1951, however, the *scala mobile* was modified so that payments were more differentiated by age, gender, skill levels, and geographical locations (Lungarella, 1981: 41-54).

In 1975, in an attempt to moderate industrial conflict, control inflation and recast Italian industrial relations along more predictable lines, Italy's leading business association, *Confindustria*, and the major union confederations (CGIL, CISL, and UIL) negotiated an accord which enhanced benefits provided by the *scala mobile*, especially for lower-paid semi-skilled

workers. Given the way the new *scala mobile* was calculated,³ it provided the union confederations with a means to satisfy their commitment to egalitarian wages while containing at the same time rank-and-file mobilization. Major Italian firms gained as well. Since compensation for price increases would be paid by large firms in any event, because of strong unions within their plants, little was lost by imposing automatic compensation on smaller potential competitors. Moreover, by removing disputes over price increases, this accord would eliminate a primary source of conflict within large plants, therefore reducing the power of the factory councils as well (Flanagan et al., 1983: 496-566).

Yet this effort at controlling prices and moderating labour relations through indexation backfired in several ways. As a result of Italy's double-digit inflation rates in the late 1970s and early 1980s, the *scala mobile* gained massive weight in the determination of wages --- up to 80 percent of annual wage increases (Regalia and Regini, 1995: 148) --- and became perhaps the major determinant of Italy's high inflation rates during the 1980s. This caused problems not only for employers, who could no longer easily transfer greater labour costs into price increases, particularly after Italy joined the European Monetary System in 1979, but also for the national unions, which lost control over wage determination through collective bargaining.

Thus the early 1980s saw repeated attempts at reforming the *scala mobile* through centralized, tripartite agreements. In 1983 the three confederal unions agreed to a 15 percent reduction in the coverage against inflation; and in 1984 the government proposed to limit the wage increases linked to the *scala mobile*, as a way of breaking inflationary expectations (Tarantelli, 1986). This decision had dramatic consequences for the unions' organizational structure: although CISL, UIL and the socialists within CGIL all supported the agreement, the communist majority of the CGIL staunchly opposed it. The government implemented the new wage policy through an executive order and the unions split (once again) along partisan lines. In particular, supported by the PCI, the communists within the CGIL mobilized against the

government decision, and in 1985 promoted an electoral referendum aimed at abrogating the government decree. By a small majority, the results of the referendum were favorable to the government and the moderate union forces that supported the 1984 accord. Thus only twelve years after the birth of the *Federazione Unitaria*, trade union unity once again dissolved in Italy.

These different attitudes towards the reform of the *scala mobile* reflected the confederal unions' strategic dilemma. Reducing the degree of wage protection against inflation clearly angered many union members, particularly in the industrial federations. However, by refusing to address the inflationary consequences of the *scala mobile*, the unions would have been casting themselves in the role of 'wrecker' of the Italian economy. After a decade of trying to navigate between these two positions by limiting the degree of indexation, or freezing benefits for pensioners, the three major confederal unions finally agreed to abolish the *scala mobile* in July 1992.

The 'autonomous' unions and the cobas

Perhaps the major unintended consequence of the *scala mobile* agreement of 1975 was the delegitimation of the three major union confederations in the eyes of their most highly skilled industrial workers and their public sector members. Although at the end of the 1970s the unions abandoned their earlier requests for 'equal wage increases for everybody' (Erickson and Ichino, 1995: 278), both the particular formula used in calculating the *scala mobile* and several years of double-digit inflation produced a significant reduction in wage differentials between different skill levels during the late 1970s and early 1980s. In part because their relative wages were eroded during these years and in part because they felt increasingly marginalized in a union movement that exalted the *operaio massa* (i.e. the semi-skilled assembly-line worker) (Accornero, 1992), technical, professional and skilled workers who had once supported

egalitarian policies began to struggle for change. The egalitarian strategy adopted by the confederal unions created resentments particularly among skilled workers in the public sector. Gross salaries fell by 0.9 percent in real terms in the public sector between 1981 and 1986 (Bordogna, 1992) while they increased slightly in the private sector (Barca and Magnani, 1989).

In contrast to the Swedish situation, discussed below, the Italian organized employers were never especially vociferous in objecting to egalitarian wage policies on 'efficiency' grounds as an obstacle to their ability to attract and reward skilled labour, and resistance to wage compression in Italy was much more prominent in the public sector than in the private. This has to do with different institutional mechanisms for wage formation. In the private sector the flattening of wage differentials brought about by the joint action of egalitarian wage policies and the *scala mobile* was partially corrected by individual bonuses and premia for key workers paid by the employers;⁴ in the public sector, wages and working conditions were regulated by law or national-level collective bargaining, and thus similar informal adjustments were not possible. As a result, wage differentials across skill categories (expressed as ratios between highest and lowest pay levels) fell in the public sector from 149:100 in 1975 to 129:100 in 1984 (Carrieri, 1992).

