

Breiðholt. The Icelandic "Milljonprogrammet".¹ Housing and Social Corporatist Agreements 1964-65

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The paper discusses the collective bargaining between trade union movement, employers and government which took place in the mid-1960's. On the one hand this was the June Agreement/Accord which was in conjunction with a social corporatist agreement in 1964, and, on the other hand, second social corporatist agreement and a declaration of the government on national social housing policy in July 1965. Collective and social corporatist agreements and in conjunction with them were declarations made by the government in the years 1964 and 1965 which meant that relations between the social partners and government became in form corporatist. This corporatism then put a string on the constant disputes of the social partners.

Population growth, increased family-making and poor housing all went hand in hand in the quest for drastically greater supply of apartment-buildings in the early 1960's in Iceland. However, the start of the 1960's saw slow increase in construction of housing and supply of long-term mortgage was minimal in order to purchase and build apartment-flats. The last point was a consequence of the fact, among other things, that the task faced by the state and working man's construction funds were insurmountable, given that the public funding system was still in its infancy. There was a dire lack of housing and a large amount of insufficient apartment-flats being used. This was the case leading up to the years 1964-65.

The conclusion of a industrial dispute in late year 1963 resulted in slight salary increases for certain groups. The trade union movement coordinated its efforts in future salary disputes. The June declaration 1964, which was presented in conjunction with the June Agreement/Accord, had as its core theme two issues: on the one hand, that low-paid laborer families should be given opportunity to purchase their homes and, on the other hand, that significantly more funds should be allocated to housing constructions. One of the prerequisites made by the government for the said declaration was, that revenues would be made available by means of a 1% tax hike on paid salary and on any kind of business transactions, bar agriculture. There would be an index linking of mortgages. A second pre-condition was that the agreement should last for one whole year. No agreement would be made on raising the base salary during the time-frame. The "social packages" came into being along with an ambitious experiment in reducing inflation. The single collective and social corporatist agreement was concluded instead of 22 separate agreements made before. The agreement and accord of July 1964 was a precursor and dress-rehearsal for what took place one year later. It is remarkable how important the direct relationship was between the trade union movement and the government. Employers in V.S.Í. were playing a second fiddle. The same narrative took place one year later in July 1965.

The accord and agreement of July 1964 conditioned that the trade unions would make separate agreements on specific points, bar wage hikes, with their negotiating partner, namely employers (V.S.Í.), which would be based on the collective and social corporatist agreement. The accord made great demand on the "Restoration" coalition government of Conservative-Independence and Social Democrats. However, it also paved the way for possible future agreement by the unions, given that this

¹ General referred to in English as the Swedish "Million Homes Program".

one would meet expectations. This can be deduced from the fact that the government made a promise to implement structural changes in national housing policy during 1965. Exactly this did happen as subsequently once again collective and social cooperative agreement was concluded. The latter saw a significant welfare increase provided by the government, namely in the mass-construction of social housing, which took place immediately and during the next ten- to fifteen years. Largely the Breiðholt social housing project was concluded in the year 1975.

The cabinet of PM Bjarni Benediktsson and the leadership of the trade union movement went hand in hand in making a path-breaking accord in June 1964, leaving behind the out-dated policy of wage hikes. The latter had proved inefficient and social partners had become exhausted by this ineffectuality. This stems from the reality that the old policy was rightly and wrongly accused of causing chronic inflation in the national economy. Thus a new kind of wage policy took shape, which included grand, social welfare schemes. This was a fundamental change and meant that a watershed was reached. It can be argued that in one way or another this concrete policy has continued ever since. From this time onwards "social packages" and corporatism whole-scale has had a large impact in collective and social corporatist agreement in any industrial dispute. Also, that the scope of collective agreements was greatly expanded by the June Agreement and Accord of year 1964.

A watershed occurred in housing policy in the year 1965. The July-Declaration which was in conjunction with social corporatist agreement between, on the one hand, trade unions in Reykjavik and Hafnarfjörður, and, on the other hand employers (V.S.Í.) and the government, resolved to build 1250 affordable and index-linked apartment-flats for low-paid laborers in the next five years. The apartment-flats became 1252-3 and the construction time was approximately ten years. The homes were sold with economically sound subsidies as the mortgage loans covered 80% of the cost of the apartment-flats. The statutes on affordable, social housing should be fundamentally changed. All of the above heralded a new beginning in relations between the government and the union movement. The collective and social corporatist agreements of the years 1964 and 1965 became models for substantial improvements in public, mass-housing for individuals and families, dating from the years 1974 and 1986. From 1964-65 onwards corporatism had its heyday in labor market relations, originally based on the Swedish model of capitalism.

The "social package" of the year 1965 made realistic progress in improving living conditions for the general public. The outlook for the national economy was good. But later in the decade, i.e. years 1967-68, saw an economic downturn in the national economy. Very strong feelings were connected to this housing construction project in Breiðholt, a new suburb of Reykjavik. The new norm became "factory-made, large-scale and mass construction" of apartment buildings and the goal was that 4000-6000 individuals should get their new homes. These kind of housing projects should be moved to rural areas of Iceland, but that was never realized.

The first owners received their apartment-flats in the year 1967. There was huge demand for these homes. During the first phase, years 1967-68, probably around 2000 individuals exited unhealthy and poor housing. Of the approximately 1003 apartment-flats (approx. 249 were rental homes), which were constructed for low-income persons in the union movement, there were only 148 still owned by the

original buyers as of the year 1999. Average price of apartment-flat was according to price index of year 1999 estimated to be approximately 5,3 million kronur. If we multiply this price with the number of apartment-flats, one could claim that the construction of the 1003 apartment-flats did cost approximately 5,3-4 billion kronur according to the 1999 rate of inflation.

New and revised statutes on affordable, social housing was enacted in the year 1970 which incorporated a radical change. Municipalities now took over the construction of social housing which had before been the project of housing cooperatives. During the year 1973 a legislation was enacted to the effect that 1000 rental homes would be constructed outside of Reykjavik. These should receive similar subsidized financing as the above-mentioned Breiðholt-project did get in Reykjavik. During the coming years most of these were constructed. Outside of Reykjavik, the Board of Workers Homes started construction in full swing, already after the enactment of the legislation of spring 1970. Meanwhile the Board of Workers Homes in Reykjavik had no ongoing projects, probably because of both political and financial reasons. Funding and manpower was sourced the Breiðholt-project, which was indirectly its own project and was being finalized, despite the newly-enacted legislation from year 1970.