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Labour  
Office  
Geneva

## **Industrial relations and crisis: The Swedish experience**

**Dominique Anxo**

**February 2017**

Governance  
and Tripartism  
Department

Working Paper

# **INDUSTRIAL RELATIONS AND THE CRISIS: THE SWEDISH EXPERIENCE**

Dominique Anxo

International Labour Office  
Geneva  
February 2017



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## Foreword

This paper is one of a series of studies commissioned by the International Labour Office (ILO) in 2015, under a project entitled “Post-crisis social dialogue: Good practices in the EU-28”, which is implemented by the ILO with funding from the European Union (EU). The project documents and analyzes emerging trends and good practices in social dialogue and industrial relations in EU Member States. The project focuses specifically on developments since 2013, as countries began to exit the crisis, and examines the role played by social dialogue in promoting sustainable reforms and jobs-rich, inclusive growth.

The research component involved eleven in-depth country studies carried out by reputed national scholars, as well as the drafting of a comparative analysis. A tripartite knowledge-sharing conference, hosted at the Palais du Luxembourg in Paris on 20 May, 2016 provided a forum for discussion of the draft papers. The conference brought together national and international stakeholders, including government ministers and high-level officials, representatives of employers’ and workers’ organizations and of regional and international organizations, including the ILO and EU institutions such as the European Commission, the European Economic and Social Committee (EESC) and Eurofound. Participants discussed recent developments in the industrial relations landscape and exchanged experiences of social dialogue in the ‘post-crisis’ period. The revised country summary reports and the comparative analysis have since been compiled in an edited, peer-reviewed volume, entitled *Talking through the crisis: Social dialogue and industrial relations trends in selected EU countries*, to be published by the ILO in March 2017.

This study by Dominique Anxo highlights the resilience of the Swedish industrial relations system during the 2008 Great Recession – a period that was characterized by sustained industrial peace. The author contrasts this experience to the previous recession of the early 1990s, which led to major structural reforms, including the decentralization and individualization of the negotiation of wages and working conditions. The study emphasizes that Sweden’s recent success story cannot merely be reduced to the early fiscal consolidation measures taken during the 1990s. Instead, this success is linked to the country’s well-developed system of social dialogue and to the active involvement of social partners in policy-making. Alongside this, the strong automatic stabilizers embedded in the Swedish model, and the astute action by government - including active labour market policies and training measures – have contributed to mitigating the adverse effects of the crisis on employment, welfare and social cohesion.

The responsibility for opinions expressed in this paper rests solely with its authors and its publication does not constitute an endorsement by the International Labour Office or the European Union.

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## Section I. The Swedish industrial relations system: main features and evolution

### 1.1. Main features

One of the fundamental features of the Swedish industrial relations system is a strong contractual tradition based on the existence of powerful social partners who enjoy considerable autonomy from the public authorities. Essentially bipartite, the Swedish model of industrial relations is also characterized by the crucial role played by the two sides of industry in mechanisms for regulating the labour market, notably wage formation and working conditions.<sup>1</sup> Despite a recent and significant decline, the average union density in Sweden remains one of the highest among modern economies (see Table A1 in the Appendix), at around 70 per cent in 2014.<sup>2</sup> The coverage rate of collective agreements is also high and at the same date stood at around 90 per cent (84 per cent in the private sector and 100 per cent in the public sector, see Table A3 in the Appendix). It should be stressed that the high coverage rate of collective bargaining in Sweden is not related to the existence of legal provisions for mandatory extension of collective agreements but rather to the high density rate of employers' associations and the strong presence of trade unions at the firm/organization level.<sup>3</sup> In fact, Sweden is characterized by well-established and strong employers' organizations.<sup>4</sup> In 2013, the density rate of employers' organizations, measured as the proportion of dependent employees at workplaces affiliated to employers' associations, reached 87 per cent, which is significantly higher than union density (see Kjellberg, 2015). With few exceptions, trade unions and employers' organizations in Sweden are structured along sectoral/industry lines. In spite of a clear tendency to the decentralization of wage determination at the company/organization level during the past two decades, the Swedish bargaining system remains fundamentally a two-tier system, in which bargaining takes place firstly at the industry/sectoral level and afterward at the company/organization level. It should be emphasized that by international standards, the Swedish two-tier bargaining model remains centralized and coordinated.

<sup>1</sup> Currently, in Sweden there are more than 650 central collective agreements on wages and general terms and conditions of employment. It should be noted that the 2008 crisis did not impact negatively on the number of agreements.

<sup>2</sup> The Swedish trade union landscape includes three confederations: the Swedish Trade Union Confederation (LO), organizing blue-collar workers, the Swedish Confederation of Professional Employees (TCO) organizing white-collar workers and the Swedish Confederation of Professional Associations (Saco) organizing university graduate employees.

<sup>3</sup> In contrast with some other EU Member States, wage-earners are represented by local union "clubs" and not by separate works councils. Workplace representatives have a mandate to negotiate. Since the mid-1970s the Codetermination in Working Life Act (Lag om medbestämmande i arbetslivet, SFS 1976: 580. Available at: [https://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningssamling/Lag-1976580-om-medbestamman\\_sfs-1976-580/](https://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningssamling/Lag-1976580-om-medbestamman_sfs-1976-580/)) has stipulated that, prior to any decision regarding significant changes in employment and working conditions, the employer has the obligation to inform and consult the trade union organization(s) in charge of concluding collective agreements.

<sup>4</sup> Sweden has three main employers' associations: in the private sector, the Confederation of Swedish Enterprise (Svenskt Näringsliv SN) and in the public sector, the Swedish Association of Local Authorities and Regions (Sveriges Landsing and Kommuner, SKL) for local authorities and for the government sector, the Swedish Agency for Government Employers (Arbetsgivarverket, Agf).

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Social dialogue is both institutionalized and well developed; regular consultations are held with the social partners<sup>5</sup> and are considered a key element of the Government's activities in relation to employment and social policy. Regarding the development of social dialogue, the recession had no negative impact on industrial relations and the period 2008–2011 was characterized by industrial peace, in sharp contrast with the situation during the previous recession in the early 1990s (see Figure A1 in the Appendix).<sup>6</sup>

It should also be emphasized that Swedish labour law is limited by comparison with labour legislation in other EU Member States and it is for the most part “optional”; that is to say, most provisions of labour market legislation may be, wholly or partly, amended by collective agreements. The bipartite and contractual nature of labour market regulation, coupled with the high union density and high coverage rate of collective bargaining, create a favorable institutional environment for the emergence of negotiated compromises aimed at balancing flexibility and security in the labour market. As stressed in Anxo (2013), Sweden thus represents a good illustration of a regime of negotiated flexibility, in which the social partners are involved extensively in the shaping of vocational training and the regulation of working conditions and wage formation at the industry and company/local levels.

## **1.2. Evolution of the Swedish industrial relations system**

### **1.2.1. Modification of the Swedish industrial relations system: an historical perspective**

To understand the major changes in the Swedish system of industrial relations we cannot restrict our analysis to recent years but must look at the major transformations of the industrial relations system during the past three decades. From 1955 to 1983, Swedish industrial relations were based on a highly centralized and coordinated collective bargaining system. In 1983, Sweden experienced a rupture in the three decades of centralized and coordinated bargaining. Following the abandonment of national inter-industry agreements in the mid-1980s collective bargaining in both the private and public sectors is now carried out at two levels: industry/sector and enterprise/organization.

The weakening of mechanisms for coordinated collective bargaining, the resurgence of industrial disputes during the 1980s (see Figure A1 in the Appendix), the threat of state intervention, high wage inflation and the dramatic increase of unemployment during the recession of the early 1990s all had a decisive impact on the emergence of new compromises regarding industrial relations. The three main trade unions<sup>7</sup> in the sectors exposed to international competition asked their employer counterparts to consider the possibility of setting up a new collective bargaining system that fostered both industrial peace and wage

<sup>5</sup> Social partners are usually represented on parliamentary and government committees responsible for drawing up employment and social policies. In this way, the social partners exert significant influence on the contents of labour market legislation.

<sup>6</sup> The deep recession of the early 1990s took the form of a dramatic employment crisis. In just three years – from 1990 to 1993 – the rate of employment decreased by more than 10.5 percentage points to about 73 per cent, and the rate of open unemployment increased nearly fivefold, from less than 2 to around 10 per cent of the labour force. Furthermore, the Government's annual budget deficit increased from about zero to some 14 per cent of GNP, while the public debt increased from 38 to 76 per cent between 1990 and 1995.

<sup>7</sup> The three main trade unions in the sector exposed to international competition, namely the Swedish Federation of Blue-Collar Workers in the Engineering Industry (*IF, Metall*), affiliated to LO; the Swedish Federation of White-Collar Workers in Industry (*Unionen*), affiliated to the TCO; and the Swedish Association of Graduate Engineers (*Sveriges Civilingenjörförbundet, CF*),

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increases guaranteeing balanced growth and a return to full employment. The ensuing talks culminated in the signing of an “Industry Agreement” on Cooperation on Industrial Development and Salary Formation in 1997. The spirit of the new Industry Agreement was to ensure industrial peace and promote more consensual industrial relations. One of the main innovative features of the Industry Agreement, apart from its tendency to re-coordinate collective bargaining, is that it explicitly regulates the conduct of negotiations and the resolution of disputes. As already stressed, the main objectives of the Negotiation Agreement are to create a constructive climate conducive to the conclusion of collective agreements compatible with balanced growth, and to avoid industrial disputes. Negotiations must henceforth commence three months prior to the expiry of the existing collective agreement; one month before it expires, eight “impartial chairs”, appointed by a Joint Industrial Committee, must assist the social partners in their work and endeavour to take such measures as may be necessary for the rapid conclusion of an agreement. If there is any risk of industrial action, the social partners concerned are obliged to notify the “impartial chairs” before the start of the notice period for a strike or lockout (see Anxo and Niklasson, 2006).

