European Foundation for the Improvement of Living and Working Conditions

Temporary agency work: national reports

Sweden

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The European Foundation for the Improvement of Living and Working Conditions is a tripartite EU body, whose role is to provide key actors in social policy making with findings, knowledge and advice drawn from comparative research. The Foundation was established in 1975 by Council Regulation EEC No 1365/75 of May 1975.

Introduction 1

The last decade has seen enormous variation in the performance of the Swedish labour market. The perception of a country, and a model of the labour market, in crisis pervaded the earlier part of the decade. This was primarily due to quadrupling of the unemployment rate, massive job loss and a 25 percent depreciation of the currency. However, by the end of the decade the unemployment had fallen to 4.0% and the rate of increase in employment was as rapid as at any time since the Second World War.

The institutional changes have been more gradual. The 1980s saw a gradual erosion of some key features of the Swedish Model, and in particular centralised collective bargaining. However, these changes should not be exaggerated. Important elements of the model remain. The collective bargain still covers both a wider range of issues and sectors of the labour market than in perhaps any other country. Union density is still high, around 90 per cent, and indeed even increased slightly over the decade. While the Welfare State has seen appreciable cut-backs in some areas, the basic principle of a universal system of social welfare remains. Recent years have even seen some renewed coordination in collective bargaining by the social partners.

The framework for the regulation of the employment contract and industrial relations based on the laws of the 1970s also remain intact. However, there have been some significant changes in the regulation of contingent employment and indeed these are greater than have been the case in nearly every other OECD country (OECD 1999). The 1990s saw the abolition of very strict regulation of temporary agency work, which in practice had previously made these activities illegal. Moreover, the new law is among the most liberal in the European Union. The basic premise of Employment Protection is that, unless otherwise stated, an employment contract is presumed to be open-ended and thus requires the observance of various procedures at termination, just-cause, notice, and seniority rules. Previously the employer could hire for a limited duration in certain specified circumstances. However, the strict requirement to state a specific motivation was removed in 1997.

The decade has seen an appreciable increase in limited duration contracts. However, it is far from clear that this is due to the change in the law. On the other hand the reform of the temporary work agency law had obviously (as it was previously an illegal activity) greater effect. However, while agency work is increasing very rapidly, it still is, in international comparisons, a very small sector. The most remarkable feature of agency work in Sweden is the extent to which it is governed by collective agreements. These collective agreements provide a considerable degree of employment and thus also income security to the employees.

This report is organized in accordance with the three main topics set down in the Background Document to this project i.e. a) Temporary agency work and collective bargaining, b) Temporary agency work and the labour market and c). Temporary agency work and working conditions.

2 TAW and the labour market

In many European countries, the growth of agency work is often seen to be related to the rise of unemployment since the 1970s. Indeed, in the Swedish case there is a very close correlation between the growth of various forms of temporary labour and the dramatic worsening of the labour market in the early 1990s. The following section provides a brief overview of the development of the Swedish labour market in the 1990s. The second section presents an overview of the development of temporary agency work against the background of the increase of limited duration contracts in Sweden. The chapter continues with a presentation of the basic facts on the temporary work agency sector, including a discussion of the available statistical sources, the growth of the sector, the type of firms in the market and some characteristics of the TWA employees. In the final sub-section we relate temporary agency work to other spheres in the labour market using transitional data. Particular focus is placed upon the flow out of unemployment into temporary agency work.

The Swedish labour market in the 1990s

In Sweden, the early nineties saw one of the most dramatic worsening of any labour market in Europe since The Great Depression. Unemployment, which seldom rose above 2% during the entire post-war period, exploded at the beginning of the decade and more than quadrupled in a period of just under two years. There was massive job loss. In 1990 there were 4.5 million jobs in Sweden. By 1994 half a million of these had disappeared. Table 1 presents the levels of the employment and unemployment rates in the last decade.

