

# Essays on trade unions and functional income distribution

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GOTHENBURG STUDIES IN ECONOMIC HISTORY replaces the former series under the title *Meddelanden från Ekonomisk-historiska institutionen, Handelshögskolan vid Göteborgs universitet*.

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Cover design: Siri Reuterstrand

ISBN 978-91-86217-08-2

Published by the Unit for Economic History, Department of Economy and Society,  
School of Business, Economics and Law, University of Gothenburg

Printed by Ineko, Göteborg 2013

Distribution: Unit for Economic History, Department of Economy and Society,  
School of Business, Economics and Law, University of Gothenburg

P.O. Box 625, SE 405 30 Göteborg, Sweden

Full text electronic issue: [www.econhist.gu.se](http://www.econhist.gu.se)

## ABSTRACT

Essays on trade unions and functional income distribution  
Gothenburg Studies in Economic History 9 (2013)  
ISBN 978-91-86217-08-2

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Doctoral dissertation in economic history at the Department of Economy and Society, School of Business, Economics and Law, University of Gothenburg, Box 625, SE-405 30 Göteborg, Sweden (Written in English)

Distribution: Unit for Economic History, Department of Economy and Society (address as above)

This dissertation consists of four research papers and an introduction. The overarching theme for the four papers is the relationship between employers and employees in the labour market, or in more macroeconomic terms the relationship between capital and labour. Within this overarching theme the four papers connect with two distinct research discussions. Papers 1 and 2 study the income distribution of capital and labour, the so-called functional income distribution. Papers 3 and 4 study the agency of trade unions in Sweden in connection with European labour market integration. The introduction presents the research background of the papers, describes the theoretical perspective adopted (the power resources approach), summarises the papers and discusses the implications for further research.

Paper 1 studies the functional income distribution in Sweden from 1900 to 2000. Previous research has argued that long-run inequality is better explained by factors inherent in economic development than by social and political factors. This paper makes the argument that social and political factors matter more than previously assumed.

Paper 2 studies functional income distribution in 16 countries from 1960 to 2007, focusing on the association between trade unionism and labour's share of national income. Special attention is paid to varying effects over time and between countries.

Paper 3 studies the strategic actions of Swedish trade unions when the free movement of labour and services in the European Union was extended to 10 new EU member states in 2004. Unions in Western Europe were worried about downward wage pressure from this EU enlargement, but made different strategic choices. Previous research has stressed that national institutional factors influenced the strategic choices of unions, but Paper 3 argues that sectoral differences were as important as the national differences.

Paper 4 studies cases in the Swedish Labour Court from 2004 to 2010 involving Swedish trade unions and mobile European Union labour. It is shown that several labour market regulations and rights of trade unions have been contested in the process of integrating the Swedish labour market with the common EU labour market.

**KEYWORDS:** functional income distribution, labour share, inequality, trade unions, migrant workers, trade union revitalisation, trade union strategies, social dumping, industrial relations, labour courts, Laval





# Acknowledgements

The five years of being a PhD student has been a great experience; stimulating, free, and intellectually exciting. First of all, thanks to Christer Lundh for recommending me to apply to the PhD programme. Christer has been my main advisor; thanks also to Mattias Bengtsson who has been the second advisor. Thank you both for helpful comments and criticisms on drafts and on this manuscript, and for general guidance during my time as a PhD student. Thanks also to all the other colleagues at the Department of Economic History for providing a relaxed and stimulating environment with lots of good discussions.

Outside of the department, I have worked with several people who have been marvellously helpful. A great thanks to Ingemar Lindberg with whom I have collaborated on a project on trade unions and globalisation as well as a project on labour shares. Thanks to the other colleagues on the Wage Share Project, Bengt-Åke Berg, Magnus Ryner and Roland Spång; I learnt a lot from our project. Thanks to Markus Pettersson for good collaboration in connection to the WSP. I spent the spring semester of 2011 as a visiting scholar at the Institute for Research on Labor and Employment at University of California, Los Angeles. Thanks to Chris Tilly for hosting me, and a special thanks to Jan Wallanders och Tom Hedelius stiftelse for awarding me a stipend that made my stay possible. My semester at UCLA was a tremendously stimulating experience.

Some people have provided very helpful comments and criticisms on the papers. Thanks to Johannes Lindvall for really constructive comments at the mock defence. Thanks to Jan Bohlin, Lovisa Broström, Rasmus Hästbacka, Svante Prado, Christer Thörnqvist, Erik Öberg and Stefan Öberg för comments on the papers.

During my time as a PhD student one of the two greatest things (the other being research itself) has been to meet so many intelligent, inspiring and nice people. I don't think that there are many jobs that can rival being an academic in this respect. Thanks to my colleagues and all the others I've met at conferences, workshops, summer schools and seminars. *Ingen nämnd, ingen glömd.*

*Erik Bengtsson*

Gothenburg, May 2013



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# Introduction

The relationship between employers and employees, between capital and labour, is one of the major themes of the social sciences. In economic research topics such as wage-setting and wage differentials are key elements, and a wealth of political economy research discusses different outcomes of different wage-setting institutions on indicators such as wage distribution, economic growth and efficiency (cf. Calmfors and Driffill, 1987; Freeman and Gibbons, 1995; Hibbs and Locking, 1996, 2000). The relationship between wages and factors such as unemployment and inflation is analysed in a volume of literature on economics and economic history (cf. Sachs, 1983; Broadberry and Ritschl, 1995; Hatton and Boyer, 2005). Sociologists and others study the content of working life and how it affects individuals' work life satisfaction as well as overall well-being (Freeman, 1978; Green, 2004; Kalleberg, 2009). In political science the influence of employer and employee organisations on politics and welfare states is often studied (Korpi, 1978, 1981; Swenson, 2002). Power relations and conflicts between the classes are analysed by scholars from a wide theoretical spectrum, from Marxism (Armstrong et al, 1984) to public choice and game theory (Lancaster, 1973; Mehrling, 1986). In short, what happens on the job and in the labour market, and the arrangement of the relationship between employers and employees, has important consequences for many aspects of social life. The papers in this dissertation connect to two distinct but related research discussions that have to do with the relationship between employers and employees.

The first discussion concerns the distribution of income between capital and labour, so-called functional income distribution. The economist David Ricardo (2001: 5) in his *Principles of Political Economy* (originally published in 1817) called this distribution 'the principal problem of political economy'. From Keynes's time up to the 1960s the issue of labour's share of national income was widely discussed within economics both as an indicator of inequality and as an aspect of production functions (Keynes, 1939; Phelps Brown and Hart, 1952; Kerr, 1954; Solow, 1958; Simler, 1961; Jungenfelt, 1966; Ferguson and Moroney, 1969). Interest in the problem decreased in the 1970s and 1980s, but in the last fifteen years there has been a revival of interest in functional income distribution as new datasets reveal that this distribution accounted for many more changes than was previously assumed, and thus there is a lot still to explain (Blanchard, 1997; Arpaia et al, 2009; Atkinson, 2009; Glyn, 2009; Bassanini and Manfredi, 2012; Jacobson and Occhino, 2012).

