

Sweden: Lessons of the Vaxholm builders' dispute

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When some 30 Latvian builders started work in Sweden in 2004, the sound of their labours echoed far beyond Stockholm. Contained within what became known as the Vaxholm dispute are issues that sharply expose the character of the European Union, the nature of its eastward expansion, and the bankruptcy of the trade union response.

Latvia joined the European Union in 2004, following several years during which the tiny former Soviet satellite's economy was geared towards membership, and the hard-pressed working population was bombarded with reports of the benefits of joining the world's largest single market. EU membership was approved by 67 percent of votes in late 2003. Just over 1 million people voted—71 percent of the electorate.

The large vote in favour of the EU reflected the bitter experiences of many Latvians since the collapse of Soviet Union in 1991. Between 1991 and 2002, according to the World Bank, the population fell by 12 percent, to 2.3 million. Despite this, unemployment peaked at 20 percent in the mid 1990s, and remains at around 11 percent.

The minimum wage is the equivalent of €120 per month (\$US150), the average wage around €230 (\$US289). Insecure undeclared “envelope” work forms between 15 percent and 45 percent of employment, and up to 18 percent of GDP. The country has the highest rates of accidents at work in the EU. This is particularly the case in the construction industry.

There are also very sharp regional disparities between cities. This is particularly the case comparing the capital Riga, which is something of a boomtown, where unemployment is relatively low and wages are high, and rural areas such as Latgale, where unemployment is 18 percent and wages are only 73 percent of the already low national average.

As is the case across the accession countries in Eastern and Central Europe, Latvian workers form a pool of cheap labour for both Latvian and foreign employers. Some 50,000 Latvians are estimated to be working in other parts of the European Union, particularly in Ireland where as many as 20,000 are employed, and Britain. So far only Britain, Ireland and Sweden have fully implemented the EU's mobility of labour measures.

In 2004, the Latvian-based construction company, Laval un Partneri, started work on a school refurbishment and rebuilding project in Vaxholm—the main town on an archipelago of islands in the Baltic Sea outside Stockholm. The contract, offered to the lowest bidder, was the latest in a series for the company's Swedish subsidiary seeking to exploit the stark wage discrepancy between Sweden, with an average wage of around €1,900 per month, and its Baltic neighbours.

Laval's subsidiary, L&P Baltic AB, paid its workers relatively high wages for Latvia, around €9 per hour, in addition to offering food and accommodation. But this is substantially below the rate agreed for construction workers with the main construction union in Sweden, Byggnad.

Byggnad, citing the longstanding practice in Sweden of minimum wages being set across industries through “collective agreements” with employers, unions and the state, demanded that Laval pay the Swedish rate of around €16 per hour. Collective agreements generally involve no-

strike and no-lock-out deals between the unions and the employers in return for an agreed pay structure and dispute resolution procedures.

Such is the importance of the collective agreements that Sweden, a country where trade union membership stands at 80 percent of the workforce, negotiated an annexe to its EU membership application in 1994/95, which acknowledged that collective agreements should be recognised as an expression of EU law in Sweden. Denmark negotiated a similar arrangement.

In both countries, the trade unions have for decades played a central role in dictating the trajectory of the economy. In recent years they have been the principal instruments through which social peace has been maintained while their economies have been reorganised to be globally competitive. This has been achieved without direct confrontations between the working class and the employers.

Laval initially agreed to be bound by the agreement, but then changed its mind. Anxious to exploit lower pay levels in Latvia, the company claimed it already had an agreement with the Latvian Building Workers Union. Therefore there was no need for a Swedish-style collective agreement.

In response, Byggnad arranged for picketing of the site by up to 50 building workers, ensuring that supplies were not delivered. The electricians union called a one-day solidarity strike. Picketing was sustained for seven weeks.

The union was demanding a significantly higher rate of pay for the Latvian workers, but the underlying issue at stake for the union bureaucracy was the collective agreements on which the “Swedish model” of a corporatist alliance between capital and the trade unions is based. This is why the principal slogan on the picket line in Vaxholm was “Swedish laws in Sweden” and why the dispute was given tacit support by the Social Democratic government.

The dispute escalated into a major political issue in both countries. A diplomatic row broke out between them and the EU in which not only Byggnad's collective agreement but the entire “Swedish model” was called into question.

The Latvian government demanded that Sweden enforce the “free movement of services” in the EU. Foreign Minister Artis Pabriks complained that the response in Sweden “goes against our understanding of why we joined the EU.” The Latvian press denounced the Swedish trade unions as anti-Latvian. A government working party was established to examine whether the Swedish government position constituted a breach of EU law.

The Swedish union took the unprecedented step of countering charges of xenophobia from Latvian employers by advertising in the Latvian press for recruits. Laval sued Byggnad in the Swedish Labour Court as a first step towards taking the case to the European Court of Justice.

Laval's case was also taken up by the building industry in Sweden, the Confederation of Swedish Employers, Svenskt Näringsliv, and the Moderate (conservative) Party. The federation represents some 55,000

Swedish companies.