Recently there has been a clear improvement particularly as regards unemployment which, by October 2000, had fallen to 4.0%. Employment rates have not yet improved to the same extent. However, the most recent years have seen a remarkable improvement and is categorised by the National Labour Market Board as being of the greatest increase since the second world war. During 1998 and 1999 employment rose by 146 hundred thousand. The latest prognosis from The National Labour Market Board (November 2000) sees a continuation of this upward trend by 86 hundred thousand in 2000 and 77 hundred thousand in 2001. This is based on a GNP growth rate of 4.1% in 2000 and 3.7% in 2001.

Table 1: *Employment and unemployment rates by age and sex*

	Employment rate				Unemployment rate			
	1990	1993	1998	1999	1990	1993	1998	1999
Men	85,2	73,0	73,5	74,8	1,7	9.7	6,9	5,9
Women	81,1	72,1	69,4	70,9	1,6	5.6	6,0	5,2
Total	83,1	72,6	71,5	72,9	1,6	8.2	6,5	5,6
Age 16-19	47,7	24,0	23,4	26,3	5,0	19.4	12,1	9,3
Age 20-24	79,8	56,1	55,3	57,3	3,1	18.1	11,8	10,1
Age 25-34	89,2	77,1	77,0	78,9	1,8	10.5	7,2	5,9
Age 35-44	93,7	86,0	82,8	84,0	1,0	6.3	5,8	5,0
Age 45-54	91,8	86,6	84,1	84,9	0,8	4.5	4,6	3,9
Age 55-59	82,1	76,2	76,7	77,6	1,1	4.7	5,4	4,8
Age 60-64	57,7	49,8	46,2	46,8	2,0	6.7	6,9	8,0

Source: *Labour Force Survey*

The structural transformation of Swedish employment is typical of that in other advanced OECD countries[1] the long-term shift out of manufacturing has continued in the 1990s. However, the trend of a shift into the public sector has ceased. Privately owned services, and in particular business services have increased their share. These trends have consequences for the growth of contingent employment.

Table 2: *The changing structure of employment: 1990-1999*

	1990		1999		Change 90-99	
ECONOMIC SECTOR	number	percent	number	percent	absolute	relative
Farming, fishing & forestry	154	3.4%	104	2.6%	-50	-32.5%
Industry	988	22.0%	797	19.6%	-191	-19.3%
of which manufacturing	444	9.9%	381	9.4%	-63	-14.2%
Construction	323	7.2%	225	5.5%	-98	-30.3%
Trade	582	13.0%	512	12.6%	-70	-12.0%
Communication	315	7.0%	275	6.8%	-40	-12.7%
Banking & insurance	95	2.1%	85	2.1%	-10	-10.5%
Other business services	297	6.6%	419	10.3%	122	41.1%
Education & research	310	6.9%	344	8.5%	34	11.0%
Health & care	884	19.7%	776	19.1%	-108	-12.2%
Personal & cultural services	293	6.5%	321	7.9%	28	9.6%
Public administration	240	5.4%	208	5.1%	-32	-13.3%
Unknown	6	0.1%	3	0.1%	-3	-50.0%
Total	4485	100.0%	4068	100.0%	-417	-9.3%

Source: *Labour Force Survey*

The growth of limited duration contracts 1987 to 1999

From Table 3, we note that the "standard" open-ended contract, while it has declined slightly in importance, it still accounts for 75% of total employment. The decline has occurred in every broad sector of the economy. The 4.6 percentage points drop in the share of all jobs is mainly due a 3.4% increase in contracts of limited duration.

The open-ended contract is thus still by far the most prevalent form of employment. From Table 3 we can observe that, in 1999, they amounted to three quarters of all jobs. It is most common in manufacturing & mining and public administration. It is also by far the most common form in all other sectors with the exception of the primary sector, where it accounts for only a quarter total employment. Self-employment obviously does not exist in public administration and accounts for only a very small proportion of total employment in the two other largely state run sectors of Education & research and Health & care. Self-employment is most common in Personal & cultural services and Construction.

[1] See Storrie (2000) for a detailed account of the shifts in employment structure in OECD labour markets.