Many papers document that labour's share of national income has fallen markedly in rich countries since 1980 or so, and try to explain this with various factors such as technological change, globalisation, and the weaker bargaining power of trade unions. In the older literature a major reason for the use of labour's share as an indicator for inequality was that it often can be calculated for long timespans owing to the existence of historical national accounts. This sort of long-run labour share research is performed by economic historians who have made fascinating long-term studies of functional income distribution in, for example, England (Allen, 2009) and Latin America (Frankema, 2010), as well as Sweden (Vikström, 2002; Schön, 2004; Edvinsson, 2005; Svanlund, 2010).

The second discussion concerns the changing industrial relations systems in Europe and how trade unions have become weaker in terms of influence as well as membership and have started reconsidering their strategies (Western, 1995; Hyman, 1997; Ferner and Hyman, 1998; Hassel, 1999; Traxler et al, 2001; Visser, 2002; Baccaro et al, 2003; Heery et al, 2003; Pernicka, 2005; Lillie and Greer, 2007; Heery, 2009; Kalleberg, 2009; Lillie, 2010; Baccaro and Howell, 2011; Gumbrell-McCormick, 2011; Howell and Givan, 2011; Lillie, 2012; Schmitt and Mitukiewicz, 2012). This field of research discusses issues such as why trade unions' influence has waned, the role which economic restructuring plays in changing labour market relations, the effect of economic globalisation on labour market regimes, whether unionisation and union power have decreased uniformly or sporadically across rich countries, and what unions are doing to strengthen their position.

The two major themes of the dissertation – labour markets and unions on the one hand, functional income distribution on the other hand – are connected, in that power relations and institutions of the labour market affect income distribution. The dissertation is structured such that it moves from a macro level of analysis to a micro level. The first two papers study functional income distribution. Paper 1 explores functional income distribution in Sweden from 1900 to 2000, focusing on a historical account and an interpretation of the fluctuations in distribution. Paper 2 studies 16 countries from 1960 to 2007 and investigates especially whether the higher proportion of workers who are union members is associated with a larger share of national income being allocated to employee compensation. The last two papers study effects on the Swedish labour market of European enlargement in 2004 and increased labour mobility in Sweden. In Paper 3 I study the strategic choices of Swedish trade unions in organising or not organising mobile European workers. In Paper 4 I study Labour Court conflicts where companies employing European migrant labour challenge labour market regulations and end up in conflict with trade unions. The first two papers operate on the macro level and the latter two on



the micro level. There is also a difference in methodology between the papers; the first two papers use at least partially quantitative methods, whereas Papers 3 and 4 use qualitative methods – analysis of documents and interviews.

This introduction aims at summarising the aim and results of the four papers, and discussing them in the wider context of research on industrial relations and class relations in advanced capitalist economies. The introduction is organised as follows. In Section 1 I clarify the research background of the papers. In Section 2 I discuss the theoretical approach implicit or explicit in the papers, the power resources approach. In Section 3 I summarise the four papers, focusing on the research questions asked in each paper and the results. In Section 4 I reflect on the papers, their contribution to the previous research, the implications of the arguments, and potential extensions and proposals in terms of further research.

## 1. Research background

### Functional income distribution

In the early twentieth century statisticians, especially Arthur Bowley, who studied the distribution of labour incomes and capital incomes in national accounts for the United Kingdom found that this distribution was quite constant over time (see Krämer, 2010). This result was widely debated within economics, and John Maynard Keynes (1939: 48) stated with astonishment that ‘the result remains a bit of a miracle’. In the 1950s and 1960s there were major debates within economics on whether the distribution really was so constant over time, and whether social and political factors such as trade union organisation could influence it (for a taste of the debate see Phelps Brown and Hart, 1952; Burkhead, 1953; Kerr, 1954; Solow, 1958; Phillips, 1960; Simler, 1961; Jungenfelt, 1966; Ferguson and Moroney, 1969). Economists were interested in the distribution between capital and labour not only as an indicator of inequality but also as an aspect of production, in relation to variables such as capital intensity, technological progress, and the elasticity of substitution between capital and labour as production inputs. In the late 1960s the debate faded out and economists seemed to accept that factor shares in the long run were constant (Goldfarb and Leonard, 2005; Krämer, 2010). The assumption that factor shares were constant in the long run was made, for example, in Paul Samuelson’s influential textbook *Economics* (see Burkhead, 1953). By the 1980s functional income distribution was a topic mainly dealt with as a peculiar problem in connection with the profit crises of the 1970s (Sachs, 1983; McCallum, 1985), and otherwise left to heterodox and radical economists and sociologists (Armstrong et al, 1984; Kalleberg et al, 1984). In the

late 1990s, however, interest in functional income distribution grew again, as researchers working in the United States (Krueger, 1999) as well as Europe (Blanchard, 1997) found when looking at the data that a large fall in labour's share had occurred since circa 1980. A large amount of research literature resulted, together with new and improved datasets on functional income distribution from the OECD (the *Structural Analysis Database*, STAN) and the European Commission's Directorate General for Economy and Finance (*The Annual Macro-Economic Database*, AMECO).

The newer literature studies determinants as well as effects of changes in functional income distribution. The determinants literature is larger and focuses on several major explanations. One is globalisation, which is most often seen as decreasing labour's share in the advanced capitalist countries by a Heckscher-Ohlin-type of process whereby relative demand for labour in these countries decreases and relative demand for capital increases (Harrison, 2002; Jaumotte and Tytell, 2007; Böckerman and Maliranta, 2012). Another is technological change (Guscina, 2006; Ellis and Smith, 2007). Some scholars, especially Post-Keynesian economists, highlight the role of financialisation of the economy (Stockhammer, 2009). Yet other scholars emphasise the importance of labour market institutions and trade unions (Fichtenbaum, 2009; Kristal, 2010). The literature on consequences of reduced labour shares focuses on effects on aggregate demand and growth (Stockhammer, 2011). The two labour share papers in this dissertation focus on the determinants of the distribution. Paper 1 makes a contribution to the literature by taking a long-run perspective on labour's share, discussing the development in Sweden over a hundred years, in contrast to almost all of the previous literature that typically covers thirty to forty years (for exceptions see Allen, 2009, and Frankema, 2010). This enables me to look at different explanatory variables. Paper 2 develops the literature through looking at divergent effects of trade unionism on the labour share between countries and over time.

## Changing industrial relations and trade unions

Although this is a dissertation on economic history, the focus of Papers 3 and 4 is primarily events and processes which have occurred since 2004. These two papers are typical industrial relations papers, focusing on trade unions and labour market institutions. In Sweden, a country without specific industrial relations departments, the discipline of economic history has long dealt with industrial relations issues. In the 1960s, 1970s and 1980s many economic historians worked on labour history (cf. Gustafsson, 1965; Ekdahl, 1983; Larsson, 1986). Since the 1990s there has been a shift to industrial relations and studying trade unions and employers in that context (cf. Johansson and Magnus-

son, 1998; Gråbacke, 2002; Murhem, 2003; Bengtsson, 2006; Karlsson, 2008; Dahlkvist, 2009; Waara, 2012). Of special interest are the so-called Swedish model (cf. Magnusson, 2006; Lundh, 2008, 2009), and Europeanisation (cf. Magnusson and Ottosson, 2002; Murhem, 2003; Dahlkvist, 2009). The focus on workers in earlier labour history has also been combined with the field of macroeconomic history in structural labour market analyses (Lundh, 2002). The advance of institutionalist theory in the 1980s and 1990s also influenced Swedish labour market scholars who have analysed the labour market from an institutional perspective (Lundh, 2002, 2008).

