Sweden: Industrial relations profile

Facts and figures
Area: 449,964 square kilometres
Population: 9,253,675
Language: Swedish
Capital: Stockholm
Currency: Swedish krona (€1 = SEK 11 as at 14 July 2009)

Economic background

<table>
<thead>
<tr>
<th></th>
<th>Sweden</th>
<th>EU27</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP per capita</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(in purchasing power standards, index: EU27=100, 2007)</td>
<td>122.23</td>
<td>100</td>
</tr>
<tr>
<td><strong>Real GDP growth (% change on previous year)</strong></td>
<td>3.525%</td>
<td>2.63%</td>
</tr>
<tr>
<td>(annual average 2004–2007)</td>
<td></td>
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<tr>
<td><strong>Inflation rate</strong></td>
<td>1.25%</td>
<td>2.18%</td>
</tr>
<tr>
<td>(annual average 2004–2007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average monthly labour costs, in € (2005)</strong></td>
<td>€4,677 (2007)</td>
<td>€2,981</td>
</tr>
<tr>
<td><strong>Gross annual earnings, in € (2005)</strong></td>
<td>€34,049</td>
<td>€28,992</td>
</tr>
<tr>
<td><strong>Gender pay gap</strong></td>
<td>17.9%</td>
<td>n.a.</td>
</tr>
<tr>
<td>(Difference between average earnings of male and female employees as percentage of earnings of male employees, 2007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employment rate (15–64 years) (2007)</strong></td>
<td>74.2%</td>
<td>65.4%</td>
</tr>
<tr>
<td><strong>Female employment rate (15–64 years) (2007)</strong></td>
<td>74.2%</td>
<td>58.3%</td>
</tr>
<tr>
<td><strong>Unemployment rate (15–64 years) (2007)</strong></td>
<td>6.2% (2008)</td>
<td>7.1%</td>
</tr>
<tr>
<td><strong>Monthly minimum wage (2007)</strong></td>
<td>No statutory minimum wage</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: Eurostat

Industrial relations, pay and working time

<table>
<thead>
<tr>
<th></th>
<th>Sweden</th>
<th>EU27 (unweighted)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade union density (%)</strong></td>
<td>68%</td>
<td>n.a.</td>
</tr>
<tr>
<td>(Union members as percentage of all employees in dependent employment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employer organisation density (%)</strong></td>
<td>80%*</td>
<td>n.a.</td>
</tr>
<tr>
<td>(Percentage of employees employed by companies who are members of</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Value 1</td>
<td>Value 2</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Collective bargaining coverage (%)</strong>&lt;br&gt;(Percentage of employees covered by collective agreements)</td>
<td>91%</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>Number of working days lost through industrial action per 1,000 employees (annual average 2004–2007)</strong></td>
<td>1.88 days</td>
<td>37.47 days (estimate)</td>
</tr>
<tr>
<td><strong>Collectively agreed pay increase (%)</strong>&lt;br&gt;(annual average 2004–2007)</td>
<td>3.35%</td>
<td>5.53%</td>
</tr>
<tr>
<td><strong>Actual pay increase (%) (annual average 2004–2007)</strong></td>
<td>3.2%</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>Collectively agreed weekly working hours (2007)</strong></td>
<td>37.5 hours</td>
<td>38.6 hours</td>
</tr>
<tr>
<td><strong>Actual weekly working hours (2007)</strong></td>
<td>40 hours</td>
<td>40 hours</td>
</tr>
</tbody>
</table>

*Note: Data from Anders Kjellberg at the Department of Sociology, Lund University.*

**Sources:** European Industrial Relations Observatory (EIRO) and Eurostat

**Background**

**Economic context**

Sweden experienced a late but rapid industrialisation and the country has been characterised by a well organised trade union movement and powerful employer organisations ever since. The Social Democratic Party (Socialdemokraterna) has played a dominant role in Swedish politics, and has been in power since 1932 with few exceptions. In 2006, however, a centre-right four-party alliance won the general election, beating the Social Democratic Party and its cooperation partners, and this alliance is still in power in 2009. It consists of the Moderate Party (Moderaterna), the Centre Party (Centerpartiet), the Liberal People’s Party (Folkpartiet liberalerna) and the Christian Democrats (Kristdemokraterna); the alliance is led by Prime Minister Fredrik Reinfeldt from the Moderate Party. The next national election is scheduled for September 2010.

The welfare state and employment system continue to feature a high level of social protection based on universal coverage and solidarity, a large public sector, relatively low unemployment and a labour market regulation based largely on collective agreements. In addition, the country has enjoyed comparatively high economic growth rates since around 2001, although the economy experienced a downturn in the autumn of 2008.