Table 3: *Intensity of various forms of employment 1987 and 1999 as percentage of total employment*

	Percentage of total employment											
	Unlimited duration		Limited duration		SE with employees		SE no employees		Family workers		Sector's share of total employment	
Sector	1987	1999	1987	1999	1987	1999	1987	1999	1987	1999	1987	1999
Primary sectors	28.5%	24.6%	7.4%	9.5%	9.2%	12.5%	48.0%	46.6%	7.0%	6.8%	4.0%	2.5%
Manufacturing & mining	90.6%	87.4%	5.1%	7.9%	2.4%	2.3%	1.9%	2.2%	0.1%	0.1%	23.2%	19.6%
Construction	68.4%	68.1%	15.4%	11.5%	6.6%	7.2%	9.2%	12.8%	0.5%	0.4%	6.7%	5.5%
Communications	84.8%	77.8%	6.9%	12.2%	3.1%	5.1%	4.7%	4.8%	0.4%	0.2%	7.1%	6.8%
Trade	75.7%	71.3%	7.8%	12.0%	8.6%	7.8%	7.6%	8.4%	0.3%	0.4%	12.8%	12.6%
Financial & business ser.	82.4%	72.2%	6.8%	11.2%	4.5%	6.1%	6.1%	10.3%	0.2%	0.2%	7.8%	12.4%
Education & research	85.0%	78.8%	14.7%	20.1%	0.1%	0.3%	0.2%	0.7%	0.0%	0.0%	7.4%	8.4%
Health & care	79.9%	77.3%	19.2%	20.9%	0.5%	0.7%	0.5%	1.1%	0.0%	0.0%	18.9%	19.1%
Personal & cultural ser.	68.5%	57.2%	16.9%	22.3%	4.6%	6.0%	9.6%	14.2%	0.4%	0.3%	6.5%	7.9%
Public administration	90.7%	87.9%	9.3%	12.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	5.5%	5.1%
Unknown	65.5%	72.7%	13.8%	24.2%	3.4%	3.0%	17.2%	0.0%	0.0%	0.0%	0.1%	0.1%
Total	79.8%	75.2%	10.8%	14.2%	3.4%	3.9%	5.5%	6.4%	0.4%	0.3%	100.0%	100.0%
Total change in % points	-4.60%		3.37%		0.46%		0.89%		-0.11%			

Source: *Labour Force Survey*

In 1999 there were 578 thousand persons employed with a LDC. This corresponds to 16% of all employment contracts (we call this LDC intensity). Table 4 shows that the growth of LDCs is a relatively new phenomenon.[2]

Table 4: *Employment in Sweden 1987-1999 by type of contract (thousands)*

	Limited duration		Open-ended		LDC
	number	% growth	number	% growth	intensity
1987	4682	.	34424	.	12,00%
1988	4649	-0.70%	35089	1.93%	11,70%
1989	4313	-7.23%	35953	2.46%	10,70%
1990	4125	-4.36%	36610	1.83%	10,10%
1991	3951	-4.22%	35990	-1.69%	9,90%
1992	4033	2.08%	33914	-5.77%	10,60%
1993	4061	0.69%	31294	-7.73%	11,50%
1994	4706	15.88%	30205	-3.48%	13,50%
1995	5001	6.27%	30396	0.63%	14,10%
1996	4887	-2.28%	30404	0.03%	13,80%
1997	5099	4.34%	29890	-1.69%	14,60%
1998	5527	8.39%	30049	0.53%	15,50%
1999	5783	4.63%	30582	1.77%	15,90%

Source: *LFS 1987-1999*

[2] The Labour Force Survey distinguished between open-ended and limited duration contracts from 1987 onwards. Evidence presented in Storrie (1998), from other sources suggests that at the beginning of the 1980s LDC intensity was slightly lower than the 1987 level of 12% and around 10%.

In 1987 there were 468 thousand LDCs, corresponding to 12% of all contracts. Since 1987, both the number and intensity of LDC contracts declined each year up to 1991. The major part of the increase in LDCs, both in number and more dramatically in intensity, occurred in the period between 1991 and 1995. We note that this was before the introduction of the law that permitted employment on a LDC without the employer having to give an objective reason for doing so, and was during the severe labour market crisis of the early 1990s. In 1996 both the number and intensity fell slightly. Thus, it is possible that the return to an increasing trend from 1997 onwards was to some extent a result of the 1997 change in the law.