Svenskt Näringsliv have been growing increasingly frustrated with the Swedish model, which it believes hinders capital's ability to exploit cheap labour. It is also opposed to workers' willingness, and legal ability, to take sympathy strikes in defence of pay rates and collective agreements, particularly in the construction and transport industries.

In a recent document, "The Swedish Model is Capsizing," the federation called for a "proportionality" rule to restrict any strike's effectiveness, a ban on secondary action, legally enforced negotiations, bans on strikes that are a "danger to society," and on strikes by any union that occur in industries where a collective agreement is already in force with another union.

In February 2005, L&P Baltic AB lost the Vaxholm contract, after the local authority decided to rely on contractors that respected collective agreements. Work on the school was completed by Swedish Byggnad members. Shortly after, the Swedish Labour Court ruled in favour of Byggnad.

Matters did not end there, however. Svenskt Näringsliv encouraged, and paid for, Laval to continue its dispute with Byggnad.

In April 2005, the Labour Court overturned its previous decision not to refer the case to the European Court of Justice. The ECJ generally rules on matters in which collective interests of European capital come into conflict with national arrangements in any of the EU's member countries.

Laval's lawyers contended that the Labour Court in Sweden had not given due regard to European law in its decision. The case thereby became a test of the extent to which European law could be utilised to break up Sweden's collective agreements, in the interests of low-paying employers.

The controversy reached into the European Commission itself.

In October 2005, the EU Commissioner in charge of the Internal Market and Services, former Irish finance minister Charlie McCreevy, stated that he considered Sweden's attitude to the Vaxholm dispute a breach of EU rules.

McCreevy's comments immediately produced a storm from Swedish and Danish Social Democrats and trade union leaders across the continent, while provoking divisions in the commission itself.

Former Danish Prime Minister Poul Nyrup Rasmussen complained that McCreevy had destroyed Swedes' understanding of Europe in half an hour.

The European Trade Union Federation, under former British Trades Union Congress leader John Monks, demanded that European Commission President Jose Manuel Barroso explain whether McCreevy's attack on the Swedish "social model" represented the views of the Commission.

Barroso responded reassuringly: "In no way are we going against or criticizing the (Swedish) social model."

However, when summoned to a late 2005 European Parliament hearing on the dispute to explain himself, McCreevy insisted, "Latvian trade union members are entitled to have their interests defended as much as Swedish trade union members ... the real issue to me is what do we mean by an internal market."

McCreevy was giving voice to the demand of the major global corporations to be able to bid for contracts throughout Europe's vast internal market while offering the lowest possible wages. The commission as a whole is very much in favour of this, but Barroso clearly felt that it was not politic to take a position that would not only run counter to the preferred political arrangements of some member states, but fuel popular opposition to the EU.

There is no sign that the EU is any more popular than when Dutch and French voters rejected the EU constitution, largely on the basis that it prepared the ground for a massive assault on social welfare. A new wave of disaffection with the EU in Sweden, particularly with a general election due in 2006, would not be helpful.

In addition, the "Nordic model" of social welfare, and the close relations with the trade unions on which it rests, has some support amongst sections of business. Its so-called "flexicurity" policies, under which workers retained some level of social provision while industries are restructured in line with the demands of global competition, is seen in some quarters as an alternative to the "neo-liberal" model of the United States and Britain.

Aware of this, Swedish Employment Minister Karlsson went so far as to threaten Swedish withdrawal from the EU. Speaking on January 30, 2006, on the eve of a European Commission statement on the matter, he warned, "That question [withdrawal] will be raised, I'm quite certain about it. Swedish workers will be disappointed to say the least. There are a lot of people out there who voted for EU entry in the belief that the Swedish model would stay intact."

This had its effect. The EU Commission's official submission to the ECJ contradicted McCreevy and explicitly stated, "It is possible for Swedish trade unions to demand the foreign companies with employees on postings in Sweden negotiate collective agreements."

The essential concern of the trade union bureaucracy is to defend its own place within the structures of corporate management, not the interests of its members. In fact, the trade union federation Sweden LO and Svenskt Näringsliv have agreed on a process to manage the importation of large numbers of East European workers. According to their agreement, any foreign company could become a temporary member of Svenskt Näringsliv. The company would then come under the remit of the collective agreement applying in the industry. Svenskt Näringsliv hailed the agreement as offering new members the benefits of the no-strike clause, while according to the European Foundation for the Improvement of Living and Working Conditions the agreement promised to give regard to the "existing wage structure in the foreign company."

In effect the Swedish trade unions are now managing the undermining of existing wage rates and working conditions on behalf of business. This is the reality of the call for "Swedish laws in Sweden."

The working class has to find a way to practically and politically unify its struggles across and beyond all European borders.

The Vaxholm dispute shows the danger posed to workers when capital—even the meanest Baltic employment agency—organises globally while they remain trapped within nationalist and pro-capitalist organisations.

The Swedish and Latvian workers now being pitted against one another have common interests, as do their German, Russian and Polish counterparts. All confront the EU, the employers, and their own national governments as an enemy. None can defend themselves within the framework of even the wealthiest nation state. Instead they must wage a continent-wide offensive against corporate wage-cutting as part of a political struggle for the reorganisation of economic life in their interests through the creation of a United Socialist States of Europe.



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