Sweden: Industrial relations profile

Facts and figures
Area: 449,964 square kilometres
Population: 9,412,851
Language: Swedish
Capital: Stockholm
Currency: Swedish krona (€1 = 8.7 Swedish krona as of 5 July 2012)

Economic background

<table>
<thead>
<tr>
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<th>Sweden</th>
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<tbody>
<tr>
<td>GDP per capita (2011)</td>
<td>126</td>
</tr>
<tr>
<td>(in purchasing power standards, index: EU27=100)</td>
<td></td>
</tr>
<tr>
<td>Real GDP growth (% change on previous period)</td>
<td>1.7% (2008–2010)</td>
</tr>
<tr>
<td></td>
<td>3.9% (2011)</td>
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<tr>
<td>Inflation rate</td>
<td>2.37% (2008-2010)</td>
</tr>
<tr>
<td>(annual average 2008 – 2010, 2011)</td>
<td>1.4% (2011)</td>
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<tr>
<td>Average monthly labour costs, in €</td>
<td>€4,677</td>
</tr>
<tr>
<td>Average labour productivity (% change on previous year) (2011)</td>
<td>1.4%</td>
</tr>
<tr>
<td>Gross annual earnings, in €</td>
<td>€38,023.0 (2010)</td>
</tr>
<tr>
<td>Gender pay gap</td>
<td>15.8%</td>
</tr>
<tr>
<td>Employment rate (15–64 years)</td>
<td>74.1%</td>
</tr>
<tr>
<td>Female employment rate (15–64 years)</td>
<td>71.8</td>
</tr>
<tr>
<td>Unemployment rate (15–64 years)</td>
<td>7.5</td>
</tr>
<tr>
<td>Monthly minimum wage</td>
<td>n.a.</td>
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Industrial relations characteristics, pay and working time

<table>
<thead>
<tr>
<th></th>
<th>Sweden</th>
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<tbody>
<tr>
<td>Trade union density (%)</td>
<td>70.4% in total economy (2011)*</td>
</tr>
<tr>
<td>(Trade union members as a percentage of all employees in dependent employment)</td>
<td>83% in public sector (2011)*</td>
</tr>
<tr>
<td></td>
<td>65% in private sector (2011)*</td>
</tr>
<tr>
<td>Employer organisation density (%)</td>
<td>87% in total economy</td>
</tr>
</tbody>
</table>
(Percentage of employees employed by companies that are members of an employer organisation) | (2010)*
---|---
100% in public sector (2010)*
80% in private sector (2010)*

**Collective bargaining coverage (%)**
(Percentage of employees covered by collective agreements) | 91% (2010)*

**Number of working days lost through industrial action per 1,000 employees (annual average 2006–2009)** | 7.7 days

**Collectively agreed pay increase (%)**
(annual average 2009–2010, not weighted) | 2.85%

**Actual pay increase (%)**
(annual average 2009–2010, not weighted) | 0.95%

**Collectively agreed weekly working hours (2010)** | 37.2
(Not weighted)

* Data from Anders Kjellberg at the Department of Sociology, Lund University (2012)

## Background

### Economic context

Sweden experienced a late but rapid industrialisation and the country has been characterised by a well organised trade union movement and 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, and this alliance also won the general election in September 2010. 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 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.

Sweden has one of the most competitive economies of the world and was ranked in second place in the latest World Economic Forum ranking of global competitiveness (World Economic Forum 2010). Sweden joined the EU in 1995, but is not a member of the monetary union, still retaining its own currency. The country has depended on exports for decades and has several export-oriented multinationals. Today, about 50% of GDP is earned through exports, making the economy sensitive to global financial markets and global demand. Over the last decade, Sweden has been under strong pressure to restructure its industry and technology in order to better face competition from other European countries, and foreign competitors.

After several years of stable economic growth, Sweden entered a state of negative GDP growth and subsequently recession in autumn 2008, with unemployment rising as a result. However, the economy turned up soon again, and GDP growth was 3.9% in 2011.
Sweden’s welfare system is one of the world’s most generous. It contains such elements as free university education and generous study loans and study grants, highly subsidised child care, eldercare, health care at nominal fees, free medicines after an initial annual expenditure of €110, generous unemployment benefits, pensions, and pay for sick leave and parental leave.

**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. The employer organisations argue that LAS is costly for employers and in February 2011 they were negotiating with trade union confederations about possible adjustments of its implementation. A possible reformation of LAS is an on-going discussion among politicians and social partners but the law has not yet been changed.

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.

**Main industrial relations trends**

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.

During the early 90s, Sweden experienced high unemployment and a rising inflation. To avoid large wage increases that could threaten the country’s economic stability, the Swedish government advised the actors of the labour market to set up a new framework for wage setting and negotiations within the industry. Since 1997, when the Industry Agreement (Industriavtalet) was finalised, the manufacturing industry has set the norm in terms of the level of wage increase in Sweden. The general idea behind this approach is that sectors exposed to high international competition should set the wage levels on the labour market. However, this norm was questioned by several major social partners during the wage bargaining round of 2010 (SE1006019I).