Since the confederal unions appeared unwilling, or perhaps unable to reform their wage strategies, many of these workers defected to rival organizations which emphasized workers' *differences* in both their organizational rhetoric and their bargaining platforms. Throughout the 1980s, new 'competitive' unions increased their bargaining power and competed with the confederal unions to represent various categories of workers. This process of internal fragmentation of the Italian union movement occurred in two phases. During the first phase (1970s), a myriad of so-called *sindacati autonomi* (autonomous unions) appeared as a response to the egalitarian, class-based strategy of representation adopted by the confederal unions in air transport, banking, insurance, health care and schools. In 1977, for example, *Confederquadri* (representing lower management ranks) and SNALS (representing secondary school teachers)

were founded. These so-called 'autonomous' unions based their success on contesting the confederal unions' bargaining policy, especially its concern with various political and ideological goals. Instead, they proposed a more 'bread and butter' focus on industrial relations issues, such as the re-opening of wage differentials, the negotiation of merit pay, and the introduction of new organizational structures through which skilled workers could express their 'voice.' A few years later these unions adopted more stable organizational structures, and during the 1980s new confederations such as CISAL, CISAS, CONFAIL and CONFSAL were instituted by various autonomous unions in different sectors.

During the latter half of the 1980s a second phase ensued, in which the more innovative and intransigent *comitati di base* (*cobas*, or grass-roots committees) appeared, often in the same sectors in which the autonomous unions were also present. In many cases, the *cobas* were established by previous members of the CGIL. This contributed even further to the erosion of the confederal unions' representational monopoly.

Protest against the representational strategies of the three major union confederations exploded in 1986-87, when all major contracts in the public sector were up for renewal. School teachers contested the collective agreement that CGIL, CISL, UIL and the professional union SNALS had just negotiated. On 25 March 1987, 40,000 people demonstrated in Rome against both the confederal unions and the government. Most of them refused to provide end-of-year student reports (Bordogna, 1989). During the summer of 1987, engine-drivers challenged the contract signed by CGIL, CISL, UIL and the autonomous union FISAFS, and organized a wave of wildcat strikes which paralysed railway transport. Participation in the strikes was as high as 78 percent in some cases (Bordogna, 1992). Finally, in autumn 1987, ground personnel at Alitalia (Italy's major airline) rejected the new contract and forced the company to re-open bargaining. In all these cases the *cobas* took the lead in organizing the protests.

As a result of these developments, the confederal unions experienced growing disaffection from within their own ranks and a weakening in their bargaining position with management, which itself became increasingly concerned that the established unions could not control their own rank and file. In an increasing number of sectors and among numerous professional groups, the confederal unions appeared to have lost their hegemony over union representation.

In sum, twenty years after the 'hot autumn' 'egalitarianism', which had once contributed to organizational cohesion within the Italian labour movement, now appeared to be causing internal defections and fragmentation. Skilled workers in the public sector came to perceive the egalitarian wage policies pursued by the three major union confederations as a violation of basic equity norms --- that remuneration should be in proportion to capacity and effort --- and thus responded with a wave of wildcat strikes, similar in many ways to that of the 'hot autumn' but this time aimed at increasing (rather than reducing) wage differentials between different groups of workers. Faced with a serious crisis of representation, Italy's confederal unions reacted first by dropping their demands for wage increases 'equal for everybody', and then by dismantling the *scala mobile*, the symbol of the unions' commitment to egalitarianism and worker solidarity. Not surprisingly, various groups within the unions, the so-called *autoconvocati*, emerged to contest this shift in union policy. Now these groups claim the language of egalitarianism as their own and use it to oppose the union leadership.

Sweden⁵

Italy's adoption of wage egalitarianism, dating back to the 'hot autumn' of 1969, is a relatively recent phenomenon. In contrast, solidaristic wage policies have been a constituent element of the

Swedish model of centralized collective bargaining since its inception in the 1930s as well as one of the major determinants of its recent demise.

Wage Egalitarianism and the Institutionalization of the Swedish Model

The establishment of centralized bargaining in Sweden is often associated with the 1938 Saltsjöbaden agreement between the blue-collar union confederation *Landsorganisationen i Sverige* (LO) and the private employers' association *Svenska Arbetsgivareföreningen* (SAF). As Swenson has shown (1989: 42-60), centralization of collective bargaining and the trade unions' adoption of solidaristic wage policies were strictly interrelated. In fact, centralization was brought about by the mutual need of both employer and labour organizations to reduce the wage gap between manufacturing and construction workers. Because of their favourable labour market situation and their frequent recourse to (often unofficial) strikes, they enjoyed higher wages than industrial workers with comparable skills. This created problems not only for employers, particularly those in the exposed sectors --- since high wage settlements in this sheltered industry had the ability to drive up wages in the economy as a whole --- but also for other unions, particularly for the strong metalworkers union, the *Svenska Metallindustriarbetareförbundet* (*Metall*) since it undermined its commitment to wage solidarity. Beginning in 1905, when it launched a national campaign aimed at obtaining minimum wages for its lower paid members (Fulcher, 1991: 90), *Metall* had committed itself to a policy of wage solidarity which implied the reduction of differentials across gender and occupational groups. However the high pay increases obtained by the building trades made it difficult for *Metall* to implement this policy. Thus, it favoured a strengthening of controls by LO over its affiliated industry unions.

In 1933-34 a strike paralysed the construction sector for more than 10 months. Pushed by *Metall*, whose influence within LO was growing, the latter forced the striking unions to override

their members' vote and accept the mediation proposed by a government-sponsored commission which involved a considerable cut in piece-rate compensation. The result was a sharp reduction in wage differentials between the construction and metal workers (Swenson, 1989: 49).