The two industrial relations papers here relate to the mainstream of industrial relations within Swedish economic history as they deal with the Europeanisation of the Swedish labour market. Europeanisation as a labour market phenomenon is related to economic globalisation, in that both involve increased goods, capital and labour mobility over national borders. In industrial relations research today one of the major questions is whether globalisation, and in Europe Europeanisation, means that national labour markets have become more similar (cf. Ferner and Hyman, 1998; Traxler et al, 2001; Magnusson and Ottosson, 2002). Sweden is a much-studied case of a rather regulated labour market with strong trade unions, so the discussion in the Swedish case focuses on whether the Swedish labour market is becoming more liberal and whether trade unions are weakened so that Sweden is converging on being an averagely rich country? There are several dimensions to this debate. One as mentioned is whether the institutional set-up of labour markets is becoming more similar; the debate is largely between those stressing convergence on a liberal model (Baccaro and Howell, 2011; Howell and Givan, 2011) and those stressing continued diversity (Traxler et al, 2001). Another dimension is whether trade unions are becoming more alike in different countries since perhaps, in accordance with the convergence thesis, their institutional contexts are becoming more similar. Specifically, since trade union power has decreased in Europe in the last couple of decades, there is a large research debate on which methods unions are using to strengthen their position again. One major research topic in this context is how European unions adapt new strategies and methods from American unions which have been active in a liberal labour market for longer (cf. Baccaro et al, 2003; Heery et al, 2003; Heery, 2009; Vandaele and Leschke, 2010; Arnholtz et al, 2012).

In Paper 3, studying Swedish trade unions' strategic response to social dumping in connection with the integration of the European labour market, I explain why Swedish unions have recently adopted strategies from American unions, which is an interesting case of behavioural convergence. Research from several other European countries has shown that unions there also have learnt from US unions as European labour markets have been liberalised and

the conditions for unions there have thus become more similar to those in the United States. In Paper 4, however I show how Swedish unions have legal rights in terms of counteracting social dumping which unions in other countries facing similar challenges lack. Thus, the results of that paper rather indicate that the distinctiveness of the Swedish labour market still endures. Together, the two papers do not give a ready answer as to whether the Swedish labour market is converging on a liberal model and unions are becoming more like their peers in other countries, but rather highlight the complexities and contradictions of the Europeanisation and globalisation processes in the Swedish labour market.

## 2. Theoretical perspective

The larger theoretical framework in this dissertation is the power resources approach developed by the sociologist Walter Korpi in *The Working Class in Welfare Capitalism* (1978) and *The Democratic Class Struggle* (1981), as well as a series of later articles. In this section I present the power resources approach, and I also discuss the generalisability of the studies in this dissertation.

### 2.1 The power resources approach

The power resources approach (PRA) has been developed to analyse the distribution of power and economic resources in democratic capitalist welfare states, such as the ones studied in this dissertation. PRA stresses the divergent economic interests of the working class and the bourgeoisie. It does not see this divergence as a zero-sum but as a plus-sum conflict: there are compromises that both parties gain from. A typical solution benefiting both parties is a compromise that lays out clear ‘rules of the game’ and thus decreases uncertainty and transaction costs (cf. Lundh, 2008: 58). There is a difference in institutional theories in how much stress they place on their coordinating, efficiency-enhancing aspect versus stress as the result of power relations and conflicts of interest (cf. Rueschemeyer, 2009: ch. 12; Thelen, 2009, 2012). I believe that both aspects are important and even though I follow the power resources approach, with its focus on power and conflicts, it does not mean that I deny the importance of the coordinating aspect of institutions.

Yet institutions are shaped by power relations and, according to the power resources approach, there is a difference between the two main classes in how they exert power. Capital owners have power through their ownership of the means of production; as Franz Traxler (1995: 25) puts it, ‘capital is

deemed superior in power, as the realisation of all material interests in society is conditional on profitable accumulation, which is the core class interest of capital'. Control over investments is the 'core power of business' (Traxler, 1995: 32). Wage earners on the other hand do not own the means of production and exert influence in work life and society at large in a different way; as Shalev and Korpi once put it, 'the power resources of wage earners depend primarily upon the extent to which they are willing and able to act collectively, something which is expressed primarily through organisations like unions and working class based parties' (Shalev and Korpi, 1980: 32).

PRA with its focus on working-class organisation in unions and political parties has been proven to have great explanatory power for variations in welfare state design and income distribution between countries and over time (Huber and Stephens, 2001; Pontusson et al, 2002; Bradley et al, 2003; Korpi, 2003, 2006; Koeniger et al, 2007; Visser and Checchi, 2009; Brady, 2009a, 2009b; Brady and Sosnaud, 2010). Essentially, more years of a leftist government is associated with more generous welfare states, lower income inequality and less poverty, and stronger trade unions are associated with reduced wage inequality. In Paper 2 I argue that stronger unions are also associated with a greater share of national income accruing to employees, which is a more controversial proposal. Power resources theory has also been used successfully in Swedish labour market research (Åmark, 1986, 1989; Bengtsson, 2006).

The power resources approach has been challenged, of course. In welfare state research there have been challenges by at least three schools. Paul Pierson (1996) claimed that the 'new politics' of the welfare state in time of austerity worked otherwise than during the post-war era originally analysed by Korpi. Peter Swenson (2002) and other employer-centred scholars claimed that Korpi had overstated the importance of class conflict and underestimated the importance of class compromise in the construction of welfare states. David Rueda (2005; cf. Pontusson and Rueda, 2010) claims that the nature of Social Democratic parties has changed since the 1990s when new divisions in the electorates – especially between labour market 'insiders' and 'outsiders' – made Social Democrats less redistributive and less welfare state-friendly. The first two challenges I believe that Korpi has met convincingly (Korpi and Palme, 2003; Korpi, 2003, 2006; cf. Howell, 2003; Starke, 2006; Brady, 2009b). Responding to Swenson's analysis of the history of the welfare state in Sweden, Korpi (2006) shows that employers were much less welfare state-friendly than Swenson indicates, and that really it was the labour movement (unions and the Social Democratic Party) that led the way, and employers in some situations consented since they could not stop the process. *Vis-à-vis* Pierson's 'new politics' argument, Korpi and Palme (2003) have shown eco-

nometrically that with good data on welfare state design, traditional partisan effects (different outcomes depending on whether left-wing or right-wing parties are in government) are still relevant, as predicted by the power resources approach. The insider-outsider theory makes a good argument, but acts more as a modification of PRA, in specifying the realm where it is applicable in its classical form, than as a refutation (cf. Hancké, 2009: 4). Perhaps, as Rueda claims, left-wing parties are not as redistributive as they were when Korpi formulated his theory, but this does not necessarily refute Korpi's analysis of the previous period.

In income distribution research I believe that the most interesting challenge to the power resources approach, which has proven quite potent in explaining variations in income distribution since 1970 or so, comes from scholars like Scheve and Stasavage (2009) and Carles Boix (2010) who claim that newer datasets with longer time spans show that actually income inequality started decreasing before the build-up of the welfare state and the centralisation of wage bargaining, and that therefore the importance of the welfare state for income equality has been overstated by Korpi. I address this argument directly in Paper 1, where I argue that these critics' perspective on class politics is too narrow.