These changes in industrial relations also re-established the pace-setting role of the sectors exposed to international competition and favoured wage adjustments in line with productivity developments. Also worth noting is that these modifications in wage setting led to a perceptible increase in real wages, in contrast with the previous situation (mid-1970s to the end of the 1980s), which was characterized by real-wage stagnation. The significant changes in the orientation of monetary policy<sup>8</sup> – namely the complete autonomy of the Swedish Central Bank and the introduction of a clear inflation target (2 per cent per year, within a range of plus or minus 1 per cent – in the mid-1990s, in conjunction with the abovementioned re-coordination mechanisms in wage setting without doubt also had an impact on wage formation and wage developments. The social partners in both the private and the public sector were aware that wage developments not compatible with productivity growth and macroeconomic balance would not, as previously, be accommodated with devaluations but lead to the implementation of a restrictive monetary policy (interest rate increase), with a potential negative impact on employment and unemployment. We may argue that this reorientation of macroeconomic policy played a crucial role in wage development by deterring excessive wage increases and wage inflation. It encouraged wage moderation (but still real wage increases) and rising employment right up to the 2008 Great Recession. On the other hand, the reformulation of economic policy in the mid-1990s – the priority given to fighting inflation and ensuring fiscal consolidation measures – clearly reflects a weakening of the political commitment to the goal of full employment, as illustrated by unemployment rates well above those experienced during the Golden Age of the Swedish Model. We may therefore argue that the higher level of unemployment since the mid-1990s changed the balance of power between the two sides of industry in favour of capital and weakened the bargaining power of trade unions.

In addition to the establishment of new procedural rules aimed at insuring industrial peace and a re-coordination of wage bargaining at the industry sector level, we have also witnessed since the second half of the 1990s a clear tendency towards *a decentralization and individualization* of wage setting and working conditions at the company/organizational level, in both the private and public sectors. In other words, the abovementioned tendency to re-coordinate collective bargaining at the industry level should not be seen as a weakening of the role played by enterprise-level/organization-level negotiations. Negotiations at the company/organization level play a central and growing role in the setting of wages, as well as in the terms and conditions of employment. In fact, enterprise/organization-level bargaining has tended to gather strength in the past decade, particularly in the public sector (see Anxo, 2013). The wages of a large majority of public sector employees are now set

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<sup>8</sup> In particular the change of monetary regime (floating rate) in the early 1990s was a clear signal that the Central Bank would no longer conduct an accommodative monetary policy via devaluations, as in the past.

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locally and largely individualized through performance monitoring, in strong contrast to the previous wage scale system based on seniority that was dominant up to the mid-1990s. The acceptance of a more individualized type of wage formation based on individual skills or characteristics and performance or productivity rather than on job characteristics, as had been the case in the past with the application of the *solidaristic* wage policy,<sup>9</sup> testifies to societal changes regarding wage norms and norms of fairness, among both private and public employees and their representatives.

The marked tendency towards the decentralization, differentiation and individualization of wages and terms and conditions of employment also coincides with a wider dispersion of the wage distribution. It should be remembered, however, that in contrast with other countries with highly decentralized and individualized bargaining systems, such as the United States and the United Kingdom, the still strong and powerful trade union organizations and high union density at company/organization level in Sweden lead to negotiated forms of wage individualization and differentiation. There are strong reasons to believe that the tendency towards the decentralization of collective bargaining and the individualization and differentiation of wages will continue, that collective and undifferentiated ways of setting wages are being gradually abandoned and that individualized types of wage formation are being generalized across the whole Swedish labour market.

### **1.3. In which policy areas did national public authorities attempt to cope with the global financial and economic crisis?**

Between 1993 and 2006 Sweden was governed by a Social Democratic–Left–Green coalition government. Following the general election of 2006, a new centre-right coalition government was elected. The several “structural reforms” implemented by the centre-right government during its term of office (2006–2014) were aimed principally at increasing labour utilization in the long run, through essentially supply-side measures, such as tax cuts and reforms of the social protection system. Several tax reforms were aimed at reducing the tax wedge and increasing labour supply at both the extensive and intensive margins. The inheritance and wealth taxes were abolished in 2004 and 2007,<sup>10</sup> respectively. Reforms of income tax have also been implemented gradually over the past five years. The most important tax reform in this context was the introduction of a system of in-work tax credits aimed at strengthening work incentives for low-income earners and a reduction of marginal tax for high income earners, both reforms entailing a reduction of marginal tax of around 2–3 percentage points.

In the wake of the global financial crisis, the Swedish economy started to deteriorate rapidly in the second half of 2008, and in 2009 Sweden’s real GDP decreased by 5.0 per cent. With this severe drop in aggregate demand and output, employment decreased by around 100,000 between 2008 and 2009 (a decrease in the employment rate of 2.1 percentage points), while the unemployment rate increased from 6.2 per cent to 8.3 per cent of the labour force. The fall in output and employment was particularly marked in manufacturing, in particular in

<sup>9</sup> The *solidaristic* wage policy involved not only the application of the principle of equal pay for equal work (irrespective of sector, region or company profitability) but also efforts to reduce wage differentials between jobs; that is, to promote a more compressed wage structure. The primary motivation for the implementation of this wage norm was not only fairness and equity but also economic efficiency, by fostering and promoting productivity-enhancing structural changes through the closure of unproductive plants and/or rationalization at the company level.

<sup>10</sup> The abolition of the inheritance and gift tax was initiated and implemented by the then Social Democratic government.

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export-oriented industries, with a decrease of 14 per cent. Healthy public finances at the onset of the 2008 recession, due among other things to early fiscal consolidation measures initiated already during the 1990s,<sup>11</sup> gave the Swedish Government room for manoeuvre for conducting a traditional “Keynesian” macroeconomic policy in order to maintain aggregate demand and limit the negative impacts of the crisis on employment, household income, consumption and welfare.

Confronted by the severe deterioration of the situation in the labour market, the Swedish Government, already in the early stages of the crisis (2008–2009) therefore implemented a package of recovery and countercyclical measures, ranging from expansionary fiscal and monetary policy to active labour market policy (ALMP) and education policy (see Anxo 2011; 2013). In particular, extensive investments in the maintenance and operation of the road and rail networks were decided on. In order to stimulate activity and maintain labour demand in the construction sector, work in the form of repairs, maintenance and improvement of one-family houses and rented housing were made tax deductible. During 2009–2010 the Government announced further countercyclical expansionary measures to combat the crisis. These new fiscal measures covered mainly two areas: increased government grants to municipalities and county councils<sup>12</sup> and more resources for active labour market policy. The Government decided on a further increase of SEK 10 billion Swedish (around 1.1 billion euros [€]) in the central government grant to municipalities and county councils in 2010, as well as further investment in infrastructure (SEK 1 billion) in order to maintain and secure employment in the public sector and an increase of social transfers, such as child and housing allowance for low-income earners, in order to sustain household consumption (see Anxo 2011).

As usual during a period of recession the budget of the public employment services was increased, as well as the number of participants in various active labour market policy programmes (labour market training, wage subsidies and so on; see Section 4).<sup>13</sup> The various ALMP measures initiated during recent years seem also to have limited the negative impact of the crisis on unemployment and social cohesion. If it is true that the reinforcement of ALMP measures and the various activation policies and education measures (in particular the lifelong learning facilities; see also Section 4 below) do not in themselves create new jobs in the short run, they remain good instruments for securing transitions from unemployment to employment and improving the allocation of resources between sectors. The abovementioned policy measures, by increasing labour market participation, have favoured social inclusion and have limited the development of long-term unemployment.

Regarding education and training policy, the Government increased the number of places in post-secondary vocational training, local authority upper secondary education for adults and universities and colleges (see Section 4 for details). The Swedish economy recovered quickly with increases of real GDP of 6.6 per cent in 2010 and 2.6 per cent in 2011.

<sup>11</sup> In the wake of the 1993 deep recession and in order to cope with the dramatic rising budget deficit and growing public debt, the Social Democratic government (1994–2006) took several fiscal consolidation measures: reduction of the income replacement rate of several social protection system and stricter eligibility rules (unemployment insurance and sickness insurance) and a drastic reduction in public employment (a decrease of 200,000 public jobs between 1995 and 2006). In order to insure the long-run sustainability of the Swedish pay-as-you-go pension system, the Government also initiated a comprehensive pension reform in 1998 that was fully implemented in 2003. The old defined benefit system was replaced by a mandatory defined contribution scheme (see Anxo 2015 for details).

<sup>12</sup> In charge of the provision of social services, health, and pre-school, primary and secondary education.

<sup>13</sup> In order to be able to cope with the increased number of job seekers as a result of the recession, the local public employment agency received extra funding and the number of caseworkers was increased.

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Employment also increased by 25,000 in 2010 and by as much as 100,000 or so in 2011. In the aftermath of the economic recession, the average disposable income declined slightly (by –1.0 per cent, between 2008 and 2010), while the median disposable income by consumption unit actually increased by above 3 per cent. The limited impact of the crisis on the development of disposable earnings was not independent of the extent and generosity of the social protection and transfer systems (economic stabilizers), which remain high in Sweden by international standards. Furthermore, the reforms of the tax system initiated by the Government, which entailed a reduction in both average and marginal income tax, combined with countercyclical measures, such as an increased number of participants in ALMP, may partly explain the fact that disposable income was not severely affected by the crisis. It should be emphasized that Sweden's relatively quick recovery from the financial crisis in 2009–2010 can be ascribed to several intertwined factors: the expansionary fiscal policies of the Government, more favourable macroeconomic conditions with a rapid upturn of exporting industries thanks to an expansionary monetary policy, a floating exchange-rate regime and wage moderation (see next section).

#### **1.4. The crucial role and strategies of the social partners during the crisis**

As previously mentioned, the bulk of labour market regulations, working conditions and wage setting in Sweden are determined and regulated by collective agreement. An analysis of measures initiated to combat the impact of the economic crisis on employment cannot therefore be limited to government action. It should also be stressed that, in contrast to countries with weaker industrial relations systems and unbalanced bargaining power between the two sides of industry, the Swedish industrial relations system has been characterized by a more balanced sharing of the cost of the crisis in terms of both working conditions and inequalities at work. An analysis of the past two waves of the European Working Conditions Survey conducted by Eurofound in 2005 and 2010 (see Anxo 2013) did not reveal a significant deterioration of working conditions in Sweden in the aftermath of the recession. Working time was hardly affected, work intensity remained almost unchanged and work satisfaction and work–life balance opportunities even seem to have increased during the period.