Sweden joined the European Union in 1995 but is not a member of the monetary union and therefore the country still has its own currency, the Swedish krona. For many years, Sweden has had a high dependency on exports and has several export-oriented multinational corporations. Currently, about 50% of gross domestic product (GDP) is earned through export, which makes the economy sensitive to global financial markets and demand.

**Impact of economic crisis**

In the late 1990s, the Swedish economy recovered from the deepest and longest recession since the 1930s, which resulted in an unusually high rate of unemployment (almost 9% in 1996) and a significant increase in the public sector budget deficit. However, the business cycle turned around and reached an economic peak in 2006 and the beginning of 2007. In 2007, the country entered a period of low economic activity with a lower inflow of orders to industries. In the autumn of
2008, Sweden was hit by the current global economic crisis, with rising unemployment as a result.

Sweden has been highly affected by the financial crisis and ensuing recession, and this has had major implications on both economic growth, which declined by 6.5% during the first quarter of 2009, and the unemployment rate, which is steadily growing and stood at 8.3% in April 2009. These difficult economic circumstances have had a significant influence on industrial relations in Sweden. The trade unions have seen tens of thousands of members lose their jobs and have responded by accepting requests from the employers on shorter working time agreements and similar measures.

**Legal context**

The Codetermination Act (Medbestämmandelagen, MBL, 1976:580) regulates employee consultation and participation in working life. The MBL is the main law for the system of collective regulations; it is a framework law that must be implemented through collective agreements. It gives trade unions, as collective agents for their members, the right to elect their representatives, receive information or be consulted about management decisions.

The Employment Protection Act (Lag om Anställningsskydd, LAS, 1982:80) is a fundamental law in the Swedish labour market regulating when and how an employee can and cannot be dismissed. The law protects employees from being given notice or dismissed without objective reasons, such as shortage of work or serious misuse. The act also gives the employer considerable responsibility for finding suitable replacement employment for the worker before the person can be fired.

Another important law is the Work Environment Act regulating the work environment in the labour market. The Swedish Work Environment Authority (Arbetsmiljöverket) is responsible for monitoring the implementation of the Work Environment Act as well as the Working Time Act. The authority carries out labour inspections; however, it has been downsized by about 40% during the last year (SE0808029I, SE0903029Q).

**Main actors**

The existing main agreement (Saltsjöbadsavtalet) was negotiated in 1938 between the social partners and gives them the right and responsibility to regulate pay and employment conditions. Self-regulation through collective bargaining is therefore strong. The social partners are often represented in advisory bodies or reference groups to government committees or enquiries.

**Trade unions**

*Trade union density*

Trade union membership rates have historically been high in Sweden, especially in the public sector. An important explanation for the relatively high trade union density is the high unionisation among white-collar workers. However, an ongoing trend of declining membership has occurred since the beginning of the 1990s and it has become more pronounced in recent years. Trade union density decreased by as much as 8% between 2004 and 2008. The decline is broadly based and equally distributed among white-collar and blue-collar workers, men and women. It is a particular problem that young employees often neglect to become trade union members (SE0803029Q). The decrease in membership is mainly due to the government’s amendments of the fees to the unemployment funds in January 2007 (SE0806029I).
Main trade union organisations

Trade union confederations are demarcated by occupation. There are three main confederations: one for skilled and unskilled blue-collar workers, although it often includes clerical employees and lower grade public servants; one for white-collar employees; and one for academic professionals. More specifically, these trade union organisations are the:

- Swedish Trade Union Confederation (Landsorganisationen i Sverige, LO), with 1.28 million members among blue-collar workers;
- Swedish Confederation of Professional Employees (Tjänstemännens Centralorganisation, TCO), with about 950,000 members – mainly white-collar workers;
- Swedish Confederation of Professional Associations (Sveriges Akademikers Centralorganisation, SACO), which organises almost 460,000 civil servants and professional employees with academic degrees.

Trends in trade union development

LO and, to a lesser extent, TCO are based on the ‘industrial principle’; this means that the trade unions are organised according to the economic sector in which employees work rather than according to the employees’ occupations.

Not all of the trade unions have experienced a decline in membership. For SACO, the number of members has slightly increased in recent years, unlike the other two major trade union confederations. TCO and LO are campaigning to attract new members and try to reverse the losses of the last few years (SE0901029Q).