This 'taming' of the building unions cleared the way towards the Saltsjöbaden agreement of 1938, a procedural agreement aimed at producing joint, consensual regulation of the right to strike but with no specific provision for the national determination of pay. The negotiation of peak-level wage agreements between SAF and LO began only after World War II. These took the form of recommendations about pay increases whose actual implementation was, however, left to collective bargaining among the branch organizations affiliated to both SAF and LO. Nevertheless the confederations exercised effective control over industry-level bargaining in two ways. First, they were allowed to supervise the formulation of bargaining demands at the industry-level. Second, a SAF-LO mediation committee was authorized to settle disputes if a branch agreement was not concluded within three to four weeks after the signing of the master agreement (Johnston, 1962: 285).

Although these central agreements were instrumental in bringing about overall wage restraint, their redistributive effect was initially quite limited. Although the peak agreements often contained special provisions for low-paid groups of workers, centrally distributed pay increases exceeding a pre-determined minimum were calculated as a percentage of the existing wage levels and thus had little power to alter existing differentials (Anderman, 1967: 323-4). Moreover, company-specific wage drift was often as high (if not higher) than the pay increases negotiated centrally (Martin, 1984: 344). Since the incidence of wage drift matched fairly accurately the distribution of relative wages (low-paid industries like textiles, forestry and food also tended to have low wage drift), this counteracted the (modest) redistributive effects of centralized negotiations (Johnston, 1962: 307; Swenson, 1989: 56).

Wage Egalitarianism and the Rehn-Meidner model

In the 1950s and 1960s wage egalitarianism became perhaps the key variable of a sophisticated model of macroeconomic management aimed at reconciling full employment with price stability. This model was elaborated by two LO economists, Gösta Rehn and Rudolf Meidner (Martin, 1984: 203-8). Based on this model, full employment and price stability were compatible if government fiscal policies were sufficiently restrictive *and* a strong and centralized union movement prevented the emergence of wage rivalries by both enforcing a rigid, nationally-determined wage structure and tying wages to objective distributional criteria like 'equal pay for equal jobs.' A rigid wage structure (one in which wages would be determined independent of firm profitability) would drive up costs for firms in declining sectors --- which, in turn, would force these firms to either restructure or go bankrupt --- while simultaneously benefiting competitive firms in thriving sectors by providing them with relative wage restraint. The unemployment generated by industrial restructuring would be dealt with through supply-side measures like active labour market policies. These were intended to retrain the workers expelled by either restructured or ailing companies and thus permit their rapid redeployment to more efficient companies.

Notwithstanding its innovative ambitions, the Rehn-Meidner model proved very difficult to implement. In particular, two interrelated developments impaired the capacity of LO to contain wage increases within limits compatible with the overall stability of the Swedish economy: the emergence of wage rivalries between both manual and non-manual, and private- and public-sector workers; and the appearance of centrifugal forces within LO's own ranks. All of these developments were related to the unions' policy of wage solidarity.

The emergence of discontent

Although the original conception of solidaristic wage policies was that differential wages would solely reflect differences in the kind of work being performed ('equal pay for equal work'), with time their meaning changed. Beginning in the mid-1960s, solidarity came to be identified with the reduction of inter-occupational pay differentials *tout court*. This was due in part to a failure to develop an economy-wide system of job classification capable of providing an objective basis for wage differentials (Meidner, 1993: 222). The combination of wage compression and full employment created several inflationary consequences. First, it forced employers to resort to wage drift to ease their problems with recruitment. Second, it induced LO to increase its demands for centrally-negotiated increases in order to prevent the emergence of drift. Third, it encouraged non-manual workers to mobilize for the preservation of their relative wages. As a result of these developments, the LO policy of wage solidarity provoked the ratcheting up of wages since various labour organizations engaged in a race to catch up or keep up with the pay levels of others.

The first episode of wage rivalry was in 1966 when school-teachers affiliated to the *Sveriges Akademikers Centralorganization* (SACO), the confederation representing professionals and graduates, went on strike and obtained wage increases of 35 percent over years --- a figure much higher than that negotiated by LO (Fulcher, 1991: 207; Martin, 1984: 241). Attacks on the unions' distributive policies came also from within the LO ranks. In 1969-70 Sweden was swept by a wave of unofficial strikes. The motivations for this conflict were multiple: as in other advanced countries, industrial workers came increasingly to resent their repetitive and often hazardous working conditions, and local unionists contested what they regarded as excessive centralization of decision-making at the peak levels of the union hierarchy. However, at least in the most famous case, the two-month strike at LKAB, the state-owned mining company, industrial action was also an explicit reaction by the highest-skilled workers against the

compression of wage differentials (Flanagan et al., 1983: 328-9; Fulcher, 1991: 205-6). Mining workers used to be among the highest-paid workers: in 1960, their pay was 26 percent above the average for industry as a whole. During the 1960s, however, their wage primacy had been eroded and their edge had declined to only 13 percent (Martin, 1984: 252) while the relative remuneration of white-collar workers had remained virtually unchanged throughout the decade (Swenson, 1989: 87). The issue of 'catching up' with the clerical workers --- one that would return in 1983 when *Metall* negotiated for the first time in 30 years a separate deal at industry level --- dominated the LKAB strike.⁶ The outcome was that the mineworkers managed to regain in part their high-wage status.⁷