As far as wage setting is concerned, experience from the deep economic crisis of the early 1990s shows that wage moderation characterized wage developments during the second half of the 1990s and the early 2000s. There were therefore strong reasons to expect that, in the wake of the current severe economic and financial crisis, wage agreements would also be concluded in order to preserve employment stability and limit further increases in unemployment. In effect, an analysis of collective agreements shows that wage moderation, and not wage cuts as in some other Member States, characterized the rounds of collective bargaining during and after the crisis. The depreciation of the Swedish currency due to the above-mentioned expansionary monetary policy, combined with wage moderation, resulted in a slowdown in the rate of increase of labour costs. This slowdown helped to alleviate the negative effects of the recession on output and employment. The bulk of the adjustment in the public sector also took the form of wage moderation (see Anxo, 2013), with the public sector following the same wage developments as the private sector. According to short-term wage statistics from the Swedish Mediation Office (2015), the rates of wage increases in 2009 and 2010 for the economy as a whole were 3.3 and 2.5 per cent, respectively, and were significantly below those recorded in 2007–2008 in both the private and the public sector. Figure A4 further illustrates the stable nominal wage increase during the post crisis years 2010–2013, in which wage agreements were concluded mainly in the range of 2.5–3.0 per cent. In our view, these developments well illustrate the extent of Swedish negotiated wage flexibility during a recession and the willingness of the two sides of industry to share the burden of the crisis more equally and to limit the potential impact of the recession on employment, wage distribution and inequality. The deep recession also had no direct impact on industrial relations and the period 2009–2010 was characterized by industrial peace, as

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shown by Figure A1 in the Appendix, in contrast with the situation in the 1980s and also during the previous recession (1992–1995).

In Sweden, structural changes or economic downturns have seldom been accommodated by public measures aimed at maintaining employment and at favouring labour hoarding, for example by reducing working time or by work sharing measures, as in France or Germany (see Anxo 2011).

Traditionally, employment adjustments due to structural changes in Sweden, with the consent or support of the trade unions, have mainly taken the form of external numerical flexibility, combined with active labour market policy measures. Following this tradition, the Swedish adjustment process in operation during the 2008 global economic crisis was a mix of negotiated numerical flexibility and active support of dismissed workers through active labour market policy measures and/or negotiated agreements, helping redundant workers to find new jobs rapidly or to enhance their employability. As described in Anxo (2011), in cases of collective redundancy due to restructuring or individual notice due to a shortage of work, the Swedish social partners have, since the early 1970s, negotiated security/adjustment agreements to help displaced workers to find new jobs quickly, by way of adjustment measures and financial support. These support programmes are administered by the two sides of industry (bipartite organizations): the so-called Job Security Councils (Trygghetsråd) and Job Security Foundations (Trygghetsstiftelser), specially designed for this purpose. By supplementing the role of local public employment agencies, these agreements, covering about half the labour force, help to improve the security of employees and to enhance matching efficiency and have played an important role in accommodating the 2008 deep economic downturn. Sweden is in this way unique in that the social partners assume the responsibility of a major part of the active employment policy measures.

Worth noticing also is the fact that, in order to alleviate the individual consequences of layoffs and plant closures, the former centre-right government set up a plan to enhance and promote cooperation between stakeholders, such as the Public Employment Service, the Social Insurance Agency, the abovementioned Job Security Councils and Job Security Foundations, the European Social Funds, municipalities, companies, non-profit organizations and trade unions.

Furthermore, even though there was no government measure for maintaining employment by means of short-time working during the early phase of the 2008 global financial crisis – as for example in France and Germany – initiatives were taken by the two sides of industry. By way of illustration, the trade union federation IF Metall and the Association of Swedish Engineering Industries concluded a framework agreement on temporary layoffs, wage adjustments and training in March 2009. The agreement was valid until 31 March 2010, with a three-month notice period. To be valid, the agreement had to be endorsed by local agreement between the employer and the union. Under the agreement, a person temporarily laid off from work could receive at least 80 per cent of their usual monthly wage. The Swedish Industrial and Chemical Employers' Association, the Employers' Association of the Steel and Metal Industry, the Employers' Association of Swedish Mine Owners, the Employers' Federation of Welding Engineering and IF Metall signed a temporary redundancy pay agreement on 2 March 2009 enabling local partners at the firm level to conclude agreements on temporary layoffs. This agreement is similar to the agreement between IF Metall and the employers in the Association of Swedish Engineering Industries. Some 400 companies affiliated to the Association of Swedish Engineering Industries concluded such agreements. Most of them covered both manual and non-manual workers. On average, these short-time working agreements included an 18 per cent reduction in working hours and a 13 per cent reduction in wages. The average duration of these

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agreements was a little over six months.<sup>14</sup> In the wake of the tripartite talks initiated by the Government in 2011, the Swedish Parliament (Riksdag) adopted a new law on short-time working in December 2013.<sup>15</sup> According to the law, a state subsidized short-time working system could be implemented in case of a severe economic recession. The state support is restricted to companies in the private sector covered by a collective agreement at the industry level on short-time working. The rules regarding short-time working have to be stipulated by a collective agreement at the company level. As further stipulated by the law, the state, the employers and the employees (through wage reductions<sup>16</sup>) will share the cost of short-time working, the contribution of the state being one-third of the total cost.

<sup>14</sup> According to IF Metall these agreements helped to safeguard between 12,000 and 15,000 jobs.

<sup>15</sup> Lag om stöd vid korttidsarbete [Law on support for short-time working], SFS 2013: 948. Available at: [https://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningsamling/Lag-2013948-om-stod-vid-kor\\_sfs-2013-948/?bet=2013:948](https://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningsamling/Lag-2013948-om-stod-vid-kor_sfs-2013-948/?bet=2013:948)

<sup>16</sup> The wage reduction is 12 per cent in case of a working time reduction of 20 per cent; 16 per cent in the case of 40 per cent; and 20 per cent in the case of 60 per cent.

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## **Section II. The role and impact of national social dialogue institutions**

As mentioned previously, the Swedish model of industrial relations is based on powerful, independent, and all-encompassing employer and trade union organizations enjoying strong autonomy vis-à-vis the central government. Even though consultations and information sharing regarding labour market issues between the government and the parliament and the two sides of industries have a long tradition and are a common feature of the political process and decision-making regarding policy measures, the nature of industrial relations in Sweden remains essentially bipartite. Of course the state is involved in social dialogue in its capacity as employer at the central and local authority levels, but through their respective employers and trade union organizations. It should be noted that despite its fundamentally bipartite nature, tripartite talks do exist and are favoured in Sweden, resulting in either encompassing collective agreements or laws/regulations.

### **2.1. Social dialogue and the European semester**

In order to develop and strengthen dialogue with the social partners within the national decision-making process and the European semester, during the past decade successive Swedish governments have set up reference groups with representatives from the ministries concerned and the social partners.<sup>17</sup> To illustrate, the more recent reference group held regular meetings over the year at strategic points in time for discussions and consultations on the implementation of the Europe 2020 strategy in Sweden. The initiative was taken after close consultation with the social partners. According to the Swedish National Reform Programme (NRP, see Swedish Government, 2015), in March 2015 the Prime Minister invited the social partners to participate in a consultation at chair level on the broader issues of growth ahead of the meeting of the European Council (March 2015). Consultation meetings also took place at senior official level on four occasions after the presentation of the 2015 NRP. The social partners were invited, as in previous years, to contribute to that year's National Reform Programme. By way of illustration the appendix of the 2015 Swedish NRP included various contributions from the social partners presenting the measures and initiatives they had taken in accordance with the guidelines and the objectives that contribute to fulfilment of Europe 2020 targets. Furthermore, the appendix included comments from the social partners on government policy as regards measures with a bearing on the Council recommendations in the context of the European Semester.

According to the 2014 Council's recommendations (CRS, 2014)<sup>18</sup> Sweden should:

Take appropriate measures to improve basic skills and facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships. Reinforce efforts to target labour market and education measures more effectively towards low-educated young people and people with a migrant background. Increase early intervention and outreach to young people unregistered with the public services.

<sup>17</sup> Namely, the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Employees (TCO), the Swedish Confederation of Professional Associations (Saco), the Swedish Association of Local Authorities and Regions (SALAR), the Swedish Agency for Government Employers and the Swedish Federation of Business Owners).

<sup>18</sup> It should be noted that the 2015 CRS for Sweden does not contain any labour market-related recommendations.

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In what follows we shall restrict our review to two social partner initiatives that are directly related to the 2014 Council's recommendations. Regarding the *integration of young people in the labour market*, in autumn 2011 the then centre-right coalition Government initiated tripartite talks with the social partners. The purpose was to find solutions in order to tackle the high youth unemployment. The tripartite talks were conducted with the social partner organizations at the central level (Confederation) and from January 2013 with signatory parties at industry level. These talks resulted in the setting up of the so-called Vocational Introduction Employment Contracts. These employment contracts are regulated by collective agreements. The target group for the agreements is young people with no relevant job experience. The design of agreements varies between industries but common to all of them is that work is combined with training or education.<sup>19</sup> Central agreements on initial vocational training have been signed in the following industries: retail (Swedish Trade Federation and the Swedish Commercial Employees' Union), municipal sector (SALAR/Pacta and the Swedish Municipal Workers' Union), sawmills (Swedish Forest Industries Association and GS Swedish Union of Forestry, Wood and Graphical Workers), parts of manufacturing (engineering companies' employers' organization/IKEM/Svemek/GAF/Steel and Metal Employers Association and IF Metall) and real estate (Almega Service Associations property employers and the Building Maintenance Workers' Union). The municipal sector (SALAR/Pacta and the Municipal Workers' Union) also signed an agreement (BAL13) targeted towards unemployed young people aged 19–25 with no previous experience in the industry. In order to create incentives for employers to recruit young people within the framework of vocational employment contracts the Government introduced a wage subsidy equivalent to an ordinary employer's contribution (31.42 per cent) and a supervisor support equivalent to SEK 2,500 per month (€266).