Against this background I believe that the power resources approach is relevant and highly functional as a general theoretical framework for the studies here: studies of unions and income distribution in advanced capitalist countries with democratic welfare states such as Sweden. In Papers 1 and 2 I explicitly generate hypotheses from this framework; in Papers 3 and 4 it is more implicit as the discussion focuses on labour markets' institutional change and unions' strategic choices respectively.

## 2.2 Generalisability

In the social sciences it is important to specify what kind of population the studied cases can be generalised to, what kind of 'universe' your study is relevant to (Bartels, 1996; Hancké, 2009: 46–47). In this dissertation I study Sweden and other rich countries, and I believe that this kind of limitation is relevant since I see the advanced capitalist economies as 'a group with its own dynamics' (Armstrong et al, 1984:15; cf. Shalev, 2007: 264). Comparing developments in Sweden's industrial relations or its income distribution with Norway or Germany, for example, is logical and necessary, whereas comparing them with, for example, Kuwait or Vietnam is more problematic since so many relevant variables (type of state, national legacies, religious background, economic structure etc. [cf. Manow, 2009]) will be quite different in those contexts. The studies in this dissertation are, I believe, relevant to

political economy and industrial relations discussions about rich countries, especially those in Europe.

### 3. The papers

This section summarises the four papers of the dissertation. I describe and summarise the questions addressed, the results, and the conclusions.

#### 3.1 Labour's share in Sweden, 1900-2000

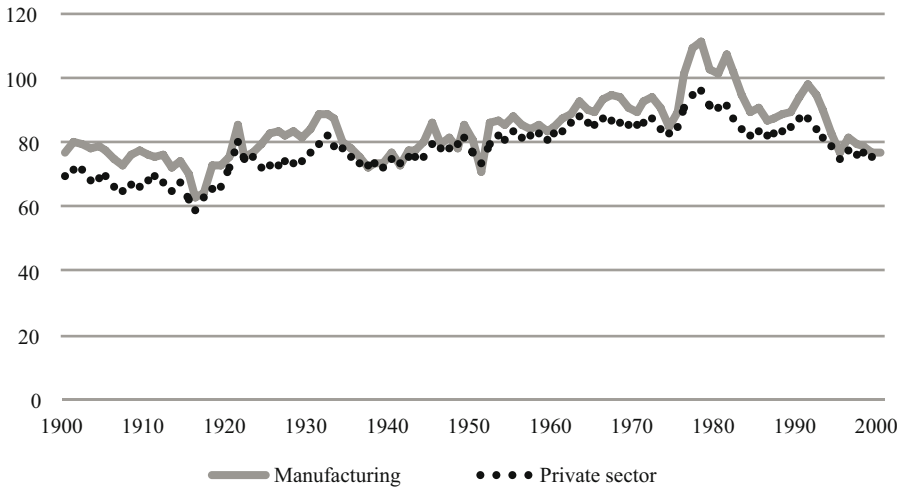
Paper 1 is called 'Labour's Share in Twentieth-Century Sweden: A Reinterpretation'. The paper has two research questions. One is how the distribution between capital incomes and labour incomes developed during the twentieth century in Sweden. The second is how this development can best be explained. Labour's share is defined as the sum of employee compensation (and imputed labour incomes of the self-employed) as a share of value added in the economy. In this paper I use net value added, meaning gross value added adjusted for capital depreciation, to calculate labour's share, since depreciation of capital is a necessity of production and therefore out of reach in terms of the distributionary struggle between capital and labour (cf. Spånt, 2013). Most of the recent labour share literature studies a panel of countries from around 1970 onwards (see, for example, Stockhammer, 2009; Kristal, 2010; Bassanini and Manfredi, 2012). This paper extends the time frame backwards to 1900, to an industrialising, pre-democratic country. This longer timespan makes it possible to look at different independent variables from the ones used in the papers with data from 1970 onwards. Since the early data are more reliable for the manufacturing sector than for the private sector as a whole, and data over time are more comparable within the manufacturing than within the private sector as a whole where important sectoral shifts have taken place, I focus on the manufacturing sector although I also show that the development is quite similar in the private sector overall.

With regard to the first research question, I show that labour's share was at a low level in the beginning of the period and decreased further during the First World War. At the end of the war and at the beginning of the 1920s, however, it increased steeply, and although it decreased again in the depression of the 1930s it never returned to the low levels of the 1900–16 period. The labour share was fairly constant in the 1940s and 1950s but increased in the 1960s and even more so in the 1970s, peaking at the end of that decade when the Swedish economy experienced a severe profit squeeze (cf. Sachs, 1983; Armstrong et al, 1984). At the beginning of the 1980s and 1990s the labour

share decreased, and at the end of the 1990s was at about the same level as in the 1940s. The situation for the entire private sector and for the manufacturing sector alone is shown in Figure 1 below.

Figure 1. Labour share 1900-2000 (%)

Note. Labour's share of value added at factor cost, including imputed labour incomes of self-employed and with value added adjusted for capital depreciation. The adjustment for depreciation means that the value can exceed 100 per cent.



Source: author's processing of data in Edvinsson (2005).

With regard to the second research question of the paper, how to explain the described development of labour's share, I contrast two theoretical perspectives on long-run inequality: the power resources approach and a more economic-structural perspective. The power resources approach has been discussed above (Section 2.1) but I will outline the economic-structural perspective here. This is an analytical perspective following Simon Kuznets (1955), who stressed that shifts in income distribution were following cycles that were inherent in industrial development itself. This approach has been applied in Swedish labour share research by Schön (2004) as well as in international long-run income distribution by Boix (2010) and others who have claimed that approaches stressing the importance of politics, such as the power resources approach, have overplayed their hand. I claim that for the Swedish case from 1900 to 2000 the power resources approach is more consistent with the facts. As part of this interpretation I adduce three arguments about concrete episodes during the twentieth century.

The first argument is that the increase of labour's share around 1920 can



be explained by social and political factors, namely labour mobilisation in unions and the universal suffrage reforms of 1918 (men) and 1921 (women). Democracy strengthens the working class and thus it is not surprising that labour's share increases in the aftermath of universal suffrage (Korpi, 1978; cf. Tan, 2010; Aidt and Jensen, 2012). Conversely, Frankema (2010: 359) has shown that the largest decrease in labour's share in twentieth-century Argentina happened in the years after the military coup of 1976. This, obviously, is the kind of point that one can only make if one has data from when the country in question was being democratised. I cannot conclusively prove that, say, democratisation increases labour's share, but I advance it as a hypothesis to be tested in further long-run studies (cf. Hancké, 2009: 61 on case studies).

The second argument is that Sweden did not see wage moderation in the 1950s and 1960s as is often assumed (cf. Eichengreen and Iversen, 1999; Eichengreen and Vazquez, 1999; Eichengreen, 2007). In the literature it has become something of a 'stylised fact' that there was wage moderation in 'corporatist' countries such as Sweden in those decades, but I show that labour's share in manufacturing actually increased in the 1950s and 1960s, so wage developments were not slower than productivity. I argue that the 'stylised fact' about cooperative corporatist institutions with a 'balance of power' between labour and capital is a simplified and static view of what really happened and underestimates the shifts in power relations that can occur within a given set of institutions, such as centralised wage bargaining. I argue that the situation of the 1960s is more aptly described by Crouch's (1995) concept 'worker-dominated corporatism' than by the term corporatism alone. The same kind of system of institutional arrangements can coordinate different power relations and then also give rise to different distributional outcomes, and I believe that power and distribution, and not only coordination, are interesting aspects of institutions (cf. Howell, 2003). Because of this, analyses of institutions such as centralised wage bargaining need to consider coordination aspects as well as power relations.