As the LKAB strike clearly illustrated, the higher-paid blue-collar workers were those most affected by the LO policy of wage compression. While their wages receded in relation to other manual workers, the white-collar unions successfully managed to avoid the erosion of cross-collar differentials. In 1973, trade unions affiliated to SACO and the *Tjänstemännens Centralorganisation* (TCO), the confederation of salaried employees, created a new private-sector bargaining cartel, the *Privattjänstemannakartellen* (PTK), which began to demand full compensation for overall blue-collar increases, including wage drift. In 1974-5 PTK launched a wages offensive to regain the ground lost by clerical employees from the late 1960s following the aggressive bargaining demands put forward by LO. This resulted in so-called 'earnings development guarantees' which involved 100 percent compensation for blue-collar wage drift. The LO unions and other public-sector TCO unions responded by inserting in their own contracts various re-opening clauses allowing further negotiations with the employers if other unions obtained significantly higher increases (Fulcher, 1991: 209-11). As a result of these intense wage rivalries, unit labour costs grew at an annual rate of more than 15 percent between 1973 and 1977. This was less than in Italy (18 percent) but much more than in Germany (4.6 percent) and other major international competitors (Flanagan et al., 1983: 322). The product of this escalation

of wage inflation was the appearance of such macroeconomic problems as current account deficits and the decline of profit margins and thus investment.⁸

These tensions between semi-skilled and skilled blue-collar workers on the one hand, and manual and clerical employees on the other, were compounded by the emergence of a sectoral divide between public- and private-sector unions. In 1980 the unions of state and local government employees affiliated to both LO and TCO joined ranks and established the so-called 'Gang of Four' bargaining cartel. Their explicit objective was to reduce the wage gap between private- and public-sector employees. The 1970s had witnessed growing animosity within LO between the predominantly male and highly-paid members of *Metall* and the predominantly female members of the *Svenska Kommunalarbetsareförbundet (Kommunal)*. The latter, representing municipal and county blue-collar workers, had become in 1978 the largest industry union and was a staunch supporter of the LO policy of wage solidarity, which it conceived as a way of closing the gender wage gap (Ahlén, 1989: 336). Between April and May 1980, the 'Gang of Four' initiated a wave of strikes which paralysed the Swedish public and service sectors, using the arguments of egalitarianism to bring about an improvement in the relative position of their particular constituencies (Martin, 1984: 314). All this exacerbated the internal tensions within LO, particularly between *Metall* and *Kommunal*.

The disintegration of the Swedish model?

These wage rivalries among different sections of the labour movement eventually brought about the demise of centralized bargaining. In 1983, the *Verkstadsföreningen (VF)*, the federation of metalworking employers, negotiated with *Metall* an independent, branch-level agreement while the rest of SAF and LO engaged in central negotiations. Particularly from the point of view of employers exposed to international competition, centralized bargaining had lost its attractiveness

since it was clear that it was no longer capable of performing its primary function, assuring wage restraint. Moreover, the compression of wage differentials across different blue-collar groups created further problems for big firms since it prevented them from using pay as an efficiency device to involve and motivate 'critical' categories of workers (Pontusson and Swenson, 1996). This shift in the locus of bargaining was, however, in the interests of *Metall* as well.

In 1981 *Metall* had adopted a wage policy (included in the so-called 'Action Programme') which was very critical of the existing policy of solidaristic wages and sought to restore inter-occupational wage differentials. The blurring of functional distinctions between manual and clerical occupations brought about by recent technological change (Thelen, 1993) entailed that many of the best educated members of *Metall* could gain higher remuneration if only they shifted to the *Svenska Industrijänstemannaförbundet* (SIF), representing private-sector clerical and technical employees. Thus between 1980 and 1984 *Metall* lost about 10,000 members to SIF.

The 1983 metalworking contract accommodated virtually all of the demands advanced by *Metall*. In particular, it introduced a new high-pay occupational category for the most skilled blue-collar workers. Moreover, in contrast with previous contracts, it did not include the usual clauses for the redistribution of wage drift across different groups (Lash, 1985: 223). In the following years, the locus of collective bargaining oscillated across different levels. In 1984 and 1988, collective bargaining took place at industry level only. In other years, the government intervened to restore centralized negotiations. In 1985, for example, the government managed to impose a ceiling of 5 percent on wage increases negotiated centrally by using tax incentives to induce the unions to accept moderate gains and threatening to resort to deflationary measures in case of defections (Fulcher, 1991: 222). In 1990 a government-appointed mediation body, the Rehnberg Commission, sought to coordinate industry bargaining by setting out a common framework for negotiations (Kjellberg, 1992: 114). Most of these government efforts were

directed at bringing about order in public-sector employment relations (Recascino Wise, 1993). In 1986, for example, wage ceilings were applied to the public-sector negotiations as well, and the 'earnings development guarantees' which allowed wages in the public sector to keep pace with the private sector were eliminated.

Notwithstanding these government efforts, however, Swedish employers appeared to be determined to prevent a resurrection of centralized negotiations (Martin, 1995; Pontusson and Swenson, 1996). In 1990, as a sign of no-return, SAF dismantled its central bargaining unit. One year later, it withdrew its representatives from all tripartite commissions. Since industry bargaining also appears poorly suited to employer demands for local flexibility, Swedish companies, particularly the large multinational companies, have been aiming at the devolution of collective bargaining to the firm or even plant levels (Martin, 1995).

