

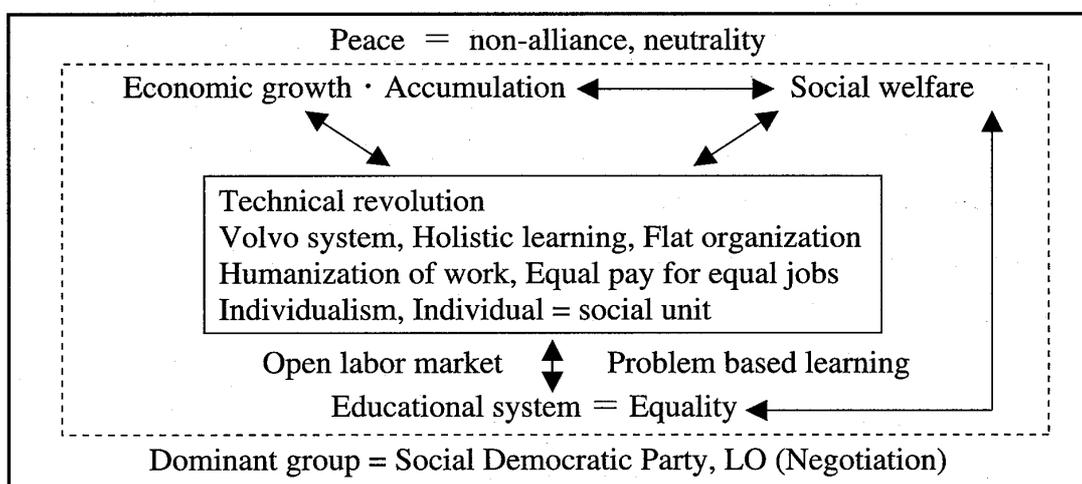
Employment, Wage, and Industrial Relations Comparison between Sweden and Japan

Masaki Saruta

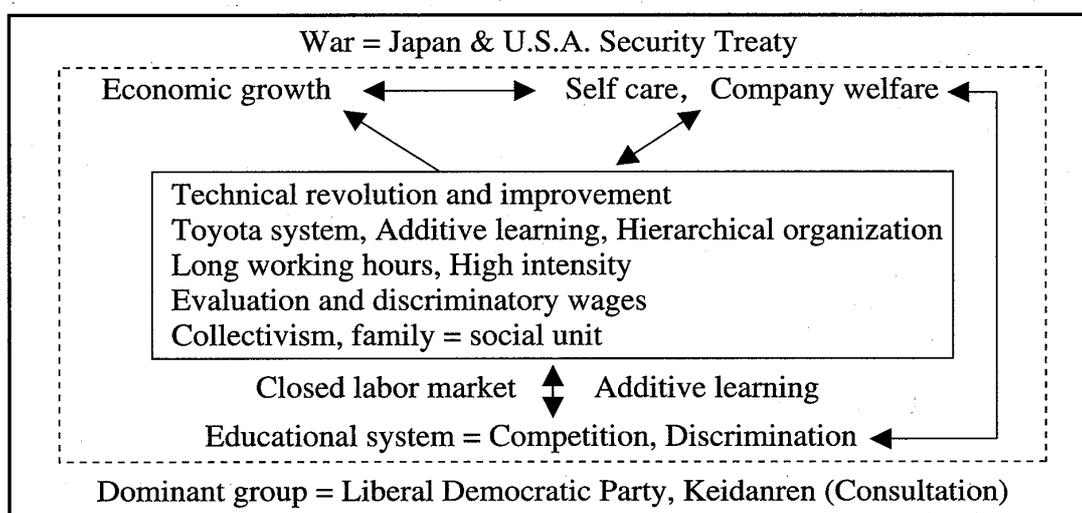
Key word : Sweden, Japan, Employment, Distribution of Income, Industrial Relations

Preface

(Figure 1) The Framework of Sweden (Welfare Society)



The Framework of Japan (Company Oriented Society)



Source: Saruta (2003B), p. ii.

In Japan there are many study results reported on employment in Sweden (labor market), while studies of personnel management and industrial relations are few. For example, even a book like the Sweden Handbook (Okazawa, Miyamoto 1997) does not have a chapter titled “Industrial relations.” However, while studying labor problems in Sweden, we often become keenly aware of the significance of industrial relations in maintaining the stable life of workers or citizens. Especially since employment and wages are inseparably related to industrial relations, grasping the employment/wage issue as a nationwide system and eventually as a global issue beyond national borders must be emphasized.