The largest trade union within LO is the Municipal Workers’ Union (Kommunal), with about 500,000 members. Two other LO-affiliated trade unions, the Swedish Metalworkers’ Union (Svenska Metallarbetareförbundet) and the Swedish Industrial Labour Union (Industrifacket), decided to merge at the beginning of 2006 to form the Union of Metalworkers (IF Metall). This new trade union has about 400,000 members.

The Union of White-collar Workers (Unionen) has about 491,000 members. This trade union was constituted at the beginning of 2008 and is the result of a merger between the Union of White-collar Workers in Industry (Svenska Industritjänstemannaförbundet, Sif) and the Salaried Employees’ Union (Tjänstemannaförbundet, HTF). This makes Unionen the largest trade union for white-collar workers.

The Association of Undergraduate Engineers (Ingenjörsförbundet) and the Swedish Association of Graduate Engineers (Sveriges Civileningenjörsförbund) were both trade unions within SACO that organised engineers. In January 2007, they merged into the Swedish Association of Graduate Engineers (Sveriges Ingenjörer) and the new trade union has 120,000 members.

Employer organisations

The three main employer organisations are the:

- Confederation of Swedish Enterprise (Svenskt Näringsliv), which was founded in 2001 after a merger between the Swedish Employers’ Confederation and the Federation of Swedish Industry. It represents employers in the private sector and has a membership of about 50 employer organisations or trade organisations from different industries;
The largest employer organisation is the Confederation of Swedish Enterprise, which represents 54,000 small, medium and large-sized enterprises employing about 1.7 million people. Its density rate was estimated at 80% in 2008, surpassing the trade union density in the private sector.

Other employer organisations are the Swedish Association of Entrepreneurs (Företagarförbundet), with 35,000 members – mainly comprising small companies – and the Federation of Private Enterprises (Företagarna), with 55,000 members. These organisations do not have the mandate to negotiate collective agreements.

Industrial relations

Collective bargaining

A main agreement between the parties at national level defines the framework of their roles and the regulation between them. This agreement – Saltsjöbadsavtalet – is the foundation for the cooperation between the social partners in the Swedish labour market model (SE0811029I). At sectoral level, general agreements with guarantee or minimum levels are negotiated for pay and working time. These sectoral agreements are indicative and set the parameters for negotiations at local level, where more detail is provided in local collective agreements.

Trend towards decentralisation

Sweden’s structure of collective bargaining has become more decentralised during the last 15 years. The social partners tend to delegate the power to negotiate wages and working time to the local level. Some collective agreements are concluded without any definite figures on pay or only specifying guarantee levels, thereby leaving it to the local parties to decide the details in their negotiations for wage formation and the setting of wage rates.

The employer and trade union confederations still conclude certain types of cross-industry agreements, such as pensions and collective insurance. The employment transition agreement has become important, not least in times of financial crisis. Through this agreement, a percentage of the wage sum is paid into a fund – known as the Employment Security Council (Trygghetsrådet, TRR) – which finances measures to help redundant workers to get a new job or education. In the event of redundancy or dismissal, TRR is able to offer both employers and trade union representatives support and advice. Similar agreements apply in the public sector, with the Employment Security Fund (Trygghetsfonden).

Pay bargaining

Up until 1975, the local parties had limited scope for bargaining. In the 1980s, the social partners began to negotiate at sectoral level, abandoning the central negotiation model. In 1997, the negotiation model changed again by increasing the amount of coordination in negotiations. One central element was that negotiations in the manufacturing sector became normative and the dominant level for other sectors of economic activity. Thus, the Agreement on Industrial Development and Wage Formation (Industrial Agreement) reached in 1997 has a normative role.
in the collective bargaining rounds for wages. There are two levels of collective bargaining in relation to pay, wage formation and other working conditions: national or sectoral level (förbundsavtal) and local (company) level.

However, both levels have a supplementary relationship because, as noted, industry-wide agreements provide leeway for company agreements on the differentiation and individualisation of wages. In this way, parts of the centrally agreed wage increase are distributed at local level according to the preferences of the local actors.

The negotiation model also implied that bargaining should be based on pay increase developments in main European competitors in the sector. The manufacturing sector has taken macroeconomic responsibility and has contributed to a gradual improvement in wage formation, according to the National Institute of Economic Research (Konjunkturinstitutet, KI).

In Sweden, collective bargaining is the sole system of wage formation, both in the private and public sector. The trade unions at sectoral level handle most of the pay bargaining, in negotiation with the social partners on the employer side. Many employees have some kind of individual wage flexibility, for example based on work performance (SE0803019Q, SE0808019Q).