The third argument is that the decrease in labour's share in the 1980s and 1990s tells us something interesting about politics and political economy at the end of the twentieth century. I show that successive governments attempted different policy measures – incomes policy, devaluations, reform of monetary policy and the wage bargaining system – to increase the profit share to increase investments and create jobs. I interpret this as a rational response to the challenges of being a small state in a globalised world economy where the macroeconomic context is unforgiving in terms of wage pushes and profit squeezes such as that in the late 1970s. I see the development as an 'organised decrease in labour's share', as opposed to an disorganised decrease and analogous to Traxler's (1995) distinction between organised and disorganised

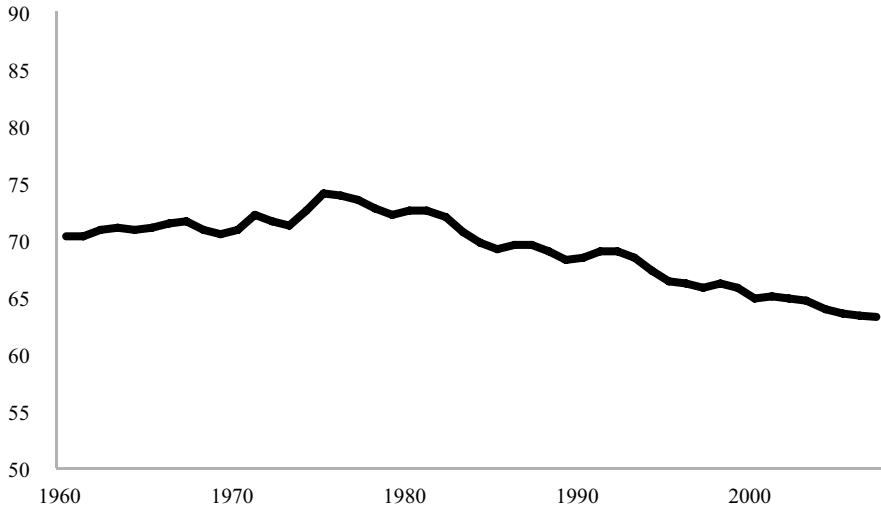
decentralisations of collective bargaining. Given the imperatives of globalisation and shifting power relations between capital and labour (cf. Glyn, 2007), perhaps it was inevitable that labour's share would fall, but the process could occur in many different ways and in the Sweden of the 1990s it earned an institutional framework worthy of a country famous for its ordered, corporatist policy-making.

### 3.2 Union density and labour's share of national income

Paper 2 is called 'Do Unions Redistribute Income from Capital to Labour? Union Density and Labour's Share, 1960–2007'. In fields such as industrial relations (Crouch, 1982; Hyman, 2001), comparative political economy (Baccaro and Howell, 2011) and labour economics (Freeman and Medoff, 1984) it is a common assumption that unions strengthen the voice and power position of employees vis-à-vis employers as well as the state. It is an obvious hypothesis that unionisation might increase labour's share of national income at the expense of the profit share (Kerr, 1954; Simler, 1961), but there are reasons to doubt whether this is a universal association. First, a large amount of literature on corporatism and 'social pacts' shows that under some circumstances trade unions consciously agree to wage restraint in return for other advantages, such as welfare reform or higher investment (cf. Eichengreen and Iversen, 1999; Eichengreen and Vazquez, 1999; Erne, 2008). Second, much research on industry claims, as we have seen in Section 2, that trade unions' influence over society has decreased in the last couple of decades, and therefore we could also expect their effect on the labour share to decrease (cf. Baccaro, 2008). For this reason, in Paper 2 I test three hypotheses on the relationship between unionism and labour's share. One, that union density is positively associated with labour's share. Two, that the positive association of union density and labour's share is weaker in countries with high union density. Three, that the association of union density and labour's share declines over time. I test the hypotheses on a dataset with 16 advanced capitalist economies during the years 1960 to 2007.

In Figure 2 below we see that from 1960 to about 1975 labour's share in the average country studied in the paper increased and after 1980 it decreased. At the beginning of the period labour's share averages around 70 per cent, reaches a peak around 74 per cent in the mid-1970s and at the end of the period it averages around 63 per cent.

Figure 2. Average labour share in sixteen countries 1960 to 2007 (%)



Note. Average labour's share for entire economy in sixteen countries, unweighted, 1960 to 2007. Labour share concept is at factor cost and gross, i.e. not adjusted for depreciation of capital.

Source: AMECO.

Recall that the three hypotheses of the paper were (1) that union density is positively associated with labour's share, (2) that the association is weaker in countries with high union density, and (3) that the association becomes weaker over time. To test Hypothesis 1, I use regression analysis, controlling for factors such as capital intensity, the sectoral composition of the economy, unemployment, trade openness, and through various robustness checks left-wing government, welfare state size, and unemployment insurance generosity. I find support for Hypothesis 1, since in my regressions with different control variables the coefficient for union density is consistently positive and statistically significant. This is in accordance with recent findings by Fichtenbaum (2009) and Kristal (2010) and in contrast to older theory from Keynes (1939; cf. O'Shaughnessy, 2000) and empirical findings by Phillips (1960) and Simler (1961). In most of the sixteen countries union density has decreased since the 1970s, as have labour shares, and I find that a third of the labour share decrease in the average country is explained by the development of unionisation. What I am most interested in, however, is not the *average* effect across countries but possibly differing effects between countries and over time. The hypotheses on varying effects, Hypotheses 2 and 3, find only mixed support in my empirical investigation.

To test Hypothesis 2, I use regression models with interactions between union density and country, as well as linear mixed models where the effect of union density is allowed to vary between countries. I find that unionism has the weakest association with labour's share in Norway, Sweden and Germany, which is consistent with the idea that in corporatist countries with strong unions the unions pursue wage moderation strategies. I also find, however, a weak association in France and a rather strong association in corporatist Netherlands and Belgium, so the overall evidence is inconclusive. There is only a very weak linear negative association between mean union density in the country and the coefficient of union density estimated for that country, so Hypothesis 2 does not find strong support.

To test Hypothesis 3, that the positive effect of unionisation on labour's share declined in the last couple of decades, I use regressions with interactions between the union density and time dummies, as well as so-called rolling regression models. I do not find a linear decrease in the effect of unionism over time, but rather a temporary dip in the 1980s, when the association between unionisation and labour's share even becomes negative, with a subsequent rebound in the 1990s. My interpretation is that in the 1980s labour shares fell owing to the unfavourable macroeconomic environment (Notermans, 1993), globalisation of production (Glyn, 2006), and changing monetary policy (Sekine, 2009), whereas trade unions were still at least nominally strong, and in the 1990s labour shares were still falling; only this time union density was also falling, as the power shift in favour of employers manifested itself in this variable (cf. Duménil and Lévy, 2004). The finding that the association between union density and labour's share was stronger in the 1960s and 1970s than later is as expected, but that the association is at its weakest, even negative, in the 1980s is surprising. Thus, like Hypothesis 2, Hypothesis 3 also finds only mixed support in my investigation.