As previously mentioned, most private employees in the Swedish labour market are covered by security or adjustment agreements. The 2015 Swedish NRP reveals that two new adjustment agreements were concluded in early 2015 in the central government sector. These agreements, aimed at favoring integrative transitions, stipulate the conditions for individual support that dismissed employees can obtain in the event of a shortage of work or when a fixed-term employment contract of at least two years expires. The main objective of these agreements is to enable the dismissed worker to return to work as rapidly as possible. The agreements are based on labour market needs and form a transition chain that supports the Swedish work-first principle and enhance the possibilities for individuals to have a longer and sustainable working life.

To sum up, if it is true that the European semester decision-making process has established a number of formal procedures regarding the consultation of social partners within the EU semester framework, these consultations are also a good illustration of the main features of Swedish industrial relations system and the quality of its social dialogue.

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<sup>19</sup> The education component is restricted to a maximum of 25 per cent of working hours). The education can be either at the workplace or supplied by an external provider. The education period does not confer any wage entitlements (see Swedish Government, 2015 NRP).

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## Section III. Collective bargaining mechanisms

As mentioned in Section 1.2 the clear tendency towards decentralization of the collective bargaining system was the outcome of a long process that started already in the mid-1980s, and the severe economic downturn in 2008 did not entail changes in collective bargaining mechanisms. On the other hand, the dramatic deterioration of the situation in the labour market induced, as mentioned in Section 2, a series of initiatives and agreements from the two sides of industry aimed at limiting the negative consequences of the economic downturn.

As also already mentioned, during the past two decades Sweden has experienced a significant decline in union density. Several factors help to explain the fall in trade union membership in Sweden by almost 12 percentage points between 1990 and 2014 (see Table A1 in the Appendix). It is important here to distinguish between long-term changes related principally to major changes in employment and occupational structure and short-term factors linked to specific measures or the business cycle. In particular, the reduction of employment in manufacturing<sup>20</sup> and in the public sector due to fiscal consolidation measures and budget cuts initiated in the 1990s, combined with changes in societal norms (individualistic values) explain a part of the long-term decline of union density.

The successive reforms of the employment protection system in Sweden, in particular the introduction of short-term contracts not requiring justification from the employer, combined with the deregulation of employment intermediation in the early 1990s, have contributed to a significant increase in employment instability and growing duality in the labour market between insiders and outsiders. The rise of short-term contacts (see Figure A2 in the Appendix) has also contributed to the decline of union density in Sweden, which is significantly lower among employees on fixed-term contracts than among those on open-ended contracts (74 per cent versus 47 per cent, see Table A3 in the Appendix).

Even though structural factors explain the long-term decline of union density in Sweden, the acceleration of this decline after 2006 is closely related to policy measures, in particular the reform of the unemployment insurance system initiated by the centre-right government in 2007 and 2008. This reform resulted in a notable reduction in the generosity of the Swedish unemployment insurance system, the income replacement rate being reduced from 80 to 70 per cent after 200 days of unemployment and the maximum duration for receiving unemployment benefits reduced to 300 days. Furthermore, the financing of unemployment insurance was modified: the contributions of the various unemployment funds administered by the trade unions (Ghent system)<sup>21</sup> were dramatically increased and differentiated according to the unemployment level in the sector or industry concerned. In other words, a system of experience rating was introduced, individual unemployment insurance contributions being raised or lowered depending on whether unemployment was increasing or decreasing in an industry. This reform entailed a large rise in individual monthly contributions; in some cases, unemployment insurance fees paid by individuals tripled.<sup>22</sup> The consequence was both a large decrease in union membership and a dramatic decline in

<sup>20</sup> The propensity to join a trade union is traditionally higher in these two sectors.

<sup>21</sup> The Swedish unemployment insurance system is a so-called Ghent system based on voluntary membership in unemployment insurance funds subsidized by the State. These funds are administrated by trade unions in the various industries.

<sup>22</sup> To illustrate between 2006 and 2009 the individual monthly UI fees for construction workers increased from SEK 116 (€ 12.4) to SEK 455 (€ 48.5), for workers in engineering industries from SEK 93 (€ 9.9) to SEK 384 (€ 40.9) and employees in hotel and restaurant from SEK 97 (€ 10.3) to SEK 430 (€ 45.8), See Kjellberg, 2014). If you add the normal affiliation fee for being member of a trade union, the monthly cost increase was significant.

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the number of dependent employees covered by the unemployment insurance system: around 500,000 employees left the system between 2007 and 2008.<sup>23</sup> As reported by Kjellberg (2015), the decline in union density in the aftermath of the unemployment insurance reform was unprecedented, at 6 percentage points (from 77 per cent in 2006 to 71 per cent in 2008, see Table A1 in the Appendix). Obviously, the Government's main objectives with these reforms were to (indirectly) influence the outcome of wage bargaining by weakening the bargaining power of trade unions and therefore to induce wage restraint and to enhance job seekers' work incentives.

The 2008 global financial crisis particularly hit the sectors exposed to international competition and blue-collar workers. Against this background the change in unemployment insurance financing had a strong impact on union density among LO members, in particular in manufacturing, but also in low-skilled and low-paid sectors – such as hotels and restaurants and retail – with high labour turnover and large share of short-term contracts (see Table A1 in the Appendix). There are therefore strong reasons to believe that a significant part of the recent decline of union density in Sweden was a consequence of this reform. Also worth noticing is that while the crisis did not break the fall of union density among blue-collar workers the reverse is true for white-collar workers. Although the changes in the unemployment insurance system also affected white-collar workers between 2007 and 2009, their union density increased again in the aftermath of the crisis, reaching the same level as in 2006 (see Table A1 in the Appendix).

In early 2014, the centre-right Coalition Government again changed the rules on unemployment insurance financing, with the effect that individual monthly fees returned to their 2006 levels.<sup>24</sup> Against this backdrop, the number of unemployment insurance members has increased during the past two years by almost 55,000, although it is still below its 2006 level. More recently the Social Democratic–Green Coalition Government that took its office in September 2014 increased the unemployment insurance income replacement rate.<sup>25</sup> There are strong reasons to think that these two recent measures will contribute at least to stabilizing and, even better, to increasing the level of union density in Sweden.

### **3.1. Labour market and industrial relations effects**

#### ***3.1.1. Impact of the financial and economic crisis on the labour market***

At the onset of the global financial and economic crisis, in the second half of 2008, the Swedish economy started to deteriorate rapidly. With the severe drop in output and aggregate demand, employment declined sharply. Between 2007 and 2009, employment fell by more than 100,000, while the unemployment rate rose from 6.2 to 8.4 per cent. The fall in output

<sup>23</sup> The share of the workforce covered by unemployment insurance decreased from 80 per cent to 67 per cent between 2007 and 2009.

<sup>24</sup> Two main reasons explain this change: a new general election and the fact that the reform of unemployment insurance implied that a large number of wage-earners – in particular low-paid/low-skilled employees with unstable employment conditions – lacked sufficient protection in case of unemployment, which amplified the risk of social exclusion.

<sup>25</sup> In September 2015, the maximum daily allowance within unemployment insurance was increased in order to give a person with an income of SEK 25,000 (€2,665) per month 80 per cent of their income for the first 100 days of benefit. The maximum daily allowance was thus increased from SEK 680 (€72) to SEK 910 (€97) for the first 100 days of benefit. Thereafter there was a reduction to SEK 760 (€81) per day. The minimum level in unemployment insurance was increased from the SEK 320 (€34) to SEK 365 (€39) per day.

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and employment was particularly marked in the male-dominated manufacturing industries, with decreases of 25 and 20 per cent, respectively. In the early phases of the recession, adjustment essentially took the form of a reduction of overtime and a dramatic reduction in the number of agency workers and short-term contracts, in particular among male employees (see Figure A2 in the Appendix). Between 2007 and 2009 the number of notified redundancies dramatically increased (an increase of 65 per cent), while hiring and new vacancies decreased significantly (reductions of 33 and 80 per cent, respectively). There was, however, a quick upturn of hiring and new jobs in 2010 and the following years, reflecting the rapid recovery of the Swedish economy. However, the post-economic crisis (2010–2014), did not result in lower rates of unemployment, as illustrated in Figure A3 in the Appendix. The rate of unemployment has been fairly constant at around 8 per cent since 2009. The share of long-term unemployment<sup>26</sup> also increased during the period 2008–2013. The average duration of unemployment was 43–44 per cent longer for young men and women (15–24 years) in 2013 compared with 2008 (see Table A6 and A7 in the Appendix). Average unemployment duration also increased in the age group 25–54 by 41 per cent (36 per cent for women), while older workers' unemployment duration increased by 29 per cent (17 per cent for women). This longer spell of unemployment is also illustrated by the fact that the percentage of those unemployed for 27 weeks or longer increased from around 24 per cent in 2008 to around 30 per cent in 2013. A further consequence of the longer unemployment duration is that the number of long-term unemployed (27 weeks or longer) almost doubled for young people between 2008 and 2009 and has since then remained constantly above 20,000 (see Table A6 in the Appendix). Older age groups display a similar pattern, while the increase in the number of long-term employed is relatively smaller. These statistics indicate a hysteresis effect with regard to the rising unemployment that followed after autumn 2008.