Industrial relations are broadly (Figure 1) involved with every aspect of politics, the economy, and society. In this report, the term “industrial relations” is not confined to the limited definition of corporate management-labor relations. There are several points that should be pointed out in relation to this report. 1) Sweden employs the principle of equal pay for equal jobs, while Japan accepts the principle of discriminatory wages for equal jobs based on evaluation. This has formed a cause for discriminatory wages in Japan, while Sweden’s system has provided a means with which to carry out an equalizing policy by decreasing differences in wages under the Solidarity Wage system. 2) The social unit is the household in Japan, while it is the individual in Sweden. This difference is important. In Sweden, wages, taxes, housing and child allowances, and social welfare benefits are all calculated on an individual basis. Therefore, a simple comparison between the wages of Japanese males and those of their Swedish counterparts would not make sense. 3) The Japanese educational and welfare system emphasizes differences and distinctions resulting from competition, while the Swedish systems give greater importance to equality and universality. Consequently, in Sweden, the public sector still constitutes a greater share as a means to guarantee the equal benefit of education, medical care, and social welfare for citizens. These systems have been created through collective bargaining and political participation by labor unions as can be seen in the following.

(1) Employment/Working hours

Swedish industrial relations have also gained a great outcome in the field of employment systems as follows. Though it is well known that LO has emphasized

solidarity in labor policy and positive labor market policies, SAP (Social Democratic Party) government has placed the highest value on a full employment policy. The book entitled *Introduction of the Swedish Social Democratic Party* published by SAP (November 1996, page 4) reads: "Unemployment policy was the first thing to discuss of SAP agenda. It is still the case even at present. The government aims at reducing the declared number of jobless people by half, namely a 4% reduction, by 2000." After the collapse of the bubble economy at the beginning of the 1990s, the unemployment rate rose substantially in Sweden as well, and then it exceeded 10%. As a result of various measures taken, the unemployment rate declined, and toward 2000 it was about 4%. Nevertheless, this figure is about twice as large as those in the 60–70s. Though the same tendency could be observed in Japan, in the case of Japan, the rate rose over 5% and there is no sign of decline yet at present. You may think there is not so much difference between the two countries in terms of the unemployment rate. But in fact there is a big difference.