The blue-collar and white-collar workers of the manufacturing industry had two separate agreements early in the wage bargaining round of 2010, which is against the idea of the Swedish model, where the industrial agreements are setting the norm for the rest of the economy, with one agreement providing the benchmark for others. In addition, the Association of the Swedish Engineering Industries (Teknikföretagen) proclaimed that they no longer intended to be a part of the Industry Agreement (SE1005019I). These events created uncertainty among other social partners, because there was no longer any self-evident standard in the remaining wage bargaining round.

Although most agree the negotiation round 2010 could have ended more chaotic given the circumstances, there are worries for the bargaining round of 2011. However, on 15 January 2011, all the unions of the manufacturing industry revealed that they intend to begin the bargaining round of 2011 simultaneously. The parties strongly agree that this approach is preferable.
Main actors

Trade unions

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 been taking place since the beginning of the 1990s and it became more pronounced between 2006 and 2008, mainly because of the government’s decision to increase insurance fees (SE0806029I). This declining trend flattened between 2009 and 2010. The decline is broadly based but stronger among blue-collar workers and young people. The trade union density declined from 81% in 2000 to 70.4% in 2011 (Kjellberg, 2012).

Although overall trade union density remained relatively stable between 2009 and 2011, there is a notable difference between white-collar workers and blue-collar workers. In 2006, both groups had a trade union density of 77%. In 2010, blue-collar workers’ trade union density had decreased to 69% whereas white-collar workers’ trade union density stood at 73%. This trend continued in 2011 when white-collar workers trade union density remained at 73% and blue-collar workers’ trade union density decreased to 67% (Kjellberg, 2012).

The trend of increased differences is due to the differences in unemployment insurances fees in the Swedish Ghent system (Kjellberg, 2012). The differences in unemployment insurances fees have to a large degree arisen with the new rules imposed by the centre-right government that took power in 2006 and was re-elected in 2010.

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. 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.

Main trade union developments

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 increased slightly 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).

GS is a new trade union established on 1 June 2009 through the merger of the Swedish Forest and Wood Workers’ Union and Swedish Graphic Workers’ Union. It has a membership of 65,000 and organises workers in the forestry, woodworking and graphic industries.
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. It represents 60,000 small, medium and large-sized enterprises employing about 1.5 million people and the density rate was estimated at 62% in 2009.

- Swedish Association of Local Authorities and Regions (Sveriges Kommuner och landsting, SKL). It represents the governmental, professional and employer-related interests of Sweden’s 290 municipalities, 18 county councils and two regions;

- Swedish Agency for Government Employers (Arbetsgivarverket). A state agency, it is responsible since 1994 for the employer policy of agencies in the public sector at national level and negotiates on behalf of about 270 public authorities.

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

<table>
<thead>
<tr>
<th>Levels of collective bargaining</th>
<th>National level (Intersectoral)</th>
<th>Sectoral level</th>
<th>Company level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal or dominant level</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Important but not dominant level</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Existing level</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

The coverage rate of collective agreements is 91%: 87% in the private sector and 100% in the public sector (Kjellberg, 2012). Collective agreements can never be extended by legislation. Once signed, collective agreements are legally binding, but it is always voluntary to sign them.

Voluntary extension of collective agreements is rather common; 82% of employees are employed by organised employers, but the collective agreement coverage is, as mentioned, 91%.

Sweden’s structure of collective bargaining has become more decentralised over the past 15 years. Increasingly, the social partners are delegating the power to negotiate wages and working time to the local level, i.e. the company level. Some collective agreements are made without any concrete figures on pay, or only guarantee levels are specified, thereby leaving it to the local partners to deal with the details in their negotiations for wage formation and setting of wage rates.

The central confederations on the employer and employee sides still conclude certain types of cross-industry agreements, such as pensions and collective insurances. The collective agreements are not extended by law to non-signatories. Working conditions are sometimes regulated by law, but this can always be set aside by collective agreements.
Until 1990, bargaining took place first at central level, then at sectoral level and the agreements were then implemented at local level after local negotiations. In the late 1970s and the 1980s, the social partners began to negotiate less on a central level and more on a sectoral level instead. In 1997, the negotiation model changed again, through an increased level of coordination in negotiations. One central part of the model was that the manufacturing industry’s negotiations became the normative and dominant level for the other sectors to follow in wage setting (The so-called Industry Agreement). The model also implied that negotiations should be based on the wage increases in the main European competitors in the sector. The manufacturing sector has taken macroeconomic responsibility and has contributed to gradual improvement in wage formation, according to The National Institute of Economic Research (Konjunkturinstitutet, KI).