### ***3.1.2. Impact of the crisis on specific socio-economic groups, policy responses and role of the social partners***

As far as gender is concerned, the relatively stronger impact of the crisis on male unemployment is related to the abovementioned decline of employment in the male-dominated export-oriented manufacturing sector, but compared with the previous crisis (1993) the gender gap in unemployment has remained much lower (see Table A4 in the Appendix). There are strong reasons to believe that this is related to the more rapid decline of fixed-term contracts in the public sector at the local and regional levels due to severe budget cuts, despite the additional appropriations to local government by the central state. Regarding older workers, Swedish companies have used early retirement to accommodate the recession much less than in previous economic downturns. The employment rate of senior workers (55–64 years of age) remained almost unchanged in the early phase of the economic downturn and has even increased since then, while the unemployment rate among senior workers increased only slightly, from 3.2 per cent in 2008 to 5.2 per cent in 2009 and has remained at this level since then. Even though the employment rate is, by international standards, high in Sweden, young people, foreign nationals and people with low educational attainment are in a considerably worse labour market situation than the working-age population as a whole. The employment prospects of young people have worsened significantly since 2000 and also in conjunction with the economic downturns of the early 1990s and 2008. Youth unemployment, as well as unemployment among non-natives, is more sensitive to fluctuations in the business cycle and the employment prospects of young people and foreign-born people worsened significantly as early as the end of 2008. At the end of 2009, youth unemployment rates reached 29 per cent and those for foreign-born people 16.4 per cent (compared with 7.8 per cent for natives). Although the labour market integration of foreign nationals has been high on the list of government priorities, the

<sup>26</sup> In Sweden, long-term unemployment is defined as six months or more of joblessness (three months for young people aged 16–24 years).

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situation of immigrants has not significantly improved over the past decade. The increase in unemployment among non-natives is also related to their weak attachment in the Swedish labour market (higher incidence of temporary contracts, lower work experience and concentration in the low skill segment of the manufacturing industry and service sector). In March 2015 the Government initiated tripartite talks with the social partners in order to improve and speed up the labour market integration of newly arrived immigrants. One objective of the talks was to speed up this integration by creating fast tracks into the labour market for immigrants with adequate education and work experience. The outcome of the talks was the setting up of workplace-based practical work experience schemes and subsidized employment targeted at newly arrived immigrants in industries with labour shortages.

The dramatic increase in youth unemployment during the 2008 economic downturn might be ascribed to several factors: first, a significant increase in the youth labour supply, as a relatively larger cohort of young people entered the labour market when the recession started; second, the incidence of temporary contracts is high among young people; and third, the Swedish Employment Protection Act – more specifically, the application of the seniority principle (last in, first out or LIFO) – favours workers with long seniority in the redundancy process. It should, however, be stressed that while Sweden’s youth unemployment remains above the EU average, the share of young people not in employment, education or training (NEET) is significantly below the EU average (in 2012, 7.8 per cent for 16–24 year olds in Sweden compared with 13.1 per cent for the EU27, see Anxo 2015). The youth population does not constitute a homogeneous group and a successful transition from the education system to the labour market is, in Sweden as in other industrial countries, clearly dependent on educational attainment. Early drop out from the education system or secondary educational attainment is associated with more erratic employment patterns and higher unemployment rates subsequently.

The rising trend in youth unemployment might be ascribed to several factors. Sweden is characterized by a combination of relatively strict labour market regulation and relatively weak links between the vocationally-oriented education system and the labour market. This indicates that “barriers” to the labour market entry of young people, especially less educated young people, are relatively high compared with other industrialized countries, such as Germany. This explains why the proportion of young unemployed engaged in youth-targeted active labour market programmes has traditionally been high in Sweden. In fact, youth programmes still constitute an important component of the transition between the education system and the labour market. Faced with young people’s worsening situation in the labour market, some measures have been implemented aimed at preventing early drop-outs from the education system and at enhancing the quality of vocational training.

In order to better meet labour market and skills needs and to improve the quality of the education and training system and thus ease the transition from school to work, several *education reforms* have been undertaken since 2007, putting more emphasis on vocational training and apprenticeship programmes. A major upper secondary school reform began in autumn 2011 with an increased emphasis on vocationally oriented subjects. In order to better prepare students for working life, a permanent apprenticeship programme was introduced in 2011 as a standard course of vocational studies in upper secondary school, indicating the intention of the then centre-right coalition Government to move from mainly school-based occupational training regimes towards a vocational training system with a stronger component of workplace-based training. In this context, the social partners were actively involved in the reform of the school system regarding the content of vocational training and workplace-based training. The Government also took several measures to enhance the quality of vocational training through closer cooperation, at the local level, between secondary school authorities and social partners. In order to favour the development of a dual system in Sweden, a new law, the Upper Secondary Apprentice Employment Act

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2014<sup>27</sup> took effect on 1 July. According to the Act, a pupil who is part of an upper secondary apprentice programme can be employed with a specific employment contract, the so-called upper secondary employment contract (Gymnasial lärling anställning), during part or all of the period of the workplace-based learning programme. The Swedish Employment Protection Act does not apply to these upper secondary employment contracts. It should also be noted that the new law can be modified through collective agreements concluded or approved at the industry level. More recently in 2015, the Social Democratic–Green coalition Government allocated additional funds to intensify cooperation between relevant agencies and social partners with regard to different forms of learning in working life. Funds have also been allocated to develop further apprenticeship training.

Lifelong learning has a long tradition in Sweden and has expanded markedly over recent decades. It is an integral part of the Swedish education and employment system. One feature of the Swedish lifelong learning system is the extensive opportunity it provides to complete or enhance educational attainment after leaving initial education, either through adult education or through various training courses within the framework of labour market policy. The Government increased the number of places in adult vocational training, apprenticeship training for adults, vocational higher education, “folk high schools” (institutions for adult education that generally do not grant academic degrees), and universities and other higher education institutions. The Social Democrat–Green Government also continued efforts regarding adult education for the period 2014–15. The Government decided to launch a knowledge boost in adult education by increasing the number of places in municipal vocational and adult education (Komvux), folk high schools and higher education.<sup>28</sup> In 2017, all adults will have the right to municipal adult education to complete upper secondary school and qualify for tertiary education.

### ***3.1.3. Impact of the financial and economic crisis on wage determination and active labour market policy***

Sweden has no statutory minimum wage, but many collective agreements stipulate wage floors or minimum wages. One way to assess the impact of the crisis on the minimum wage is to look at the first decile of the wage distribution for a selection of occupations. The statistics reveal that low wages increased in relative terms by 18–20 per cent in all occupations between 2006 and 2013. However, during the period 2010–2013 there was almost no wage increase in other service occupations, while for example the wages of health care specialists and lawyers increased by around 10 per cent. This suggests that low-paid/low-skilled occupations have had a basically constant level of wages during the period after the global financial crisis, while wages in the lower tail of the wage distribution have been increasing among high-skilled occupations.

Interesting to note is that the 2008 crisis did not entail an increase in the polarization of the occupational structure<sup>29</sup> (see Anxo 2014). As shown by Figure A5 in the Appendix the 2008 crisis predominantly led to a destruction of low-skilled and low-paid jobs, while high-skilled,

<sup>27</sup> Lag om Gymnasial Lärlingsanställning [Upper Secondary Employment Apprentice Contract Act], SFS 2014: 421. Available at: [https://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningssamling/Lag-2014421-om-gymnasial-la\\_sfs-2014-421/?bet=2014:421](https://www.riksdagen.se/sv/Dokument-Lagar/Lagar/Svenskforfattningssamling/Lag-2014421-om-gymnasial-la_sfs-2014-421/?bet=2014:421)

<sup>28</sup> Around 50,000 new educational opportunities were to be introduced in 2016.

<sup>29</sup> By polarization of the job structure we mean here a concomitant increase of both low-skilled and high-skilled jobs and a destruction of jobs in the middle layers of the occupational structure.

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high-paid jobs increased.<sup>30</sup> If anything, there are reasons to believe that the skill upgrading process during the recent crisis has increased wage inequality slightly, but as shown by Figure A6 the Gini coefficient for income without capital gains (mainly labour income) has been almost unchanged between 2009 and 2012. While the reduction of the generosity of the social protection system and reform of taxation – in particular capital taxation and the growth of financial markets<sup>31</sup> – largely explains part of the rise in income inequality in Sweden, the changes in industrial relations and wage setting systems might also have contributed to the widening of income distribution since the 1990s.

The long-term decline in low-skilled jobs and the concomitant increase in demand for high-skilled jobs, combined with the higher return to education witnessed during the past two decades help to explain this increase in wage inequalities, because also wage formation among high-skilled occupations is more individualized and differentiated (see Anxo 2015a). The shift towards decentralized bargaining and individualization has been more pronounced among white-collar and high-skilled workers than among manual workers and low-skilled employees, in both the public and private sectors. There are strong reasons to believe that this shift towards more decentralized and individualized wage setting has increased wage dispersion, particularly for high-skilled white-collar workers. Despite the tendency for rising wage inequalities, the relatively centralized and coordinated collective bargaining system and a still compressed wage structure have prevented the development of low-paid, low-skilled jobs in Sweden and instead have boosted policies favoring an upgrading of skills. In effect, the large investment in research and development, a well-developed lifelong learning and training system, the above-described expansion of tertiary education during the past three decades, as well as more balanced bargaining power between the two sides of industry have limited the tendency towards job polarization that can be found, for example, in liberal market-orientated welfare states. These factors have contributed to the development of high-skilled knowledge-intensive services.

Active labour market policy has recurrently played a vital role in Swedish stabilization policies. The preference for the principle of employment promotion (work-first principle) has predominated over benefit options and passive measures for the unemployed. In order to counteract the rise of unemployment, in particular long-term unemployment, the number of participants in the various ALMP programmes has been gradually increased, from 171,000 in 2008 to 314,200 in 2014 (from 1.6 to around 4 per cent of the labour force, Public Employment Service, 2015). The rise in the funding level and the allocation of resources in the various ALMP programmes attest also a reinforcement of ALMP programmes towards labour supply-oriented matching measures (in particular a greater monitoring of job-search and activation measures administrated by the PES), targeted measures towards people with a weak attachment to the labour market (young drop-outs, foreign-born and disabled people), and towards long-term unemployed jobseekers. In the aftermath of the global economic crisis the Swedish Government increased also the number of work experience places, trainee schemes and labour market training. Regarding young unemployed people, particularly those who have not completed upper secondary school, the government priorities have been to increase the number of participants in previously established youth programmes (such as the Youth Guarantee). The Government has also put more resources into work experience placement and coaching, and enhanced incentives for young people lacking a compulsory or

<sup>30</sup> Following Fernández-Macías et al. (2012) and in order to take into account the differences in the ‘quality of jobs’ we use a wage-based measure to rank the existing jobs, a job being defined as an occupation in an industry. More precisely, we estimate in each period a full-time equivalent mean hourly wage for each job. We thereafter allocate the jobs into quintiles based on the wage ranking, where the lowest paid job is assigned to the first quintile and the best-paid job to the fifth quintile.