### 3.3 Swedish trade unions and EU migrant workers

Paper 3 is called 'Swedish Trade Unions and European Union Migrant Workers'. The focus is on which strategies have been adopted by Swedish trade unions to counteract social dumping in Sweden, during a period of European labour market integration. The paper studies three Swedish unions in the construction, transport and manufacturing sectors and shows that the first two unions have chosen to organise mobile European workers and in this way counteract social dumping by seeing to it that these workers while active in Sweden have the same wages and working conditions as native workers. The third union however has chosen a strategy less focused on organising, content with extending collective agreements to foreign workers active in Sweden, but

without attempting recruitment to the union. I use this within-country variation in union strategy to argue that the national level is not the lone determinant of union strategies but that sectoral differences matter too.

The background for this paper and Paper 4 is the integration of national labour markets within the European Union (cf. Magnusson and Ottosson, 2002). One of the major principles – one of the ‘four freedoms’ – of the European Union is free movement of labour over national borders. The Union expanded to include eight post-communist countries in 2004 (and another two in 2007), which increased the wage differentials between member countries and thus the incentives for labour mobility across borders. The unions feared social dumping, and the lowering of wages and work standards through the use of workers with lower wage demands, and the employers cherished the flexibility of mobile labour. The issue of social dumping in the common European labour market resulted in a lot of research. One research track is economic and tries to estimate social dumping effects and welfare costs of increased migration flows (Bauer and Zimmermann, 1999; Boeri and Brucker, 2001; Doyle et al, 2006; Blanchflower et al, 2007). Another literature source is an industrial relations one that uses qualitative methods to look at the impacts on labour markets of the new mobility after the EU enlargements of 2004 and 2007. Many of these studies look at the responses of trade unions to the new mobility. A third type of literature is legal and political, and looks at the ‘Laval Quartet’, the four famous cases in the European Court of Justice (Laval, Viking, Rüffert, and Luxembourg) regarding labour mobility and social dumping (for example, Ahlberg et al, 2006; Dølvik and Visser, 2009; Bücker and Warneck, 2010; Woolfson et al, 2010; Dawson, 2012). For some scholars the downward pressure on wages and working conditions in Western Europe combined with the seemingly market-liberal attitude of the ECJ carries an ominous message about the demise of Social Democratic models and coordinated capitalism (Scharpf, 2010). A more concrete worry is the concern that the proliferation of unstable employment in projects, in temporary staffing agencies and as ‘bogus self employment’ undermines wages and working conditions (Doellgast and Greer, 2007; Heery, 2009; Wills, 2009). The Labour Court cases studied in Paper 4 are direct expressions of this conflictual process and relate to the legal and political literature discussed above. Paper 3 on the other hand focuses on union strategies and thus relates to the second type of literature mentioned above, industrial relations literature on unions’ strategic decisions.

Unions’ strategic decisions vis-à-vis migrant workers in this case are essentially concerned with whether to organise them or not. The reason for organising them is obvious: when the workers are organised the union knows that they are paid like everyone else so no social dumping occurs, and generally the unions’ strength increases with a greater number of members (cf. Crouch,

1982 on the logic of trade unionism). The argument against organising is that the EU migrant workers are highly mobile and usually stay in the country for only a short time. This weakens their incentives to join a union, and makes organising them more costly. One would expect that unions would want to organise all workers, but that they would also perform cost-benefit analyses and sometimes find organising certain groups too costly (cf. Voos, 1983, 1984). The cost-benefit analysis naturally also depends on which alternative methods unions have at their disposal for counteracting social dumping.

Torben Krings (2009) adduced the elegant argument that unions in ‘coordinated market economies’, countries like Sweden and Germany, have such strong institutional positions, with influence over policy, that they would not need to organise the EU labour migrants to prevent social dumping. Instead, these unions could use their political leverage to regulate the labour market in ways beneficial to themselves. This argument follows a broader logic whereby trade unions’ strategic decisions are influenced by material and institutional contexts, as has been shown by previous research (Baccaro et al, 2003; Frege and Kelly, 2003; Marino and Roosblad, 2008). I suggest in this paper that this argument underestimates the intra-national differences in union strength between different sectors. Typically, unions have a much stronger position in manufacturing with its tradition of unionism and larger workplaces (cf. Pontusson, 1995) than in private services (cf. Bechter et al, 2011). I study three Swedish unions – in other words, keeping the national institutional context constant – and show that whereas the major blue-collar manufacturing sector union does not organise the EU migrant workers, the blue-collar unions in transport and construction do. My argument does not challenge the logic of Krings’s argument, that unions’ strategic decisions are influenced by material and institutional contexts, but shifts empirical focus from the national level to the sectoral level. My explanation for the different union strategies between sectors is differing union strength, and different degrees of precariousness, which is a term capturing uncertainty and instability for employees (cf. Kalleberg, 2009). In sectors where unions are weaker and where jobs are more precarious, I argue, unions have stronger incentives to renew their strategies and to organise fringe employee groups such as migrant workers. After I wrote this paper two other papers have argued that the national context and variety of capitalism do not suffice to explain the determination of employers’ (Afonso, 2012) and unions’ (Hardy et al, 2012) preferences, and that sectoral differences are also important. I take this as an indication that the basic argument in the paper is sound.

I have not elaborated upon the possible impact of ideology on trade unions’ different strategic choices. Margaret Levi (2005) has shown that ideology can matter a great deal for unions’ strategic decisions: she compares the dockers’

union and the teamster union in the USA, showing that although the structural preconditions for those unions were similar they chose very different political strategies. It is in theory possible that there could be such a difference between the Swedish unions studied here, but I do not believe that there is enough of an ideological difference between the three trade unions to make a strategic difference. All three unions studied in the paper belong to the blue-collar confederation LO that historically has a Social Democratic ideology. Thus even considering ideology I believe that the key independent variable is sectoral variation in precarious conditions for workers, as stated in the paper.

One further finding in Paper 3 is that Swedish trade unions have started adapting new methods from American unions (see Section 1.2 above). Previous research (Peterson et al, 2012) has investigated whether Swedish unions have adopted so-called social movement unionism, which involves unions working together with other and ‘newer’ social movements on broader issues than pay and working conditions, and answered the question in the negative. Paper 3, however, shows that Swedish unions have indeed renewed their working methods, in adopting the so-called ‘organiser model’ that derives from US unions. It was imported to Sweden by the Transport Workers’ Union, through collaboration with one of their US sister unions, the Service Employees International Union, and has since spread to other unions in the country. The model is a strategy for renewing union organisation by decentralisation of union activity in the workplaces and employment of special ‘organiser’ functionaries. The organiser model shifts attention from servicing current members to recruiting new ones (Vandaele and Leschke, 2010). Paper 3 amends the literature on renewal and ‘revitalisation’ in Swedish trade unions: even in the Swedish trade union movement, once perhaps the strongest in the world, today working methods are imported from the United States.

### 3.4 Labour Court cases on social dumping

Paper 4 is called ‘Cases on Social Dumping in the Swedish Labour Court in the Wake of Laval, 2004–10’. There are two research questions. First, on which issues and regulations do employers and unions conflict in the Labour Court in Sweden today, in cases concerning mobile European Union workers? Second, what does this tell us about the power relations between workers/unions and employers in the Swedish labour market today? Empirically, six Swedish Labour Court cases are studied where trade unions and companies are in conflict over the terms of employment for mobile European Union workers in Sweden.