In short, fifty years after their inception, solidaristic wage policies have reached a deep crisis. Although at the beginning, these policies (initially formulated as 'equal pay for equal work') appeared capable of stimulating productivity-enhancing changes within Swedish industry, over time, also reflecting a shift from intra-occupational to inter-occupational wage compression, they were blamed for fuelling inflation, reducing investments, and creating severe cleavages between male and female, blue- and white-collar, private- and-public sector workers.

In contrast to traditional comparative accounts which depict the Italian and Swedish industrial relations systems as polar opposites, one conflict-ridden and decentralized, the other consensual and centralized (see, for example, Tarantelli, 1986), the two case studies presented above tell us that beneath considerable differences in institutions, political environment and employers' attitudes in these two countries there is a fundamentally common story: egalitarianism played a fundamental role in both Italian and Swedish industrial relations. In both of these countries egalitarianism served as the 'moral glue' for the union movement, allowing it to aggregate, represent and mobilize workers with very different jobs and interests. While in Italy

egalitarian ideas helped cement an alliance between skilled and unskilled workers at plant level, and among the three major confederations at national level, in Sweden solidaristic wage policies gave LO the moral legitimation to negotiate central bargaining agreements which set the pace for the Swedish economy as a whole. However, these same egalitarian policies proved in subsequent years incapable of reconciling the divergent needs of different categories of workers and were increasingly challenged by various groups within the labour movement. In Italy, these appeared as the so-called *sindacati autonomi* and the *cobas*; in Sweden, they were manifested in newly-formed bargaining cartels. In other words, far from maintaining internal cohesion within the respective union movements, during the 1980s egalitarianism spurred defection and internal fragmentation.

Were these developments inevitable? Is labour's search for equality fatally doomed to degenerate into division? We believe not. We believe that the organizational fragmentation experienced by both the Italian and the Swedish labour movements was the product of a particular interpretation of egalitarianism --- one solely focused on purely redistributive demands. However, there were initially (especially within the Italian union movement) other, more productivist interpretations of worker equality, based on the equalization of jobs, that could have proved more durable in the long haul. It is also our view that these 'suppressed historical alternatives' should be rediscovered and once again embraced by labour movements struggling to find new aggregating principles. We now turn to a discussion of these historical alternatives.

An Alternative Conception of (Supply-Side) Equality?

In the formative years of Italian egalitarianism, during the 'hot autumn', two very different conceptions of equality were expressed and initially co-existed. On the one hand, the 'hot

autumn' strikes aimed at redressing various distributive inequalities by demanding 'equal wage increases for everybody.' On the other, they sought to promote the 'egalitarian' transformation of the workplace by pushing for increased employee discretion and autonomy, the broadening of production jobs through the incorporation of a number of tasks traditionally performed by supervisors and maintenance workers, the development of post-Fordist systems of work organization, and the shift in production towards more technology- and innovation-intensive jobs.

The carriers of these two alternative conceptions of egalitarianism --- one based on equality of wages, the other based on equality of jobs --- were two metalworking organizations: the *Federazione Italiana Metalmeccanici* (FIM), affiliated to CISL and the *Federazione Impiegati e Operai Metalmeccanici* (FIOM), affiliated to CGIL. FIOM was against the simple abolition of skill differentials; instead it supported an egalitarian transformation of the shop floor aimed at developing potentially equal jobs --- equal in the sense of being all more or less engaging, flexible, and knowledge intensive.⁹ FIM believed, instead, in egalitarianism as equal pay regardless of jobs (one of FIM's favorite slogans was: 'we all have a mouth to feed under our nose!'). This FIM position resonated with various elements of its Catholic heritage, stressing the dignity of all human beings regardless of their position (Cella et al., 1972). As a result FIM argued that all workers, independent of their skill levels, were before everything else equal human beings and thus merited equal remuneration.

Thus while FIOM's egalitarianism was to be constructed *from below*, through the abolition of the least-skilled jobs; FIM's egalitarianism was to be imposed *from above* through the compression of inter-occupational wage differentials. Beneath this strategic divergence, there existed different conceptions of the relationship between work and human development (Accornero, 1980). For FIOM, work was essential to self-realization in the sense that through productive activity the individual achieves his/her greatest potential.¹⁰ To be able to play this

developmental function, however, work needed to be liberated from the monotonous, brainless routines of the Fordist organization of work, so that the more creative aspects of work such as problem-solving and learning could emerge. Thus the goal of the unions was to promote the transformation of the workplace.

The leadership of FIOM never interpreted the 'hot autumn' struggles merely as redistribution of income in favour of labour. What distinguished these strikes from previous ones was their transformative intent. Workers in these years did not simply ask for an increase in piece-rates; they demanded a fundamental reorganization of the piece-rate system so that workers could regain control over the content of their jobs (Trentin, 1980: 3-91). The leadership of FIOM was also well-aware of the systemic consequences of workplace transformation: there was no doubt that such workplace changes would impair the short-term cost-competitiveness of Italian manufacturing on international markets, given its existing foundation on low costs. Yet FIOM was also convinced that after a period of adjustment, management would seek to regain competitiveness by reorienting its competitive strategies towards higher value-added (and quality-conscious) markets and that this strategic shift (especially if accompanied by appropriate industrial and labour market policies) could prove beneficial for the Italian economy as a whole (Trentin, 1980: 92-179).

