

What Should be our Demands?

A starting point when The Swedish Unions within Industry decide its wage demands is that they should lead to real wage increases. Our wage demands must also be compatible with high employment while maintaining or improving competitiveness and the inflation target. How will one then decide on a suitable figure for wage demands?

Here we describe two different approaches in order to arrive at an appropriate level in our wage demands. Both are useful and have their benefits and disadvantages. We also dedicate a section to possible contractual requirements in areas which can contribute to increased innovation and adaptability.

Price in Addition to Productivity

A first approach is based on estimating two components, namely the development of price and productivity and then merging those numbers. It is the future trend that has to be estimated.

The price component in demand is the development of the business sector value added price that is compatible with the Riksbank's inflation target. The product development that is sought is the future average product development for the whole trade and industry seen over a business cycle.

Before the estimated price and productivity component is converted into a number a reconciliation of the employment situation and Sweden's international competitiveness needs to be done. An assessment should be made on the basis of the current employment situation and the development of Sweden's international competitiveness is reason to modify our wage demands.

This approach is theoretically more accurate than Concurrently with Europe "I takt med Europa". The difficulty and therefore one of the drawbacks is that it can be difficult to correctly estimate the current development of these two dimensions, and even more difficult to make an accurate judgement of how they will develop in the future.

Concurrently with Europe

Another approach is to estimate the increase of wages and labour costs in our main European competitor countries and assume that this wage growth is suitable for Sweden as well. This approach is based on the fact that the competitor countries have similar inflation targets, economic structure and productivity. The countries compared should also be on a similar level of industrial development. This means that in practice it is all about the Nordic countries and most other countries in Western Europe¹.

There is no contradiction between the effort Concurrently with Europe and the fact that other countries outside Western Europe has a large and growing importance for Sweden's international exchange. For example, the countries of Eastern Europe and Asia are of growing importance for Sweden. However, as these countries are on a different level of industrial development and in most cases, other socio-economic conditions, they are not appropriate to compare wage growth with.

The approach Concurrently with Europe also should be supplemented with a reconciliation and assessment of the employment situation and of the international competitiveness in Sweden. An assessment should be made on the basis of the current employment situation and the development of Sweden's international competitiveness is reason to modify the wage demands.

The advantage of this thesis is that it is simple, emphasizes our dependence on the outside world and therefore has educational benefits. The disadvantages are that the development in Sweden might be deviating from Concurrently with Europe either because the wage growth in Europe is not the best possible or because the conditions in Sweden gives other requirements than those that count in Europe.

Measures to Increase Innovation and Adaptability

The part of the production results that go to the owners of the companies in form of earnings we, as employees, expect that it primarily will be used as investments in new and modern production equipment. This is vital to the

¹ The countries in Europe that should be covered are the Nordic countries, Germany, the Netherlands, Belgium, UK, Ireland, France, Italy, Spain, Portugal, Austria and Italy. The development of the countries' labor and wage costs are weighted together on the basis of their importance as competitor countries to Sweden.

companies continued growth and for Swedish production industry to be able to keep up with international competition. Today's investment controls tomorrow's production capacity and competitiveness.

One employer argument against high wage increases is that it could threaten the profitability and reduce new investments. By lowering wage increases the owners' interest in investments may improve. It can therefore be an exchange ratio meaning that lower wage increases today provides higher real outcomes in the future. Wage formation gives us, however, no possibility to directly influence the owners' investment decisions. That is the owners' responsibility.

Through the parties' joint work for industrial development and renewal, unions and employers can together run a work aimed to increase production and competitiveness. Such work can be carried out at a national level, mainly to influence various political decisions. A joint developing work may also be performed at company and group level.

Concrete agreements in connection with wage negotiations rounds may also contribute to increased growth and, thus, create more values to allocate. This can involve procedural agreements that may create better processes within the companies in order to bring forward methods that promote growth and increase productivity while contributing to increased safety.

It can also be agreements that give employees greater opportunities to develop at work and to improve and broadening their skills. Or else it could involve measures to increase wage security in situations of adjustment within the companies and/or provide increased support in the event of termination due to redundancy.

Before each collective bargaining round The Unions within Industry should consider whether there is reason or not to make one or several demands aimed at measures increasing innovation and adaptability. These must then be weighed against other important demands in the discussions on priority that is always needed before the various request of the wage negotiations are settled.

Summary

- ✓ The Swedish Unions within Industry use two different approaches to determine an appropriate level of wage demands. One approach is based on an estimate of price and productivity and the other approach on the principle Concurrently with Europe. Both approaches have their pros and cons.
- ✓ Regardless of the approach being used, a record of the current employment situation and Sweden's international competitiveness should be made. An assessment should be made on the basis of the current employment situation and the development of Sweden's international competitiveness are reasons to modify the salary requirement.
- ✓ Before each bargaining period The Swedish Unions within Industry should consider whether there is reason to emphasize and enforce the requirements that contribute in different ways to develop the renewal and adaptability for both employees and companies. This will strengthen our members and increases the future real wage space.