In a more general industrial relations context, the political scientists Bacca-  
ro and Howell (2011) have spoken about neoliberalism in industrial relations

as the ‘generalised expansion of employer discretion’. In this paper, I refer to the literature about conflicts in European integration discussed above (Section 3.3) and to the discussion by Baccaro and Howell. I study how employers and unions in Sweden are in conflict over the basic issues of workplace power in the workplace, and the regulation of working conditions. The conflicts involve mobile EU workers but highlight the more general phenomenon of how regulations of the labour market are continuously contested in struggles between employers and unions. This might be a commonplace, but I think that the empirical exposition of the paper clarifies the point in a striking way.

The first research question of the paper is answered by the fact that of the six Labour Court cases that are analysed, two concern trade unions’ rights in Sweden to be consulted for consultation when a company uses a sub-contractor, one concerns the application of Swedish collective agreements for foreign workers working in Sweden, one concerns the definition of an employee (the issue of ‘bogus self employment’), one concerns how to determine wages for temporary staffing agency workers, and one concerns the right to join a trade union.

As regards the second research question I show that that the institutional positions of Swedish unions are still strong from an international perspective, even though those positions are continuously contested. For example, local unions in Sweden still have the right to be consulted when a company wants to hire a sub-contractor, and can actually veto the use of a sub-contractor if the union has reason to believe that it will lead to social dumping, which is a major power resource in the situation facing European labour markets today with increasing complexity of sub-contracting chains with what Doellgast and Greer (2007) call ‘vertical disintegration’ of industrial relations, whereby employer responsibility for wages and working conditions is shuffled around and becomes harder to control (cf. Wills, 2009; Davies et al, 2011).

## 4. Implications and extensions; suggestions for further research

As this dissertation is a collection of four papers rather than a monograph, there is no single major argument running through it. Instead, I hope that all four papers can make interventions in the respective scholarly debates and have an impact on future research. I will here discuss the papers’ implications for the literature and possible extensions for further research.



#### 4.1 Historical labour shares, wage moderation and the politics of increasing profits

As discussed above I believe that Paper 1 makes an empirical contribution to the functional income distribution literature by extending the timespan to 1900. This time span makes it possible to look at interesting episodes such as democratisation, and the famous ‘golden years of capitalism’ in the 1950s and 1960s (cf. Armstrong et al, 1984). It only studies one country, however, and the discussion is exploratory. I am now working on an extension of that paper where I look at several advanced capitalist countries in the long run: Sweden, France, Germany, Finland, the Netherlands and so on. Such a dataset will provide the possibility to test several hypotheses, such as democratisation and the impact of the world wars on income distribution (cf. Atkinson et al, 2011).

Furthermore, as pointed out in Section 3.1 the paper makes a revisionist argument about the nature of the Swedish post-war class compromise and argues that there was a hidden profit squeeze, rather than wage moderation, in Swedish manufacturing in the 1960s. The ‘stylised fact’ about balance of power between the classes and a win-win cooperation with wage moderation in the 1950s and 1960s is indeed very stylised and has sometimes been presented without empirical evidence. I believe that this stylised fact should be revised for Sweden, and similar studies for other countries could very possibly show the same revisionist results, just as Hatton and Boyer’s (2005) paper about the UK does. Hatton and Boyer find that wage increases in the UK in the 1950s and 1960s, decades supposedly marked by wage moderation, were actually higher in relation to economic fundamentals than during other periods since 1871. The results in Paper 1, in concord with Hatton and Boyer’s findings, point to the important question of what the connection between centralised wage bargaining and wage moderation really looks like, suggesting that the existence of the first must not imply the existence of the second (cf. Svanlund, 2010). Rather, what the relationship looks like, and under which conditions centralised bargaining is indeed combined with wage moderation strategies, is an empirical question for further research.

A third extension of this paper that I want to propose is that the political dynamic of falling labour shares and increasing profit shares since the 1980s should be analysed by more scholars. The economist Robert Boyer (1994) has referred to the idea that profits in the current situation must increase, and that politicians must facilitate this, as the ‘famous Schmidt theorem’, after the German Social Democratic Chancellor Helmut Schmidt. In Paper 4 I show that the Social Democratic government in Sweden in the 1980s saw the need to politically facilitate higher profits, much like their German colleague Schmidt in Boyer’s analysis. Given the traditional electoral basis of Social Democra-

tic parties this is an interesting dynamic. One interesting question for further research then is: were government statements on the need to increase profits (and profit shares) common in the late 1970s and early 1980s, after the profit squeeze of the 1970s (cf. Sachs, 1983; Armstrong et al, 1984)? And for that matter, have they proliferated since then? Are some political parties more likely to make such statements and policies than others? Political economy research has shown that in some cases there is a ‘Nixon-to-China’ logic to economic policy, in the sense that actors that have fundamental trust among voters have more freedom to pursue unpopular policies in that area (Cukierman and Tommasi, 1998). That President Nixon, known for being staunchly anti-communist, could open US relations with the People’s Republic of China without losing credibility is the classic example of this. Furthermore, in welfare state research some researchers have found that left-wing parties may find it easier than right-wing parties to implement welfare state cutbacks (Starke, 2006: 108), and also in macroeconomic policy in some contexts it is easier for a left-wing party to pursue traditional right-wing policies than it is for a party of the right (Cukierman and Tommasi, 1998). Possibly there is a logic at work here, in that Social Democratic governments, trusted to be worker-friendly, can pursue profit-raising policies, which would typically be a right-wing policy (cf. Hibbs, 1977). Furthermore, a final question might be whether there are electoral consequences of governments aiming for increased profits. In all, I think that the political dynamic of profit and wage shares is a fertile topic for further research.

## 4.2 Labour shares and methodology

Paper 2 uses a data set very similar in structure to those used in much of comparative political economy: sixteen countries, forty-odd years. It adds, however, something methodological to this literature in applying under-used techniques for allowing coefficients to vary between countries (interaction models and linear mixed models), and over time (time dummies and rolling regression). Most of the multiple regression literature within comparative political economy does not use such methods, but rather is interested in estimating overall effects. I speculate in the paper on whether this perhaps is because of methodological uncertainty. The leading methodologists in the field, Beck and Katz (2007), put forward this explanation as to why so very few political economists have allowed coefficients to vary between countries since Western (1998) made a strong argument for such designs fifteen years ago. Indeed, I have found very few applications using varying effects between countries. Varying effects over time is more common; three examples from political economy are Allan and Scruggs (2004), Potrafke (2009) and Kwon and Pontus-

son (2010). Allan and Scruggs use a time dummy to analyse differing partisan effects on social insurance systems before and after 1980, Potrafke uses split samples to study differing partisan effects on social expenditure in the 1980s and 1990s, and Kwon and Pontusson use rolling regression to study varying partisan effects on social expenditure over time. All these uses of time-varying effects make sense, since palpably we can expect the effects of left-wing and right-wing governments to vary over time, because the circumstances and structure of constraints vary. I believe that the same argument can be made about unionisation, as in Paper 2 regarding effects of unionisation on labour's share, just as Baccaro (2008) argued about effects of unionisation on personal income distribution.