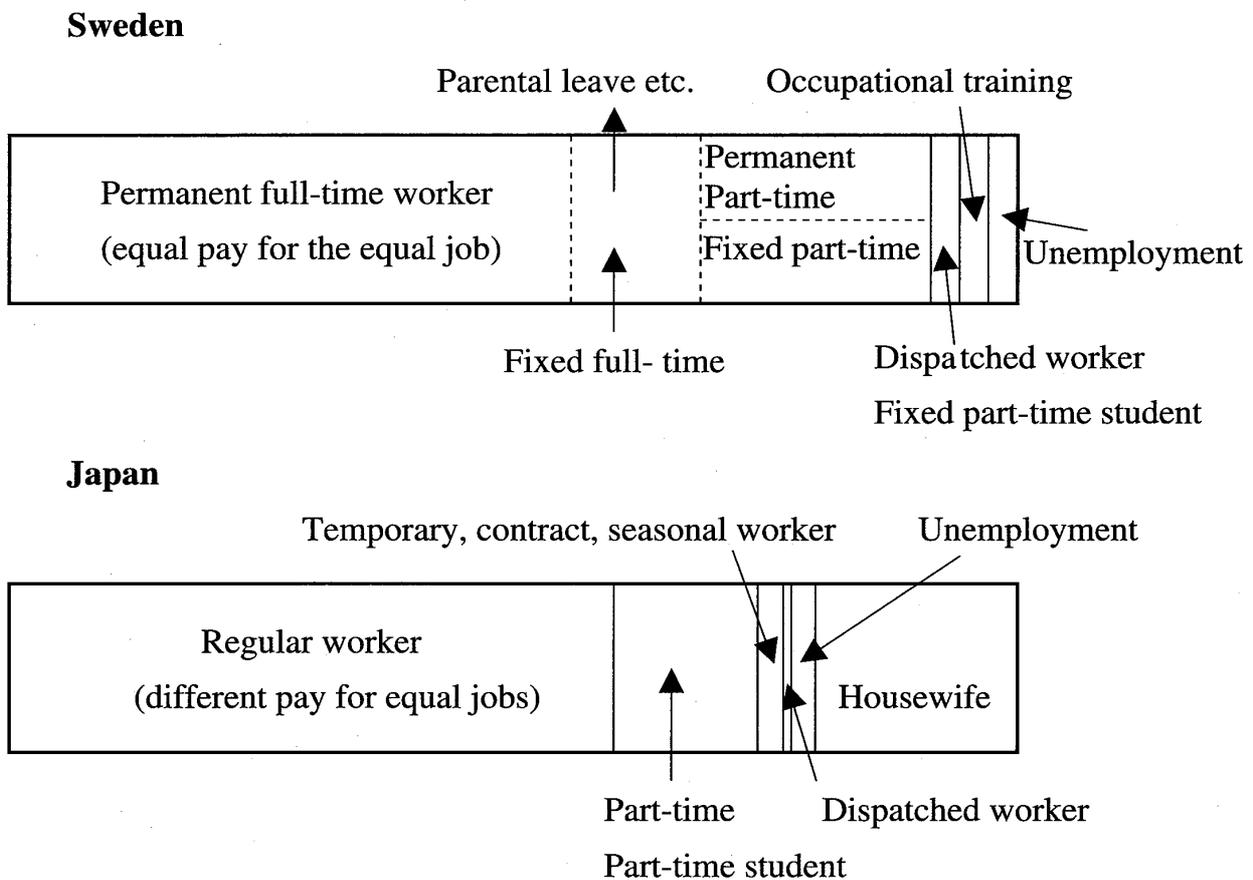
The unemployment rate in Japan appears to be only slightly higher than that of Sweden. But in Japan, there are enormous numbers of potential jobless people and full-time housewives who are not classified statistically as unemployed. On the other hand, in Sweden, almost all citizens are workers in society where the individual is the basic unit. Moreover, more workers are taking vocational training courses, which are a part of the unemployment measures, compared with Japan. This is one of the characteristics of Sweden.

In Japan, almost all part-time workers are low-wage temporary labor. Many of them work as long in hours as regular employees. On the other hand, in the case of Sweden, many part-time workers work on a fixed-term basis as substitutes for those who are taking parental leave etc., or work on a regular basis as a right. In Sweden, it is very unlikely that all workers will be employed on a regular basis. And it is highly possible that part-time workers and dispatched workers will continue to work on a fixed-term basis. Therefore, an examination of the mutual supplementary relations of the workforce by type of employment, as well as occupational training and the income guarantee system for jobless people, will be extremely important in discussing "Welfare State, Sweden."

In Sweden, many part-time workers, as well as full-time workers, are organized, and the principle of equal pay for equal jobs is applied to them. Therefore, the wage gap

between them is far smaller than that in Japan. The Swedish employment system is based on mutual supplementary relations between permanent full-time workers' rights and employment of fixed full-time workers and fixed part-time workers/students. But as far as the wage rate per time worked is concerned, there is not a considerable difference, no matter what type of employment they may take. The joint struggle for equal wages by regular workers and non-regular workers, which is set as a goal in Japan, has been fulfilled to a considerable extent.

(Figure 2) Realities of Workforce and Employment (Model)



Source: Saruta (2003B), p.31.

In Japan, most small business workers, including regular workers, are unorganized. Since workers tend to be organized company by company in Japan, they are divided by company unions. Therefore, there is a large wage gap among the workers who are engaged in the same kind of work depending on the size of the firm. Moreover, owing

to the seniority-based wage system, wage system based on job evaluation/seniority criterion, and lifetime employment, workers in the same company have been discriminated because of gender and age. In addition, most non-regular workers are unorganized, and their wage/working conditions are very bad.

To achieve solidarity of workers/citizens in terms of employment, various methods have been tried in many European countries. In Sweden, it does not appear that they simply seek reductions in working hours or work sharing. Though the Left Party is strongly insisting on reductions in working hours, LO and SAP seem to have created an original Swedish employment system, which I call "Solidarity employment," while pursuing reductions in working hours. And the educational system, including occupational training, supports it. Though it is undeniable that the Swedish labor market is becoming more unstable because of the strong influence from the trends of globalization and integration into EU, we can safely say that, unlike "Corporate Society, Japan," the Swedish employment system is not faced with the danger of collapse.