While trade union density is one indicator of potential bargaining strength and solidarity among employees, bargaining coverage measures the extent to which employees benefit from union-negotiated terms and conditions of employment. The coverage rate of collective agreements was 92% in 2001 and 91% in 2007. Having remained at this level since the 1990s, the coverage rate continues to be well above the EU average.

**Extension of collective agreements**

The labour law does not include the principle of statutory extension of collective agreements to cover an entire industry.

The trade unions at national and sectoral level and the local trade unions (or representatives of trade unions), on the one hand, and employer associations and organised employers, on the other, are authorised by law – according to the MBL – to sign a collective agreement. Unorganised employers can sign an application agreement (hängavtal) with a trade union in the company.

It is not possible under Swedish law to extend collective agreements by some kind of decree or legislation. However, practices with an extended effect are used. For example, a trade union may sign an application agreement with a previously non-signatory employer that the agreement also applies to that particular company, or the employer may have to apply the provisions of the collective agreement to external workers, unless otherwise agreed with the signatory union.

**Other issues in collective agreements**

The social partners focus on many other issues in the collective bargaining rounds. Work-life balance is addressed, as well as flexible working hours, telework and long-distance working in order to increase the flexibility for the workers. Continuous vocational training (CVT) is another essential issue in order to adjust the workers’ competencies to the needs of the labour market (SE0804049Q). For instance, during the economic crisis, CVT is being used as an alternative to dismissals in many cases.

Gender equality is also addressed in collective bargaining. For example, LO had a goal during collective bargaining rounds in 2007 that occupations dominated by women should reach the same pay levels as male-dominated occupations. A specific central equality pool was established in order to achieve this objective. Pay inequalities and the right of both genders to improve their skills are an important topic for most trade unions in collective bargaining. The Swedish Gender
Equality Act (*Jämställdhetslagen*) – which was replaced on 1 January 2009 by the Antidiscrimination Act – has contributed to bringing the issue of gender onto the agenda in the labour market.

**Industrial conflict**

The number of working days lost through industrial action and the number of workers involved usually varies depending on the scale of the bargaining rounds. Most agreements stretch over three years; the last major bargaining round was in 2007, when about 500 out of 600 agreements in total were negotiated (SE0903029Q). During 2007, nine strikes occurred in both the private and public sectors. In 2008, when only about 90 agreements were negotiated, three strikes took place. In 2007, 13,666 days were lost due to strikes and 3,636 employees were involved. The National Mediation Office (*Medlingsinstitutet, MI*) estimates that about 13,000 individuals were involved and about 110,000 workdays were lost. These high numbers were mainly caused by the protracted conflict between the Swedish Association of Health Professionals (Vårdförbundet) and SKL (SE0805039I). About 10,000 individuals were involved in this national strike, which lasted for just over five weeks.

In comparison with other European countries, the number of strikes is low in Sweden and their range is limited. MI is often used in occasions of conflict. It was founded in 2000 and is an agency for central government activities in the mediation field. It mediates in labour disputes and aims to promote an efficient wage formation process. It is also responsible for public statistics relating to wages and salaries. The number of strikes has declined in recent years, which may be at least partly due to MI’s role and work. Forced interventions in mediations between the social partners are not necessary as the partners themselves request such help if required.

**Tripartite concertation**

In Sweden, tripartite negotiations are rare because the social partners do not welcome the government or any other party intervening in collective bargaining. The idea of self-regulation through collective bargaining by the social partners is strong in Sweden.

**Workplace representation**

The regulation of the employee representation bodies is codified by laws such as the MBL and LAS but also by the main agreement, *Saltsjöbadsatalet*.

Table 3 sets out the main channels of employee representation in the workplace.

<table>
<thead>
<tr>
<th>Role and competence</th>
<th>Trade union (local representative or local branch of trade union)</th>
<th>Health and Safety Committee (local safety representative, regional safety representative or Safety Committee)</th>
<th>Work Environment Committee (local safety representative, regional safety representative or Safety Committee)</th>
<th>Workers’ delegate (Employee Board representation, in the private sector only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Handle all issues between</td>
<td>Ensure safety at the establishment, both</td>
<td>Work environment,</td>
<td>Informative role and power of</td>
</tr>
</tbody>
</table>
employees and employer, and negotiate between the parties. This is the core foundation of the labour movement.

physical and psychological, meaning the work environment. Ensure compliance with employer obligations according to legal framework and systematic work environment management.