<sup>31</sup> The stock market flourished during the second half of the 1990s and equities became a common means of saving for a increasing share of Swedish households. By the end of the 1990s around 60 per cent of all households were shareholders (Gustafsson and Palmer 2002).

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upper secondary education to complete their studies, as well as to further increase the number of places in vocational training. For the period 2015–2016 the current Government has announced that it will draw up a new national strategy for labour market policy in close consultation with the social partners (see Swedish Government, National Reform Programme, 2015). Conclusion

From an international comparative perspective, Sweden seems – up until now – to have overcome the 2008 economic crisis better than several other EU Member States. Despite a long-term tendency towards a reduction in the generosity of the Swedish welfare state, the universal social protection system has helped to reduce the individual consequences of the crisis, as the benefit and transfer systems played their role as shock absorbers and economic automatic stabilizers. The more limited negative impact of the Great Recession on the Swedish economy might also be ascribed to the expansionary fiscal and monetary policies conducted by the centre-right government. Compared with previous economic downturns, especially that of the early 1990s, Swedish economic growth during the past seven years has been driven less by exports than by an increase in domestic demand. This has been due to additional appropriations to local government securing the provision of welfare services and public employment and an increase in disposable household incomes as a result of various cuts in income tax and also targeted increases in some transfers.

As shown previously, no changes in the Swedish industrial relations system or collective bargaining mechanism were triggered by the 2008 Great Recession and the Swedish model of industrial relations has not only shown strong resilience during the crisis but has also, in our view, contributed to Sweden's relatively rapid economic recovery. In fact, the well-established and developed social dialogue and the active involvement of social partners during the crisis helped to overcome the macroeconomic imbalances and contributed positively to the Swedish recovery. The recession had no negative impact on industrial relations and the period 2008–2011 was characterized by industrial peace in contrast with the situation during the previous deep recession of the early 1990s.

Despite a significant decline in union density, both sides of industry remain firmly in control of labour market regulations and wage setting and have played a determinant role during the recession, in particular regarding wage developments (wage moderation), but also other employment and working conditions. The specific features of the Swedish industrial relations system, characterized by a relative balance of power between the two sides of industry, also helps to explain why the cost of the crisis has been more evenly distributed between different socio-economic groups. Sweden still has one of the highest levels of job quality and the current recession has not adversely affected working conditions by means of wage cuts, longer working hours, higher workloads and increased work intensity, as has been the case in other EU Member States (see Anxo 2013 and 2015). The Swedish experience thus remains a good illustration of the positive role played by healthy public finances, developed social dialogue and a strong social safety net in mitigating and absorbing the negative impact of external macroeconomic shocks.

More broadly, the Swedish experience during the past recession illustrates the resilience of a societal model based on a universal and still generous social protection, egalitarianism, pro-active policies for promoting gender equality and fighting discrimination and social exclusion, developed social dialogue as a mechanism for regulating the labour market and social policies, and strong public and political involvement in the provision of a wide range of services. As noted in Anxo (2015), the “Swedish success story” during the recession cannot therefore be reduced to early fiscal consolidation measures. It is clear that, alongside the strong automatic stabilizers embedded in the Swedish societal model, the additional government support – countercyclical Keynesian policy and ALMP/training measures – and social dialogue have also played an important role in mitigating the effects of the crisis on employment, welfare and social cohesion.



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## Annex

**Table A1. Trends in union density by industries, Sweden, 1990–2014**

|                                        | 1990      | 1996      | 2006      | 2008      | 2010      | 2014      | Variation<br>2008–2006 | Variation<br>2010–2008 | Variation<br>2014–2010 | Variation<br>1990–2014 |
|----------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------|------------------------|------------------------|------------------------|
| <b>Blue-collar workers</b>             |           |           |           |           |           |           |                        |                        |                        |                        |
| Manufacturing industry                 | 89        | 92        | 84        | 81        | 79        | 76        | –3                     | –2                     | –3                     | –13                    |
| Construction                           | 90        | 90        | 81        | 73        | 71        | 67        | –8                     | –2                     | –4                     | –23                    |
| Retail                                 | 68        | 74        | 64        | 57        | 57        | 53        | –7                     | 0                      | –4                     | –15                    |
| Private services                       | 70        | 77        | 67        | 58        | 57        | 53        | –8                     | –1                     | –4                     | –17                    |
| Public services                        | 92        | 96        | 87        | 83        | 83        | 77        | –4                     | 0                      | –6                     | –15                    |
| All                                    | 84        | 87        | 77        | 71        | 69        | 64        | –6                     | –2                     | –5                     | –20                    |
| <b>Non-manual/white-collar workers</b> |           |           |           |           |           |           |                        |                        |                        |                        |
| Manufacturing industry                 | 82        | 83        | 80        | 75        | 77        | 80        | –5                     | 2                      | 2                      | –2                     |
| Retail                                 | 60        | 63        | 62        | 56        | 61        | 62        | –6                     | 5                      | 2                      | –2                     |
| Private services                       | 66        | 73        | 65        | 60        | 63        | 65        | –5                     | 3                      | 2                      | +1                     |
| Public services                        | 94        | 93        | 89        | 85        | 86        | 89        | –4                     | 1                      | –2                     | –5                     |
| All                                    | 81        | 83        | 77        | 72        | 73        | 77        | –5                     | 1                      | 1                      | –4                     |
| <b>All sectors/<br/>occupations</b>    | <b>82</b> | <b>84</b> | <b>77</b> | <b>71</b> | <b>71</b> | <b>70</b> | <b>–6</b>              | <b>0</b>               | <b>0</b>               | <b>–12</b>             |

Source: Mediation Office (2014) and Kjellberg (2015).

**Table A2. Union density by gender and employment contracts, dependent employees, 2014 (%)**

| Sector     | Open ended contracts | Fixed-term contracts | All         |
|------------|----------------------|----------------------|-------------|
| Men        | 71.0                 | 44.0                 | 67.0        |
| Women      | 78.0                 | 49.0                 | 73.0        |
| <b>All</b> | <b>74.0</b>          | <b>47.0</b>          | <b>70.0</b> |

Source: Statistics Sweden (2015): Labour Force Survey.

**Table A3. Coverage rate of collective bargaining, Sweden, 1995–2013 (as a percentage of dependent employees)**

| Sector  | 1995 | 2005 | 2007 | 2010 | 2013 | Variation<br>2013–2017 | Variation<br>2013–1995 |
|---------|------|------|------|------|------|------------------------|------------------------|
| Private | 90   | 89   | 86   | 84   | 84   | -2                     | -6                     |
| Public  | 100  | 100  | 100  | 100  | 100  | 0                      | 0                      |
| All     | 94   | 93   | 91   | 89   | 89   | -2                     | -5                     |

Source: Mediation Office (2014) and Kjellberg (2015).

**Table A4. Unemployment rates by gender, as a percentage of the labour force aged 16–64 years old, 2005–2014**

|       | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------|------|------|------|------|------|------|------|------|
| Men   | 5.9  | 5.9  | 8.8  | 8.8  | 8.0  | 8.4  | 8.4  | 8.4  |
| Women | 6.4  | 6.4  | 8    | 8.5  | 7.7  | 7.7  | 7.9  | 7.7  |
| All   | 6.2  | 6.1  | 8.4  | 8.7  | 7.9  | 8    | 8.1  | 8    |

Source: Statistics Sweden (2015), Labour Force Surveys.

**Table A5. Unemployment rates by age, as a percentage of the labour force aged 16–64 years old, 2007–2014**

| Age   | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------|------|------|------|------|------|------|------|------|
| 16-24 | 19.2 | 20.2 | 25.0 | 24.8 | 22.8 | 23.7 | 23.5 | 22.9 |
| 25-34 | 5.9  | 5.6  | 8.2  | 8.2  | 7.4  | 7.9  | 8.1  | 7.7  |
| 35-44 | 4.1  | 3.8  | 5.3  | 5.8  | 5.1  | 5    | 5.4  | 5.4  |
| 45-54 | 3.4  | 3.7  | 5.3  | 5.5  | 4.9  | 5    | 4.9  | 4.9  |
| 55-64 | 3.9  | 3.8  | 5.2  | 5.8  | 5.2  | 5.2  | 5.1  | 5.4  |
| 16-64 | 6.2  | 6.1  | 8.4  | 8.7  | 7.9  | 8    | 8.1  | 8    |

Source: Statistics Sweden (2015), Labour Force Surveys.

**Table A6. Number of long-term unemployed (27 weeks or longer), by age, 2008–2013 ('000)**

| Age group | 2008 | 2009  | 2010  | 2011  | 2012  | 2013  |
|-----------|------|-------|-------|-------|-------|-------|
| 15-24     | 12.5 | 22.1  | 27.4  | 21.8  | 22.1  | 23.4  |
| 25-54     | 44.0 | 69.5  | 84.6  | 73.6  | 74.7  | 75.7  |
| 55-64     | 15.9 | 22.8  | 26.2  | 25.4  | 23.9  | 22.2  |
| 15-64     | 72.4 | 114.4 | 138.2 | 120.8 | 120.7 | 121.3 |

Source: Statistics Sweden (2015), Labour Force Surveys.