The discussion of varying effects between countries resonates with an important discussion on methodology in comparative political economy. As Michael Shalev (2007) so convincingly has stated, quantitative research in comparative political economy has paid too little attention to variation between cases. Panel data methods – methods for datasets which contains several observations of each unit – are typically developed in economics and political science where a common form of data structure is large N, small T, which means that there are many units in the dataset, but few observations of each unit. ('N' stands for the units, 'T' for separate observations of the units.) Typically the units are individuals and the economist is interested in variables such as how the individual's wage is related to his or her education and work experience, or the political scientist is interested in how the individual's party choice is related, for example, to earnings and gender. The individuals themselves are not interesting, but rather the interesting issue is the overall pattern in the sample. In comparative political economy, however, the typical panel data structure is small N, large T. When the unit is a country, we only have perhaps fifteen to twenty countries in the group of advanced capitalist economies. (On the other hand, for many interesting variables, such as labour shares or unionisation, we have forty to fifty observations for each country, from today back to 1960 or 1970.) In the small N dataset where the units are countries, obviously these units are interesting in themselves (Shalev, 2007: 264). Countries have their own histories and institutional legacies and are unique and non-reproducible; as Beck (2001: 273) states, in comparative political economy we do not use samples, but rather the entire population (of advanced capitalist economies), and the conclusions drawn are only relevant to this group of countries. As Shalev says (2007: 264), 'most producers and consumers of comparative political economy are intrinsically interested in specific cases. Why not cater to this interest by keeping our cases visible?' (cf. Beck and Katz, 2007: 191). This interest in heterogeneity relates to the economist Michael Piore's (1983: 250) interesting remark that conventional

economics is infused by ‘an “aesthetic” of continuity and homogeneity’ (cf. Abbott, 1988). I believe that in political economy analyses more divergences from this ‘aesthetic’ should be made, by paying attention to heterogeneity. In Paper 2 I model heterogeneity in a multiple regression framework, which is one way of advancing research on labour market institutions and income distribution; recently Baccaro and Pontusson (2012) have used time-varying coefficients to discuss how the effects of centralised wage bargaining on wage distribution were different before 1980 than after 1980. I think that there is room for more such studies in income distribution research.

I also think that a more radical step away from the ‘aesthetic of continuity and homogeneity’ is relevant for future labour share research. Together with Magnus Rynér I have written a paper on the decline in labour shares in advanced capitalist countries since 1980, which is completely qualitative (Rynér and Bengtsson, forthcoming). We identify the early 1980s as the time of a sea change in post-war functional income distribution and discuss this epochal shift in historical terms. In other words, the discussion in that paper is discontinuous, focusing only on one major shift, and not on linear continuous changes in the independent and dependent variables. I believe that that kind of approach is necessary as well. (Cf. Hancké, 2009: 53-54.) One interesting way of looking at episodic discontinuous change is by identifying the episodes where change occurs and examining them to see if they have common traits. This approach has been used, for example, by Atkinson and Morelli (2011) and Maarek and Orgiazzi (2013), who have studied the connection between inequality and financial crises, and by Reinhart et al (2012) who have studied the connection between public debt and economic growth. From the perspective in Paper 2 it would be interesting to identify episodes of changes in the distribution between capital and labour, and then investigate whether such episodes tend to occur at the same time as, for example, changes in union density or wage bargaining systems.

### 4.3 Unions’ strategic decisions

The overarching argument in Paper 3 is simple: sectoral differences, not only national institutional differences, matter for trade unions’ strategic decisions. I believe it is a valid and important argument, but not a very complex one. The empirical contribution of the paper is that it adds the Swedish case to a literature that previously contained Ireland, Great Britain, Germany, Austria, Finland, Norway, Denmark and Spain. Following this, the paper adds to the knowledge in this research area.

What are the implications for further studies? The argument that sectoral differences in precariousness are at least as important as national institutional

differences for the formation of trade union strategies can be tested in further research. Strong research literature on trade union strategies has shown the importance of national institutional settings (Baccaro et al, 2003; Frege and Kelly, 2003). It would be interesting with further studies explicitly comparing the importance of the sectoral level with the importance of the national level for the formation of trade union strategies. Paper 3 makes a small and focused contribution to such a debate.

Furthermore, the paper shows that the American ‘organiser model’ has reached the Swedish trade union movement, resulting in the somewhat paradoxical situation, as Danish researchers have pointed out, of unions in a country where almost all employees are union members learning from unions in a country where actually very few employees are union members (Arnholtz et al, 2012). How American methods for union organising work out in a Swedish context is an empirical question for further research.

#### 4.4 Institutional changes in labour markets today, and the use of Labour Court materials

Paper 4 makes two particular contributions, of which one is methodological and the other is substantial. The methodological contribution is the use of labour court materials in an industrial relations/political economy analysis; this type of material is understudied by industrial relations and political economy scholars. Rehder (2006) has shown that certain processes of institutional erosion in the labour market can be captured by this type of focus, whereas, for example, more quantitative methods would not be able to grasp the change, at least not for a long time when perhaps consequences for wages can be measured. Rehder’s original analysis has changed the mainstream comparative political economy analysis of the neoliberalisation of the German labour market (see Thelen, 2009). Not all countries have labour courts but I think that Paper 1 shows that in countries that do case documentation makes for good material, not the least for political economists interested in institutional change in the labour market (cf. Bispinck et al, 2010; Baccaro and Howell, 2011).

The substantial contribution of the paper is that it provides a background for the Laval quartet of four famous European Court of Justice cases on European labour market integration and social dumping (cf. Bücken and Warneck, 2010). The paper shows that those cases are the tip of the iceberg as far as conflicts on social dumping in Europe today are concerned. I have already stated that relations – including conflicts – between employers and employees are the key theme of this dissertation, and the paper using Labour Court materials is an obvious example. The paper shows continuous conflicts between

employers and employees on the institutional design of the labour market, with the parties striving for institutional designs that benefit themselves. This continuous conflict is also of course a major theme in Papers 1 and 2 on the distribution of income between labour and capital.

One issue discussed in Paper 4 that I believe calls for further research is Swedish unions' right to consultation and possibility of veto in connection with companies using sub-contractors and temporary staffing agencies. Industrial relations research shows that such work arrangements lead the way in the precarisation of European labour markets (Doellgast and Greer, 2007; Heery, 2009; Wills, 2009). From my study I cannot say how successful Swedish unions are in using their right to consultation and veto, but only that they have it and that it has been upheld by the Labour Court as late as in 2004. Further study of whether this law decreases precarisation in the Swedish labour market would be interesting. As such an institution it could be seen as an alternative or complement to laws giving main contractors the responsibility for wages and working conditions and requiring their subcontractors to meet conditions specified by collective agreements and laws, another measure (adopted, for example, in the Netherlands and Norway) to prevent social dumping (cf. Houwerzijl and Peters, 2005; Lalanne, 2011). This union consultation and veto right can be seen as two of the institutional factors that uphold diversity among labour market models in the advanced capitalist countries (see Section 1.2), and studying them could be of interest to the industrial relations debate on convergence versus diversity in contemporary labour markets.

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The relationship between employers and employees, between capital and labour, is one of the major themes of the social sciences. The papers in *Essays on trade unions and functional income distribution* connect to two distinct but related research discussions that have to do with the relationship between employers and employees. The first discussion concerns the distribution of income between capital and labour, the so-called functional income distribution. The second discussion concerns European labour market integration and how trade unions counteract social dumping.

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ISBN 978-91-86217-08-2

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