In contrast to FIOM, FIM embraced a more economic conception of work (Accornero, 1980). Work had no intrinsic value in and of itself; it was simply a means through which individuals earned their living. Some groups within FIM, and especially those more strongly influenced by extraparliamentary leftist factions like *Lotta Continua*, did not believe that industrial work could be transformed into an interesting, self-fulfilling activity. The most important aspect of work was not its content, but rather its price, which had to be increased as much as possible to compensate for its 'dis-utility.' This explains why in some cases during the 'hot autumn' the leadership of FIM pushed for wage increases inversely proportional to skill

levels. The rationale was that the least qualified jobs were also the most toilsome and repetitive: thus a more than proportional wage increase was necessary to compensate for the 'dehumanizing' nature of these low-skilled jobs (Reyneri, 1978: 59). Some of these 'philosophical' differences also matched differences in the constituencies of these two unions. FIOM organized primarily skilled workers (Boni, 1993); FIM was a younger organization which had embraced the task of representing the so-called *operaio massa* (mass worker), the semi-skilled assembly-line worker (often young and of Southern origins) employed in Northern factories.

These two conceptions of egalitarianism were openly contested in 1969. During the negotiations for the renewal of the metal-working collective agreement (an 'historic' agreement which led to the 40-hour working week, elimination of territorial wage differences between North and South and abolition of normative differences in employment conditions for blue- and white-collar employees), a strategic disagreement emerged between FIOM and FIM over the issue of wage egalitarianism. FIM wanted *aumenti uguali per tutti* (a flat-rate wage increase for everybody); FIOM argued, instead, that wage increases should be proportional to job classification levels so as to reward skills. This dispute was resolved through a worker referendum, in which the majority of the 300,000 metalworkers who voted supported a flat-rate interpretation of egalitarianism (Carniti, 1977: 12). As a result, flat-rate increases were included in all major collective agreements throughout the 1970s.

Although victorious, FIM's conception of egalitarianism, later institutionalized with the 1975 reform of the *scala mobile*, proved unsustainable. It soon became clear that equality of wages conflicted with deeply-rooted ideas about social justice and especially with the principle that workers' reward should reflect competence and effort (Sen, 1992). As early as 1971-73, various categories of skilled workers in companies like Candy (domestic appliances), GTE and Sit Siemens (telecommunications), Magneti Marelli and Ercole Marelli (electronics), Falck and

Dalmine (steel) and Autobianchi and Innocenti (motor vehicles) mobilized to reestablish previous distributional arrangements. In all of these companies, skilled workers challenged the unions' policy of demanding across-the-board promotions to higher job classification levels while piece-workers contested the abolition of piece rates. Moreover, clerical workers ceased to participate in general strikes and, in many cases, organized their own counter-strikes (Regini, 1978: 162-71).

Yet notwithstanding these early signs of internal fragmentation, the second, more productivistic interpretation of egalitarianism was not revived,¹¹ and the confederal unions persevered with their wage policies. Why? The reasons are multiple. Economic crisis and management resistance to workplace change certainly played a role. However, we believe that another factor, purely internal to the labour movement, was equally, if not more important in determining this outcome: egalitarianism from above *crowded out* egalitarianism from below in the sense that it was much easier for the union leadership to rely on an automatic distributional mechanism like the *scala mobile* and *aumenti uguali per tutti* than to engage in the constant negotiation and monitoring of changes in the organization of work, training and technical expertise --- all necessary to implement the second strategic alternative (Locke and Baccaro, 1994). As a result, workplace transformation disappeared from the unions' agenda in the 1970s and 1980s and only re-emerged in the 1990s as a response to the management quest for 'total quality'. Interestingly enough, egalitarianism itself also disappeared from the Italian unions' agenda: bargaining demands for equal wage increases for everybody were abandoned in 1979. Only the *scala mobile* continued to play its levelling effects on occupational wage differentials. It too was however repeatedly reformed throughout the 1980s and eventually dismantled in 1992.

In contrast to the Italian trade unions, whose distributional interpretation of egalitarianism as the compression of wage differentials co-existed initially with a supply-side conception of transforming work organization and contesting the hierarchical power of

management over the shop floor, the Swedish unions' policies evolved in a more linear manner. Adoption of solidaristic wage policies in Sweden had initially no transformative overtones: these policies --- first conceived as intra-occupational wage compression aimed at netting out the effect on wages of different levels of company profitability --- were designed to inhibit inflationary inter-union wage competition and were perfectly compatible with traditional management-dominated (Fordist) work organization. Also, although management objected to wage compression as a matter of principle, it acquiesced in practice because this prevented inflationary wage rivalries.

Beginning with the so-called 'December compromise' of 1906 (the historical antecedent of the 1938 Saltsjöbaden agreement) Swedish unions fully acknowledged management's right of production and organizational decisions (Fulcher, 1991: 77-8). The 'Swedish Model' assumed that union action would be confined to the sphere of distribution while production issues would be left to management; while Swedish labour was quite happy with this situation because it sheltered them from the 'double loyalty' problem connected with closer involvement in workplace decisions (Martin, 1992: xi-xii).