**Table A7. Average duration of unemployment (weeks), by age and gender, 2008–2013**

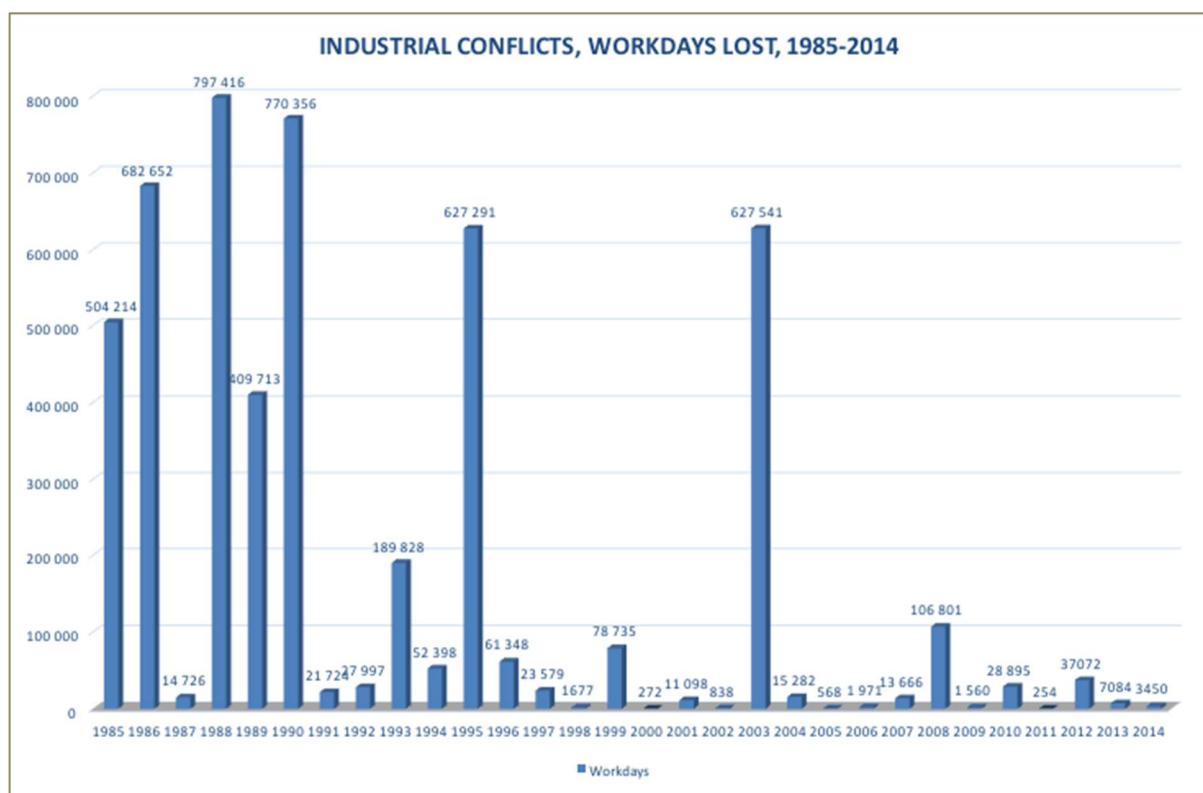
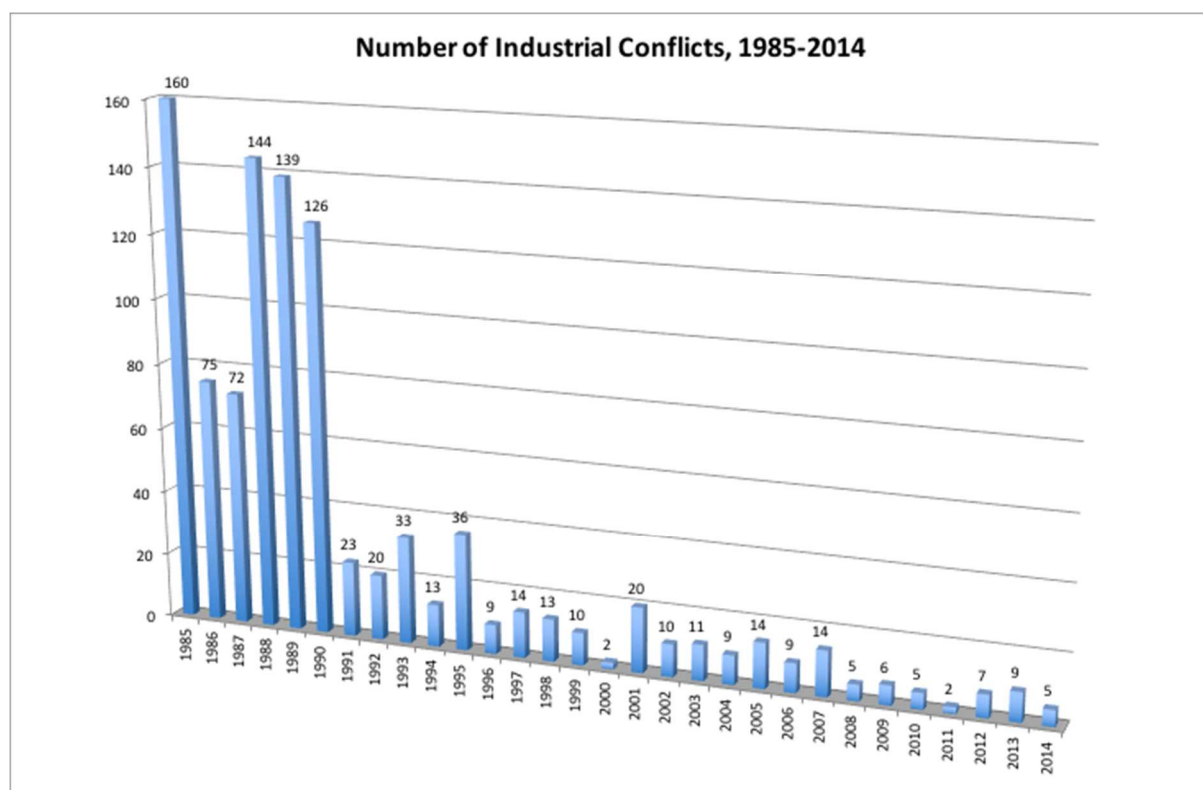
| Age group    | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------|------|------|------|------|------|------|
| <b>Men</b>   |      |      |      |      |      |      |
| 15-24        | 11.8 | 15.4 | 18.2 | 17.3 | 18.3 | 17.0 |
| 25-54        | 32.7 | 33.9 | 40.1 | 44.8 | 44.4 | 46.4 |
| 55-64        | 46.3 | 47.7 | 54.5 | 64.7 | 59.9 | 59.4 |
| <b>Women</b> |      |      |      |      |      |      |
| 15-24        | 10.5 | 13.2 | 15.5 | 13.6 | 13.0 | 15.0 |
| 25-64        | 27.9 | 30.6 | 36.5 | 36.1 | 35.4 | 38.0 |
| 55-64        | 52.6 | 50.8 | 51.8 | 63.7 | 63.2 | 61.4 |

Source: Statistics Sweden (2014), Labour Force Surveys.

**Table A8. List of organizations contacted**

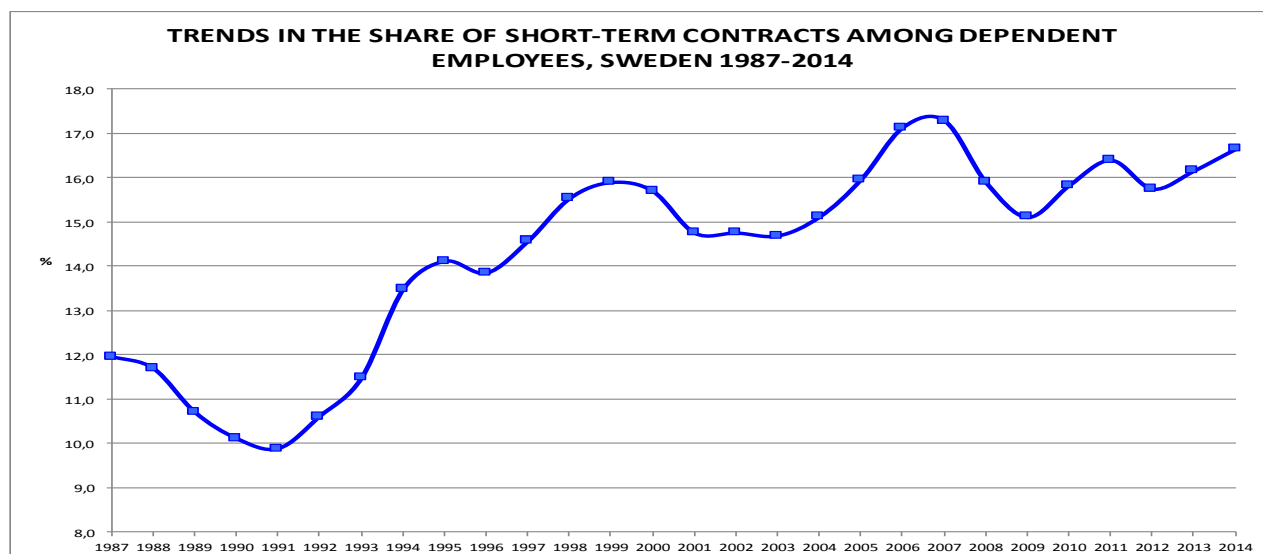
| Type of organization             | Name                                                           | Position                                    | Type of contact/source of information                                                                          |
|----------------------------------|----------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <b>Trade union organizations</b> |                                                                |                                             |                                                                                                                |
| 1. Blue-collar                   | Lands Organization                                             | International secretary Ellen Nygren        | Telephone contact and website<br><a href="http://www.lo.se">http://www.lo.se</a>                               |
| 2. White-collar                  | TCO                                                            | International secretary Mika Domisch        | Telephone contact and website<br><a href="http://www.tco.se">http://www.tco.se</a>                             |
| 3. Professional                  | SACO                                                           | International secretary Åsa Ehinger Berling | Telephone contact and website<br><a href="http://www.saco.se">http://www.saco.se</a>                           |
| <b>Employers' organizations</b>  |                                                                |                                             |                                                                                                                |
|                                  | Svenskt Näringsliv Swedish Confederation of Swedish Enterprise | International secretary Jonas Berggren      | Telephone contact and website<br><a href="http://www.svensktnaringsliv.se">http://www.svensktnaringsliv.se</a> |