It is National Labour Market Board (Arbetsmarknadsstyrelsen), AMS in short, that is playing a decisive role in Swedish labor policy. The top members reflect the power relationship between labor and management of the times. So far, more members have been appointed from the labor side in AMS. A similar constituent ratio could be observed in the prefecture-level members responsible for presiding over the prefecture and the Commune-level members responsible for employment services. But in 1991, the employers' confederation (SAF) broke away from many government-level organizations and decided to give up membership of AMS in each of government, prefecture, and Commune level.

AMS's main duty includes employment services, offering opportunities for occupational training, employment promotion, and granting employment promotion allowances. Granting cash benefits to jobless people that the unemployment allowance by LO cannot cover is its most important duty. Recently, labor market programs and adult education were added to the major labor market policies. They are new attempts to provide more employment opportunities by transferring unemployment allowances to funds for investing in occupational training to improve jobless workers' skills. The latter of them, adult education, is a 5-year adult educational program set up in July 1997, in which all the Communes participate. This is also one of the strategies that the SDP government has taken in order to fulfill its political promise of reducing the number of

jobless people by half.

In Sweden, those who have not completed upper secondary education cannot enter the labor market, in principle. In other words, the system does not allow them to be employed. Therefore, the duty of the adult high school is to provide those who missed education up to the level of the upper secondary education for some reason with the opportunity to make up for it. Nearly half of the students who take the compulsory course in the adult high school are foreigners. At the same time, the adult high school plays the role of providing occupational facilities and training called supplementary education for those who have completed upper secondary education. This supplementary education functions as training for those who have never been employed. The adult high school is used to promote employment for jobless people.

In Sweden, too, there are employment agencies and occupational training schools overseen by the labor ministry. When a worker loses a job, he will go to an employment agency. There he will have his occupational skills registered, and if he finds a job, there will be no problem. But if he cannot find a job that suits his existing skills because of industrial changes, he will receive occupational training, acquire advanced skills in the tentative employment system, or enter the adult high school. If the jobless worker wants to upgrade his occupational skills, he can reenter a university by utilizing the free educational system or an educational loan. On the other hand, in Japan, the occupational training system is insufficient, educational costs are very high including costs for cram school or the like, and the scholarship system is poor, which stands in contrast to the case in Sweden.

In light of the current conditions of the labor market program, adult education and the high "actual unemployment rate," some Japanese researchers state that in 1997 "the labor unions in the competitive sector should say that the conditions for solidarity wage policies are already lost." This is because solidarity wage policies were originally planned on the assumption of full employment. In those days, in Sweden, the unemployment rate remained at nearly 13%, if those participating in the unemployment program and participants in occupational training are counted. Furthermore, in 1991, a waiting period was introduced for accident and sickness benefits, and its benefit rate was reduced from 90% down to 75% in 1996. In the face of the reduction in the accident and sickness benefits, and the menace of unemployment, the absence ratio for normal working hours decreased from 9.7% in 1988 to 5.4% in 1993, which was said to be

equivalent to the loss of 100,000 jobs. However, at present, the unemployment rate has declined to about 4% and the absence ratio has recovered to the previous level.

Here I would like to briefly touch upon the working hours in the two countries. Sweden adopts a 40-hour per week system, and it is stipulated by law that every worker should take a 5-week vacation with pay. This level is not necessarily high compared with those in other European countries. In fact, many public officials, who constitute 1/3 of the total workers, take more than 6 weeks vacation with pay. There are very few workers who give up this right.

In Japan as well, the government aims at a system of 40 hours a week and an annual system of 1,800 hours. However, this goal has never been attained even now when the current unemployment rate hit a postwar record, while the annual working hours, including paid and unpaid overtime work, surpassed 2,300 hours on the average. Not a few workers work more than 3,000 hours a year. Their vacation with pay is not more than 20 days, which is short compared with those in other countries, and its utilization rate is as low as about 50%. As a result, the number of deaths and suicides from overwork is increasing rather than decreasing.