Things began to change in the late 1960s-early 1970s as Sweden was swept by an unexpected wave of wildcat strikes. Many union leaders, especially within LO, began to think that unions should seek to regain their eroded legitimacy at the workplace level by engaging in more 'qualitative' issues of work reorganization. The legislative offensive of the 1970s (culminating in the 1976 Co-Determination Act) created important openings for union participation in job redesign.¹² The concrete results of these legislative measures were however limited, not only because of management resistance to union participation (in the private sector, codetermination agreements were only reached in 1982, six years after the passage of the law) but also because most Swedish unions found themselves lacking, after decades of centralized

negotiations over wages, the kind of decentralized knowledge, technical skills, and local expertise necessary to promote pro-labour workplace restructuring (Sandberg, 1992: 100-32).

To be sure, several Swedish industrial plants especially in multinational groups like Volvo or SKF experimented with workplace transformation (self-directed work teams, job rotation, job enrichment and parallel assembly) during the 1970s and 1980s (Berggren, 1992; Sandberg, 1995). Yet if we accept Pontusson's reconstruction of these developments (1990), these workplace innovations were introduced at management's initiative, *not* labour's. Faced with high worker turn-over and unable to raise wage differentials, management sought to retain skilled labour by making work less repetitive and stressful (Martin, 1992 and 1995). It was only in the mid- to late-1980s that the Swedish unions completely embraced a strategy focused on production (as opposed to distributional) issues. The impetus for change came from *Metall* and was later transferred to LO and other unions. This new strategy, known as *det goda arbetet* ('good work'), was highly critical of management-led work reform, which was perceived as leading towards a polarization between monotonous and often hazardous unskilled jobs on the one side, and flexible and knowledge-intensive skilled jobs on the other side. It sought to counter these developments by promoting the equalization of career opportunities through training, teamwork and the rotation of supervisory jobs among workers (Mahon, 1991).

Interestingly enough, this turn-around in union strategy was accompanied by an explicit critical reappraisal of the unions' policy of solidaristic wages. In fact, LO's new policy of solidaristic *work* for solidaristic wages represents a clear retreat from general wage levelling and a return to the notion of 'equal pay for equal work.' This new strategy, which closely recalls the early proposals of FIOM, not only accepts but even emphasizes different wages for different skills on the grounds that wage differences create incentives for workers to engage in training and thus climb the steps of their individualized career ladders (LO, 1991). In other words,

Swedish unions no longer regard equality of wages *per se* as their main strategic objective; equal opportunities for training and career development for all workers are much more important.

We do not know whether this new Swedish synthesis between workplace transformation and egalitarian redistribution will prove successful in the long-term. However, Swedish unions seem to have clearly realized that what we have called equalization ‘from above,’ i.e. inter-occupational wage compression, ultimately stands in the way of a supply-side strategy aimed at creating good jobs ‘from below.’ This is no trivial lesson for both the Italian unions and other union organizations struggling to reform themselves by changing the way they aggregate and represent diverse interests.

Concluding Remarks

Through an historical reconstruction of the rise and fall of wage egalitarianism in Italy and Sweden, this article has sought to illustrate how efforts by these two union movements to promote solidarity through inter-occupational wage compression not only failed but also provoked a process of internal fragmentation and conflict. Egalitarian wage policies failed both because of their economic consequences (because they led to inflationary wage rivalries and/or recruitment problems), *and* because of their moral repercussions. ‘Equality of outcomes’ conflicts with deep-rooted norms of social justice: for example, that remuneration should be in proportion to ability and effort. In both the Italian and Swedish industrial relations systems, various groups of workers mobilized in response to what they perceived as a violation of distributive justice (Sen, 1992).

This process is not unique to Italy and Sweden. Labour movements in a number of other advanced industrial economies also pursued, to one degree or another, similar strategies through

other institutionalized means. And, like the Swedish and Italian arrangements, these alternative mechanisms have also been either scaled back or dismantled. This demise of wage solidarity has serious implications for the labour movement. Following the failure of this particular representation strategy, unions seem to have lost their capacity to build broad alliances among different groups of workers, let alone employers, social movements, and political parties. This explains why they are increasingly perceived (and at times behave) as 'special interest groups.'

Yet this process of isolation and decline is not inevitable. Unions can redefine their place in the economy and re-establish their links to both their potential members and other groups in society. This will require various changes, including a shift in union strategy away from purely redistributive campaigns and towards more 'productivistic' efforts. Trade unions need to redefine their conception of equality. The pursuit of equality through easily-made distributional formulae like the Italian *scala mobile* and the Swedish 'earning development guarantees' is short-lived and ultimately self-defeating. If trade unions are to regain their capacity to foster solidarity among different groups of workers, they need to *construct* equality through new, supply-side strategies aimed at equalizing the conditions and opportunities for both training and employment so that all workers have more challenging and rewarding jobs. Perhaps unions can turn to their own advantage recent managerial efforts to engage workers in various forms of workplace reorganization (Locke et al., 1995). This does not necessarily imply that wage equality will disappear from the unions' agenda --- once the range of 'good' versus 'bad' jobs is narrowed, wages too will become more compressed. It implies, however, that unions will need to devote much more time and organizational resources to production as opposed to distributional issues and also that a new attitude towards wage differences will need to emerge: Perhaps these can be accepted as beneficial provided that they act as an incentive for workers to increase their knowledge and skills.¹³

Whether or not, and if so, how, unions can implement these changes is not an issue that can be decided in the abstract. Union action is highly contingent on both the power of their business counterparts and the amount of political resources available to them. Clearly, both the political and the economic scenarios are far from favourable to labour nowadays. Yet not all of labour's present problems depend on environmental circumstances. Some, as illustrated in this article, are of labour's own making. As such, they can be redressed by the trade unions themselves.