Figure A1. Industrial conflicts, Sweden, 1985–2014



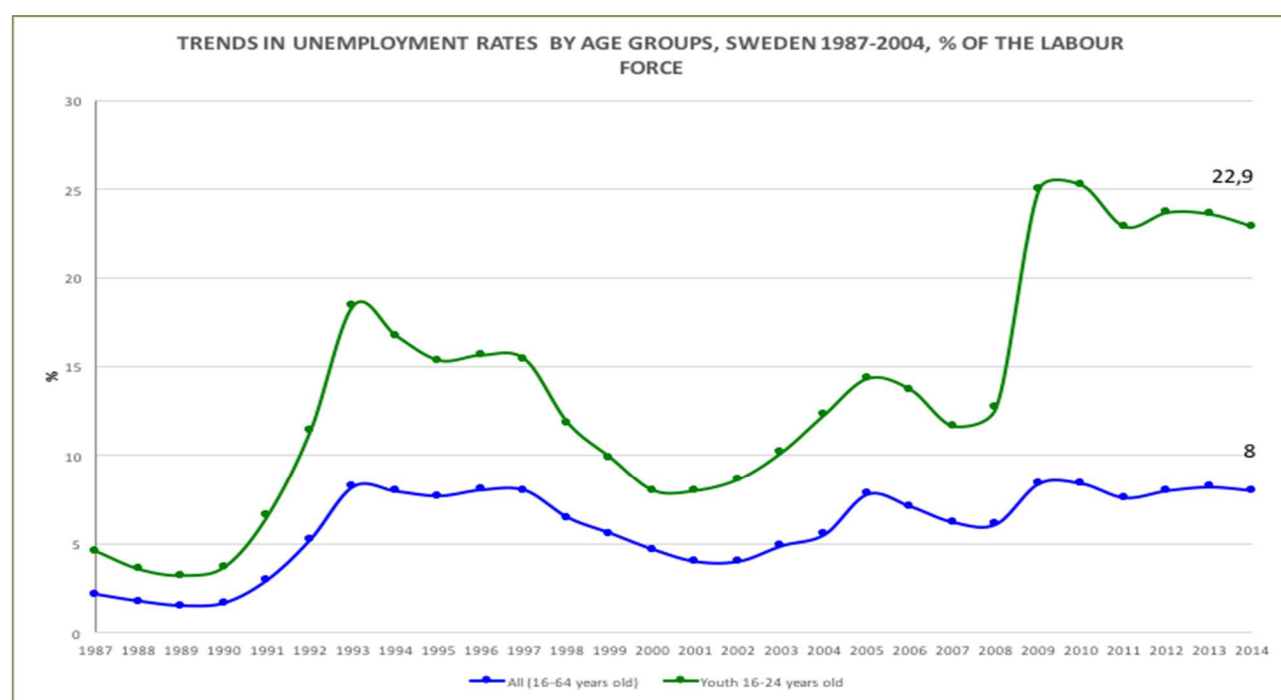
Note: Number of conflicts (upper panel), number of lost days (lower panel).  
Source: Mediation Offices (2014).

**Figure A2. Trends in the share of fixed-term contracts among dependent employees, Sweden, 1987–2014 (% of dependent employees)**



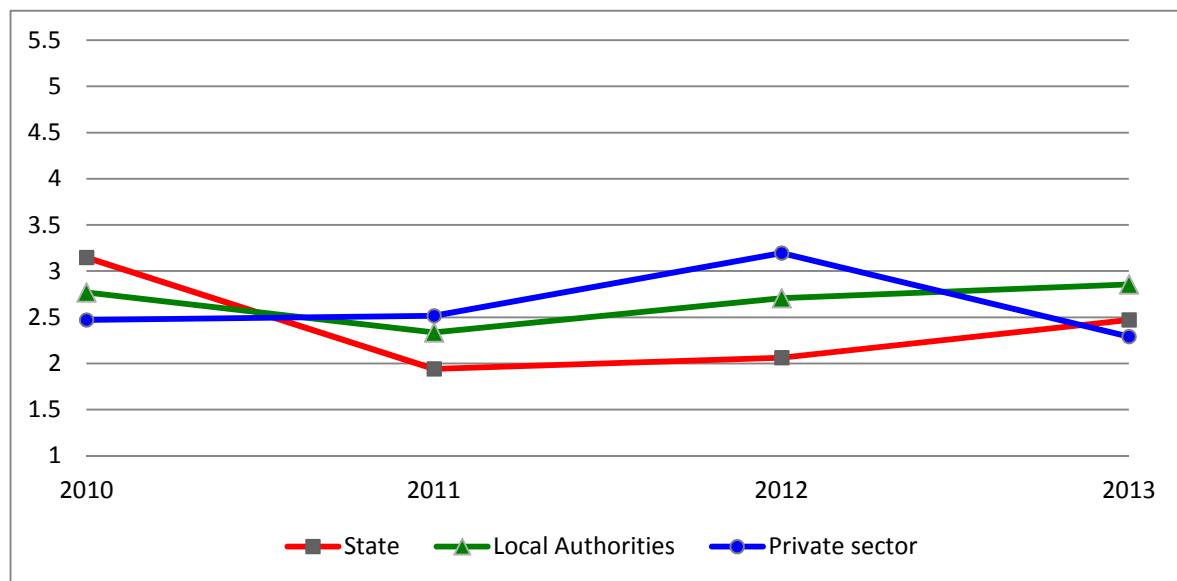
Source: Statistics Sweden (2015) and author's calculations.

**Figure A3: Unemployment trends, by age group, Sweden, 1987–2014**



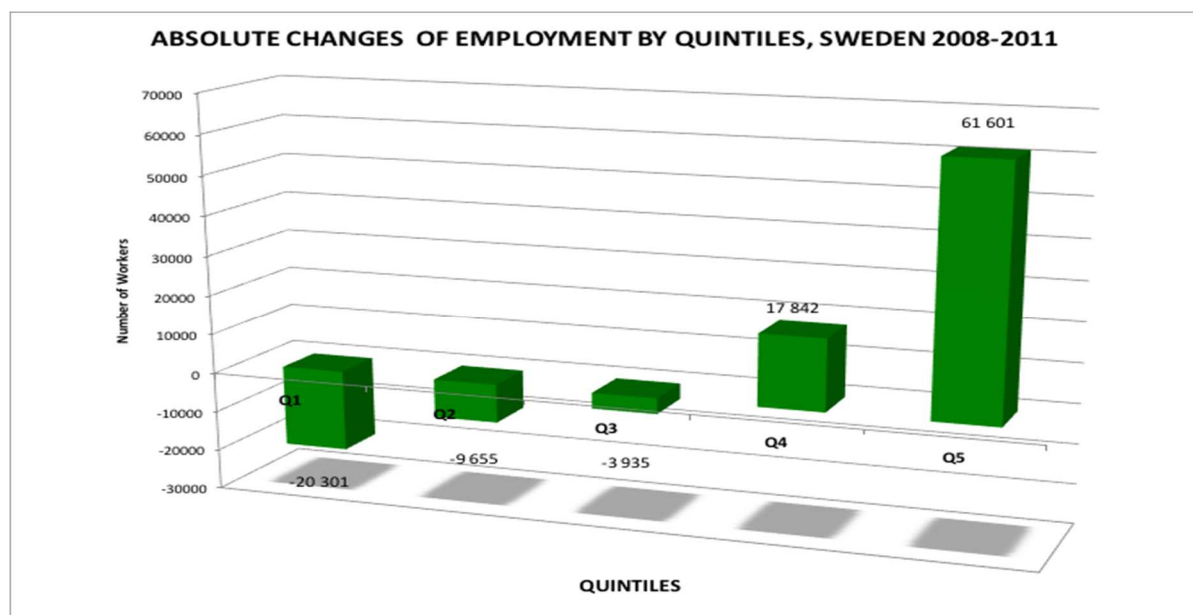
Source: Statistics Sweden (2015).

**Figure A4. Wage developments by broad sectors, 2010–2013 (lower panel)**



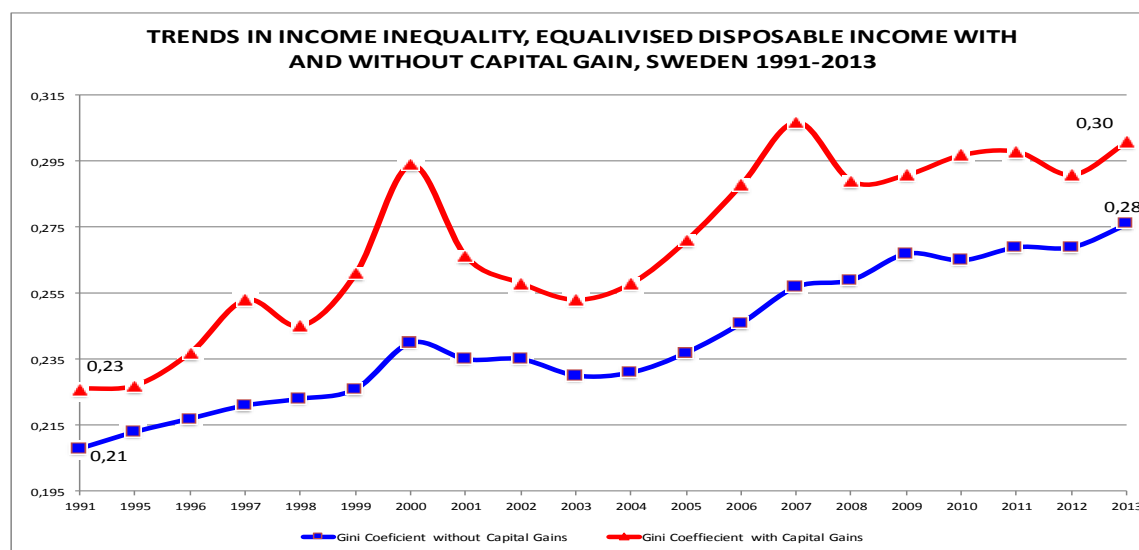
Source: Mediation Office (2014) and author's calculations.

**Figure A5. Changes in occupational structure, Average annual absolute change in job-wage quintiles, 2008–2011**



Source: Anxo (2014).

**Figure A6. Trends in income inequalities, Gini coefficient with and without capital gains, Sweden, 1992–2011**



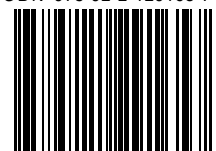
Source: Statistics Sweden (2015).



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