In Sweden, since 2000, the working hours in most industries have been reduced to 38 hours a week through labor-management negotiations. In the case of the Metalworkers' Union under the control of LO, the agreements set 39 hours a week on the average. Furthermore, in fulfilling this reduction in time, the acceptance of a flextime system was one of the conditions. The system allowed employers to order 24 minutes a day or 2 hours a week of overtime work. Regarding its materialization, it is all up to each branch negotiation.

There were 11.18 million part-time workers in Japan in 2001, which constitutes 26.1% of the total workers. Most part-time workers were low-wage workers without rights and unorganized. "Realities of Workforce and Employment (Model)" (Figure 2) shows there are many part-time workers in Sweden. But the largest numbers of workers are permanent part-time workers who choose it as a right (i.e. taking parental leave). Furthermore, many of them are organized. Recently, as for demands about working hours, the greatest demand is for more working hours. A largest numbers of part-time workers in Sweden are permanent/fixed part-time workers who choose it as a right, but temporary part-time workers are not few. They have a strong desire for extended hours of work. And in July 2002, a new law was enacted to guarantee the same wage and working

conditions for part-time and fixed part-time workers as permanent full-time workers, which satisfies two EU instructions. This law also influences the supplementary pension system.

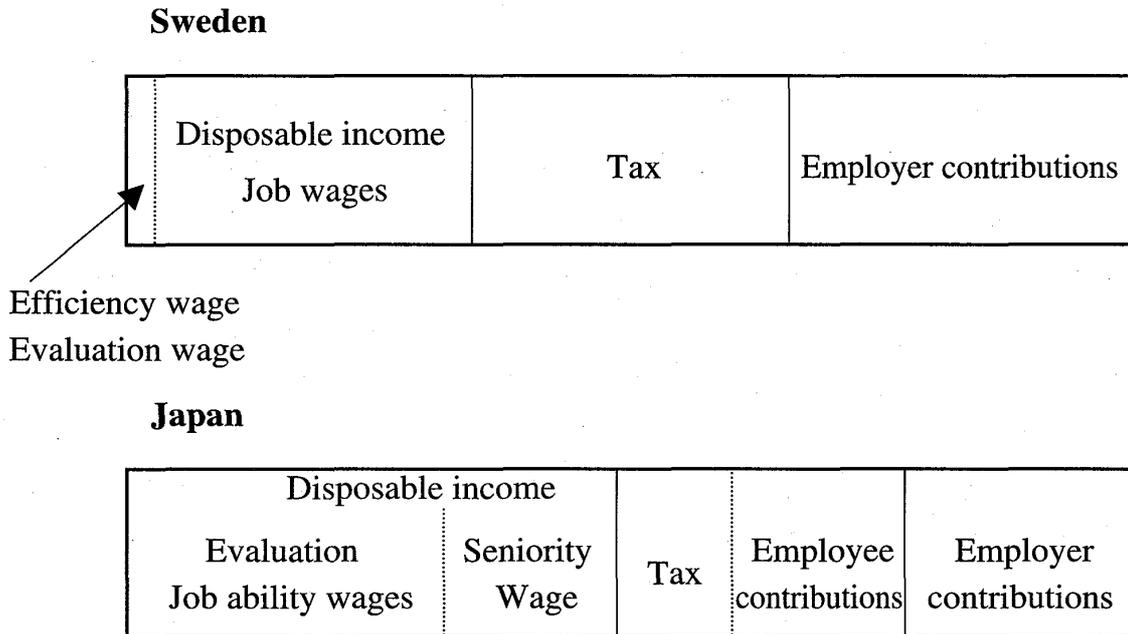
(2) Redistribution of wage and income

The labor costs in Sweden show that employer contributions and taxes constitute 2/3 of the total amount. In Japan, the employer contributions are smaller and employee contributions are larger. As for disposable income, the amount in Japan appears larger, but in fact, it is not in terms of actual amount. It is because Japanese workers have to pay housing loans, educational and marriage costs for children, save money for their old age, and purchase insurance premiums, such as life insurance, out of disposable income. On the other hand, in Sweden, the personal savings rate is lower and fewer people have a private insurance policy, partly because social security/welfare is good. In Japan, however, there are few people who feel secure about their old age, even if they have a large sum in savings and insurance. Wages in Japan are still influenced by seniority with emphasis on long service and age. Another very important feature is that an employer's evaluation plays a large part in determining wages. Though labor unions demand a raise in wages every year, they rarely take the initiative in posing a positive demand regarding wage decision criteria and distribution.