NOTES

¹ Earlier versions of this article were presented at the Industrial Relations Research Seminar at MIT and the Collective Bargaining Workshop at the Industrial and Labor Relations School at Cornell University. The authors would like to thank participants in these seminars for their helpful comments as well as Richard Hyman, Jonas Pontusson, and two anonymous reviewers for their extensive comments on previous versions of this article.

² Given the numerous institutional and historical differences between Italian and Swedish industrial relations, the comparison between Italy and Sweden is intended as a comparison among 'most different systems' (see Przeworski and Teune, 1970: ch. 2). This comparison maximizes systemic variation so as to rule out plausible alternative explanations of similar outcomes. For more on the rationale for the 'unlikely' comparison between Italy and Sweden, see Locke and Thelen (1995).

³ Indexation was not related to existing wage levels but rather consisted, as in the early post-war period, in equal sums for all employees (the so-called *punto unico di contingenza*). As Italy experienced two-digit inflation rates in the late 1970s and early 1980s, these egalitarian

adjustments provided full protection of wages for workers in the lower job classification levels but tended to erode the real wages of more skilled workers. This drastically reduced inter-occupational wage differentials.

⁴ According to data relating to the manufacturing sector in the area of Milan reported in Erickson and Ichino (1995: 277), individual, non-contractual premia constituted about 40 percent of the monthly remuneration of middle managers, 12 percent of the most highly skilled blue-collar workers, and 30 percent of the most highly-skilled white-collar workers.

⁵ This section draws heavily on Martin (1984); Swenson (1989); and Fulcher (1991).

⁶ Soon after the LKAB strike, workers at Volvo went on strike as well and managed to obtain wage increases much higher than those negotiated by LO at national level. For more on this, see Swenson (1989: 89-90).

⁷ The LKAB strike might seem to imply that the two parallel waves of strikes in the late 1960s in Italy and Sweden were motivated by fundamentally different objectives: while Italian workers were concerned with broad, societal goals, Swedish workers addressed more particularistic demands. Such a conclusion would however be incorrect. The 'hot autumn', like the LKAB strike, was initiated by predominantly highly skilled workers fighting for 'particularistic' demands. Only after semi-skilled workers entered the stage, and established alliances with their higher-skilled colleagues, did the 'hot autumn' strikes begin to incorporate demands for broad, societal transformation. For more on the early phases of the 'hot autumn', see Reyneri (1978).

⁸ Mounting inter-union rivalry induced Sweden's major socioeconomic actors to devise in the late 1960s a new 'technocratic' framework for wage coordination, the so-called EFO model. This insisted on the wage leadership of the private sector and sought to contain wage increases within the 'space' established by international inflation plus domestic productivity increases. However, although the EFO model was put together jointly by economists of TCO, SAF and LO, its implementation in subsequent years proved problematic. For more on the EFO model, see Martin

(1984: 241-8).

⁹ This section draws on interviews with Bruno Trentin, secretary general of FIOM during the ‘hot autumn’ (Washington, DC, 7 June 1995; and Rome, 18 October 1996).

¹⁰ This conception of work was clearly linked to Marx’s writings and particularly to the early *Economic and Philosophic Manuscripts*.

¹¹ For a clear statement of this strategic alternative, see Cacace (1980).

¹² These legislative initiatives of the 1970s also sought a solution to the macroeconomic problem of securing adequate levels of capital accumulation notwithstanding declining profits. Perhaps the key reform project launched by trade unions in these years was the proposed constitution of *Löntagarfonder* (wage-earner funds), union-administered investment funds to be financed through 20 percent of companies’ pre-tax profits (Pontusson, 1992: ch. 7). There was a clear link between the policy of wage solidarity and the proposed collectivization of investment capital: LO argued that wage drift paid by employers in certain key industries (generally the most efficient and competitive) impaired overall wage solidarity and triggered demands for compensation in other, less efficient industries. Wage drift was, in turn, made possible because firms in key sectors benefited from ‘excessive’ profits. Hence, the LO leadership hoped that by channeling ‘excess’ profits into investment funds it would at the same time help enforce the policy of wage solidarity and increase investments (Meidner, 1980). However, these union attempts failed because of management resistance: first, employers managed to delay the implementation of codetermination until the early 1980s; and second, they ferociously opposed the proposed wage-earner funds, which they perceived as a first step towards the socialization of the economy. These were implemented only in 1983 and in a much less ambitious form. In particular, various limitations – including a time limit on the duration of the funds (which indeed lapsed under the conservative government of the early 1990s) – prevented the wage earner funds from controlling more than a negligible portion of major Swedish companies. Furthermore, these funds proved

incapable of preventing wage drift, which was as high, if not higher, than negotiated wage increases between 1983 and 1990 (Kjellberg, 1992: 106).

¹³ This article has focused on only one dimension of worker solidarity, solidarity among employed workers. In the past few years, however, solidarity has become increasingly redefined across Europe as involving relations between securely employed, contingent and unemployed workers. This is especially visible in Italy, where the confederal unions, employers' association and government signed in September 1996 an 'employment pact' aimed at creating new job opportunities in underdeveloped areas through the relaxation of some of the protections for employed workers. We thank Richard Hyman for directing our attention to this alternative dimension of solidarity.

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