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 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. Furthermore, stress is addressed, usually referring to the EU work-related stress agreement (EU0410206F). In Sweden harassment in the workplace is forbidden by law, and collective agreements covering some 600,000 employees within the private sector address regulations regarding harassment. 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 disputes

In 2011, 254 working days, the lowest number in 15 years, were lost due to industrial conflicts (strikes). 250 of the lost working days were related to a strike in the public sector. The remaining four days lost were due to a dispute over an application agreement. There is not yet any official statistics of how many working days that were lost per 1,000 employees, but around 0.6 is a valid estimate, based on the statistics on number of days lost (250) and the number of employees (4.1 million) published by the National Mediation Office (MI).

In 2010, 28,892 days were lost due to strikes. It should be noted that 2010 was a huge year of collective bargaining and this is the reason to an increase in working days lost (in 2009, the number was 1,560). All the strikes in 2010 were caused by stranded negotiations on new collective agreements, and thus, all were legal.

Arbitration usually works well in Sweden, and it is carried out under supervision by the National Mediation Office (Medlingsinstitutet). 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.

### 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>Workers’ delegate (Employee Board representation, in the private sector only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incidence</td>
<td>About 5–10% of the workforce are trade union representatives. No statistics on sectors are available</td>
<td>It is mandatory by law with few exceptions; therefore, almost all establishments have safety representatives</td>
<td>All companies with more than 25 employees have worker representatives on the board. Concerns about 18,000 workers</td>
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<tr>
<td></td>
<td></td>
<td>Ensure safety at the establishment, both physical and psychological, meaning the work environment. Ensure compliance with employer obligations according to legal framework and systematic work environment management</td>
<td>Informative role and power of influence in board decision making regarding general development issues</td>
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**Employee rights**

The Codetermination in the Workplace Act (MBL) gives unions the right to act as the 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 solved either through negotiations between social partners or through arbitration in the Labour Court or in a district court. Such action is regulated in the collective agreements and labour legislation where disputes are handled. The Ombudsman also works to safeguard employees’ rights supervising/supporting employees in discrimination situations. LAS also give protection for the employees at the workplace.

The Labour Disputes Act governs the judicial procedure in disputes between the social partners. The institution in charge is the Labour Court (Arbetsdomstolen). Parties that are not subject to
collective agreements have to take their disputes to the ordinary civil court system, with the Labour Court as the last instance. Employers that are not members of an organisation often make an ‘application agreement’, and this enables them to use the Labour Court in disputes.

The Swedish Work Environment Authority (Arbetsmiljöverket) carries out inspections of the working environment. These inspections are carried out in order to highlight issues regarding the risks that are present and relevant regulation, and ultimately to ensure that the company has an ongoing strategy regarding the improvement of the working environment. If needed, the inspector can force the company to make amendments within a certain timeframe.

**Pay and working time developments**

**Minimum wage**

Almost the entire 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.

Some examples of minimum wages for relevant sector are SEK15,387 for the steel and metal sector, SEK16,630 for the retail sector and SEK17,481 for the hotel and restaurant sector. The minimum wages are for employees older than 18 years.

**Pay developments**

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Pay increase for the Swedish economy as a whole</th>
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<tbody>
<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 3.6%, white-collar workers 3.3%)</td>
</tr>
<tr>
<td>2008</td>
<td>4.3% (blue-collar workers 4.2%, white-collar workers 3.9%)</td>
</tr>
<tr>
<td>2009*</td>
<td>3.4%</td>
</tr>
<tr>
<td>2010</td>
<td>2.6%</td>
</tr>
<tr>
<td>2011</td>
<td>2.6%</td>
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</table>

*Source: MI; * for 2009 on, differentiated numbers are not yet available

Gross annual earnings are high in comparison with the European average and stood at €36,871 in 2007 in Sweden, compared with €31,302 as the EU average (in 2006) (Eurostat, 2011).

The published labour costs indexes covers white- and blue-collar workers in the private sector. Labour costs rose by 8.4% for white-collar workers and by 8.2% for blue-collar workers between 2008 and 2011, according to Statistics Sweden (SCB).
According to the national mediation office, a 5.9% gender pay difference emerged in 2011 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, women earned 85.9% (unweighted) of what men earned in 2011. This gender pay gap is slowly and steadily decreasing; in 2005 women earned 83.7% of men’s salaries. The gender pay gap differs among blue-collar workers and white-collar workers, generally being greater among the latter. In 2011 blue-collar women earned 90.1% of what men earned whereas white-collar women earned 79.4% of what men earned.

Working time
Collectively agreed working time has not changed much in recent years. In 2005 the average agreed weekly working time was 37.3 hours and in 2011 it was 37.2 hours, according to Statistics Sweden (SCB).

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, through collective bargaining deviations from the statutory working time regulations can be made upwards. The average number of actual weekly working hours in the main job for full-time employees was 31 hours in 2011; which is the same as in 2010 and an increase of one hour since 2009. In the statistics, all employed are included, if only employees are concerned the actual average working time per week is 30.3 hours (Statistics Sweden, AKU, 2012).

Bibliography and links

Mats Kullander, Oxford Research