It is economic equality among workers or citizens that Swedish LO and SAP have emphasized. It is evident because they tried not only to reduce the wage gap by means of a solidarity wage policy, but also to prevent a large difference in the national life by means of redistribution of income through financial and tax measures. The effect of reducing wage gaps by a solidarity wage policy based on so-called the Rehn-Meidner Model, which was practiced in response to LO's proposal, is considered to have been lost since about 1970. But LO has not necessarily abandoned the solidarity wage policy. Judging from their recent wage negotiations, it is obvious that LO is striving to raise the wage level of low-wage workers.

It is true that workers are faced with more hardships than before owing to the wage drift that set back the solidarity wage policy, but in fact, "national 'Solidarity' ability" is still going strong. It was substantiated in the 2002 election. The future course of this "'Solidarity' ability" will attract attention.

(Figure 3) Labor Cost and Wage



Source: Saruta (2003B), p.46.

(3) Industrial relations

As described above, there are extraordinary differences between Sweden and Japan, even as far as employment, wages, and working hours are concerned. Let me enumerate eight factors that differentiate the labor unions in Sweden from those in Japan. They are as follows:

1) Difference in the ratio of organized labor. In Sweden, more than 80% of the total workers are organized, while in Japan the rate is about 20%. It shows a qualitative difference. In Sweden each worker goes to the office to enter the labor union, while in Japan workers of large companies are forced to enter the labor unions regardless of each worker's wishes as soon as they enter the companies. Therefore, it is assumed there is also a qualitative difference in each worker's awareness as a member of the labor union.

Management and labor in Sweden are very well organized as follows. There are three nationwide confederation organizations representing workers in Sweden; the first organization representing blue-collar workers, the Swedish Trade Union Confederation

(LO); the second one representing white-collar workers, the Swedish Central Organization of Salaried Employees (TCO); and the third one representing professional workers, many of whom are university graduates, the Swedish Confederation of Professional Associations (SACO). And as for employers' organizations, there are four confederations and the typical one representing private employer organizations is the Swedish Employers' Confederation (SAF).

As of 1999, the members of LO are about 2.1 million, TCO 1.23 million, and SACO 460,000. In Sweden, as of 2000, 82% of the total workers are organized. To divide them by blue and white collar, they are 85% and 80%, respectively. Here, a 5% gap is observed. If you classify them by sex, females make up 85% and males 79%. There is a 6% gap. This figure reflects female positions in the Swedish labor movement. The structures of industrial relations in the two countries are pictured as follows (Figure 4).

2) The second is the different form of organization of labor unions. In Japan major labor unions are composed of regular full-time workers regardless of their jobs, while in Sweden workers are organized by industry, and jobless people, pensioners and students are included in the organization. The case in Sweden is quite different from that of Japan where many workers are unorganized; jobless people and retired workers are excluded from the organizations, and students are separately treated.