health and safety issues

influence in board decision making regarding general development issues

| Incidence | About 5%–10% of the workforce are trade union representatives. No statistics on sectors are available | It is mandatory by law with few exceptions; therefore, almost all establishments have safety representatives | Concerns the whole economy | All companies with more than 25 employees have worker representatives on the board. Concerns about 18,000 workers |

Source: EIRO

Employee rights

As noted, the MBL gives trade unions the right to act as collective agents for their members. The right of information and consent has also been extended to workplaces not covered by collective agreements. Individual workplace disputes are resolved either through negotiations between the social partners or through arbitration in the Labour Court or a district court. The collective agreements and labour legislation regulate where disputes are handled. In addition, the Ombudsman works for employees’ rights, supervising and supporting employees in discrimination situations. LAS also gives protection for employees in the workplace.

The Labour Disputes Act governs the judicial procedure in disputes between the social partners; the Labour Court (Arbetsdomstolen) is the institution in charge in this regard. Parties that are not subject to collective agreements must take their disputes to the ordinary civil court system, with the Labour Court as the last resort. However, employers that are not members of an organisation often make an application agreement, enabling them to use the Labour Court in disputes.

Pay and working time developments

Minimum wage

Almost all the labour market is covered by collective agreements; therefore, Sweden has no legislation for national minimum wages. Minimum wages are negotiated as part of the collective agreements at sectoral level between the social partners.

Thus, minimum wages vary in different sectors. As noted, sectors that are dominated by women have traditionally had lower wages than those dominated by men. LO highlighted this disparity in its collective negotiations in 2007, trying to equalise the differences in pay between the genders.
Pay developments

Labour costs

Labour costs in Sweden are relatively high compared with the EU average although these costs have increased more slowly than the EU average in recent years, due to more moderate wage developments in Sweden. Average monthly labour costs were €4,677 in 2007 compared with an EU27 average of €2,981 in 2005.

Average nominal pay increases were about 3.7% a year during the period 1997 to 2007. Taking inflation rates into account, real pay increased on average by 2.6% a year in the same period.

Table 4: Pay increases, 2004–2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Pay increase for the Swedish economy as a whole</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>3.3% (blue-collar workers 2.6%, white-collar workers 3.2%)</td>
</tr>
<tr>
<td>2005</td>
<td>3.1% (blue-collar workers 2.8%, white-collar workers 3.5%)</td>
</tr>
<tr>
<td>2006</td>
<td>3.1% (blue-collar workers 3.1%, white-collar workers 3.1%)</td>
</tr>
<tr>
<td>2007</td>
<td>3.3% (blue-collar workers 2.3%, white-collar workers 3.3%)</td>
</tr>
</tbody>
</table>

Source: MI

Gross annual earnings are high in comparison with the European average and stood at €34,049 in 2005 in Sweden, compared with €28,992 as the EU average.

Gender pay gap

According to MI, a 5% gender pay difference emerged in 2007 between employees in the same workplace, of the same age, and with the same education and working hours. The pay gap is much wider between sectors and at local or national levels. Overall, the gender pay gap in the economy as a whole is about 16%.

The gender pay gap differs among blue-collar workers and white-collar workers, generally being greater among the latter. The average gender pay gap between 1997 and 2007 in the private sector was 14.8% for blue-collar workers and 22.3% for white-collar workers. This gender gap has not changed much for blue-collar workers but for white-collar workers the gap is steadily decreasing since 1998.

Working time

Collectively agreed working time has not changed much in the last few years. Many women have part-time employment contracts and would like to work more hours. Some trade unions are therefore arguing for these women’s right to get full-time employment. Overall, working hours have not been a major issue in collective bargaining during recent years. Nonetheless, many trade unions were opposed to the proposed revisions of Directive 2003/88/EC concerning certain aspects of the organisation of working time and were pleased when the European Parliament rejected the changes in December 2008 (EU0812019I).

Statutory weekly working time has been debated over the years. However, no major changes have occurred recently and the statutory maximum working week is still 40 hours. An employee is permitted to work up to 200 hours of overtime a year but they are not allowed to work more than
50 hours of overtime during a calendar month. Nevertheless, the conditions relating to overtime can be compromised through collective bargaining.

The average number of actual weekly working hours in the main job for full-time employees was 40 hours in 2007; this number has been stable for many years. Since 1997, the Statistical Office of the European Communities, Eurostat, has noted only a small reduction of 0.4 hours in Sweden.

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Swedish Confederation of Professional Employees (Tjänstemännens Centralorganisation, TCO), The Unemployment Fund: an insurance in free fall, Stockholm, 2008.
Karolin Lovén, Oxford Research