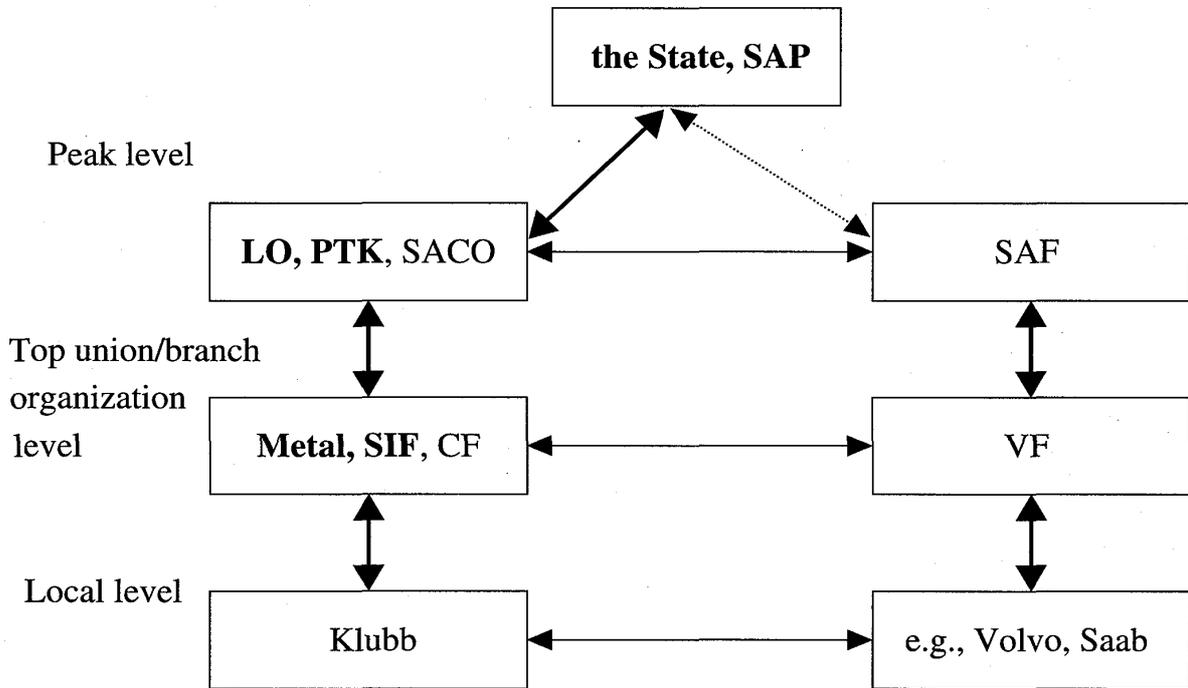
3) The third difference is that in Japan the national center is divided by political inclination into "the Japan Trade Union Confederation" (Rengo) and "the National Confederation of Trade Unions" (Zenroren), while in Sweden workers are divided mainly by quality of workforce, such as blue collar, white collar, and university graduates, into the three major organizations of LO, TCO, and SACO. But each organization, especially LO and TCO, tends to act jointly. Furthermore, labor unions by industry stay firm under each control.

4) The fourth great difference in the function of labor unions is that in Sweden centralized bargaining/ industry-wide bargaining plays a key role, while in Japan most of the bargaining is performed by the company. Therefore, in Japan wages and working conditions of non-regular workers are rarely discussed in company bargaining.

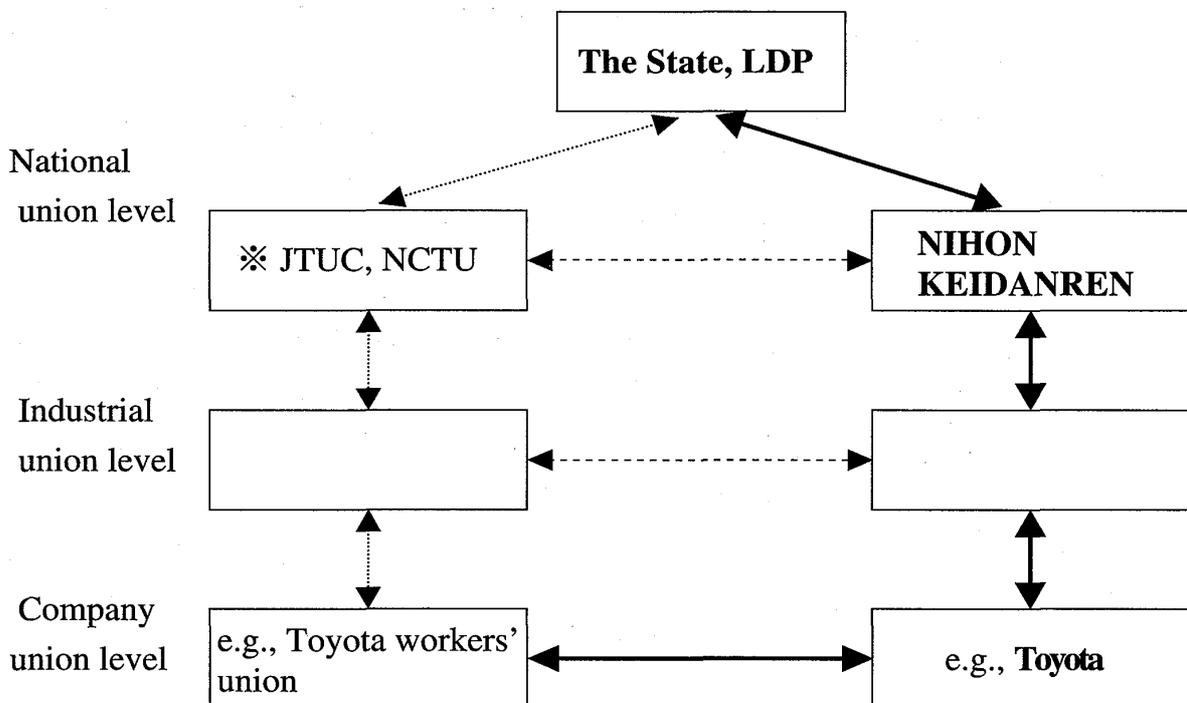
5) In Sweden, collective bargaining between management and labor is generally held. And workers are advancing toward "labor participation in management" and "participation in policy formation" of the government and local government. But in

(Figure 4) Structures of Industrial Relations

< Sweden >



< Japan >



※ JTUC=the Japan Trade Union Confederation
 NCTU=the National Confederation of Trade Unions
 Source: Saruta draws up this figure.

Japan, they are mainly engaged in consultation between management and labor under an agreement reached between them. Many labor unions of large companies gave up the right to strike in a labor agreement, though the right is still guaranteed by the Constitution.

6) The sixth remarkable difference is that in Sweden there is no relation between in-company promotion and posts in the labor union, while in Japan, mainly in large companies, some posts in the labor union form a route for in-company promotion. Like Toyota affiliated companies, it is often the case that personnel of the labor union are dispatched employees from the company.

7) Influence of female workers in the labor union. In Sweden, the labor force participation rate of female workers is high. Recently, their ratio of organized labor has become higher than that of male workers. In Japan, however, as can be seen from the fact that the wage gap by sex is the largest in the advanced countries, the influence of female workers in the labor union is extremely small.

8) The last difference is the distance to power. In Japan, it is undeniable that not only the Japan General Council of Trade Unions (Sohyo) and the Japanese Confederation of Labour (Domei) in the past but also the Japan Trade Union Confederation and the National Confederation of Trade Unions have a very long distance to reach power. They have had very little influence on the administration. As a result of the long-running administration of the conservative party, corruption of politicians and government officials has been remarkable. In Sweden, though the power was taken by the Moderate Party and the other bourgeois block three times, fundamentally for these nearly 70 years, LO has sustained the SAP, which has maintained power. In the meantime, SAP did not get an absolute majority by itself for a long time, but has maintained power in cooperation with the Left party (ex-Communist Party) and the Green Party. In Japan, large companies have much power, and most company unions are dependent on the companies. Moreover, the corporate society has been supported by the Japan Federation of Economic Organizations, the Liberal Democratic Party, and government officials, which are strongly influenced by big business. Under the Japanese labor-management consultation system, the mechanism does not allow the voice of workers to be reflected on management or the government.

In Sweden, labor unions have gained much through collective bargaining in each central/industrial/local level. Moreover, LO working with SAP helped to realize the

participation of workers in various levels of politics and business management and thus contributes to the creation of a safety network for workers. Walking in the streets in Stockholm, Göteborg, or Linköping, we feel the existence of labor unions. But in Japan labor unions exist in the companies, their offices are difficult to find by the citizens.

Conclusion

Comparing Sweden and Japan, there is a definite difference, even as far as wages, employment, and working hours are concerned. In particular, the labor unions' activities are conspicuously different. In Japan, the existence of labor unions is increasingly rare.

Are labor unions' activities helpless or useless for the construction of society? Can't labor unions contribute to stabilizing workers'/national working/social life? Viewing the reality of labor unions in Sweden, I really feel union activities are still indispensable to stabilizing workers' lives. With cooperation from labor unions, workers secure their jobs, gain opportunities for occupational training, or obtain guarantees while out of work. Furthermore, they can receive free or low-cost education and medical care for their children thanks to union activities. In this way, labor union activities help secure the nations' pride and contribute to stabilizing domestic demand. When we see a solidarity wage policy, a positive labor policy, and a solidarity labor policy, I feel that now is the time where we need improvement of the working environment and all-out development of workers' ability for improvement of corporate and national productivity.

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