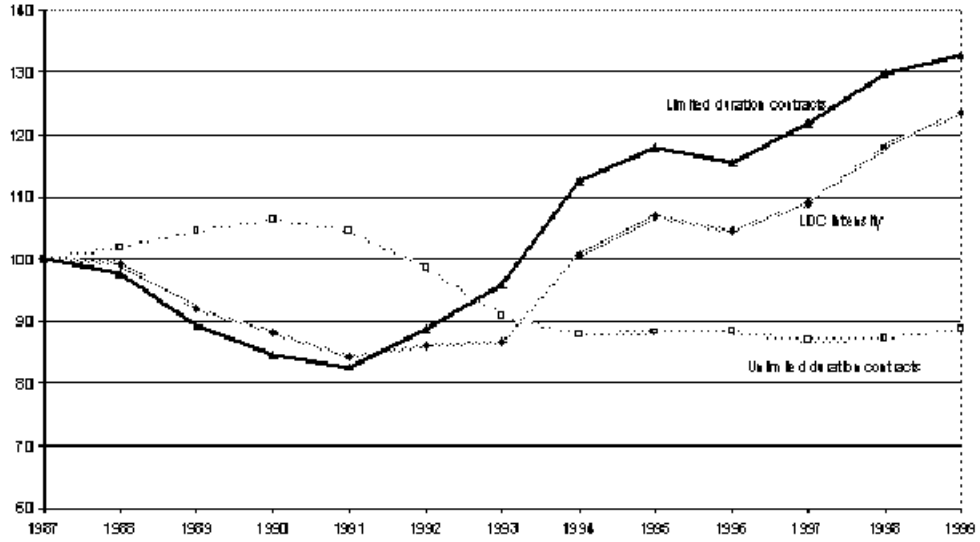
However, the major change in the distribution of LDCs, and that which accounts for the large increase mentioned above, is the increase in the private sector. From the last columns of Table 5 we see that the public sector is appreciable more LDC intensive than the private sector. In 1991, the trough of LDC intensity, the public sector was almost twice as LDC intensive as the private sector. By 1999 the gap had narrowed appreciably. Moreover, due to the recent decline in total public sector employment, the importance of the private sector contribution to the total number of LDC has increased dramatically. While in 1991 most LDCs were in the public sector (55%), by 1999 most were in the private sector. Between 1987 to 1999 there was only a very minor increase in the number of LDCs in the public sector and almost all of the increase is due to an increase in the private sector.

Table 5: *Private and public employment in Sweden 1987-1999 by type of contract*

	Limited duration			Unlimited duration			Intensity	
	Public	Private	Private %	Public	Private	Private %	Public	Private
1987	2462	2216	47,4%	13831	20580	59,8%	15,1%	9,7%
1988	2432	2213	47,6%	13905	21168	60,4%	14,9%	9,5%
1989	2303	2004	46,5%	14014	21925	61,0%	14,1%	8,4%
1990	2232	1892	45,9%	14292	22301	60,9%	13,5%	7,8%
1991	2187	1758	44,6%	14219	21754	60,5%	13,3%	7,5%
1992	2221	1801	44,8%	13708	20187	59,6%	13,9%	8,2%
1993	2122	1934	47,7%	12868	18404	58,9%	14,2%	9,5%
1994	2197	2506	53,3%	11730	18462	61,1%	15,8%	12,0%
1995	2321	2676	53,6%	11361	19024	62,6%	17,0%	12,3%
1996	2216	2664	54,6%	11167	19223	63,3%	16,6%	12,2%
1997	2203	2888	56,7%	10732	19145	64,1%	17,0%	13,1%
1998	2474	3041	55,1%	10610	19418	64,7%	18,9%	13,5%
1999	2542	3232	56,0%	10683	19869	65,0%	19,2%	14,0%

Source: *LFS 1987-1999*

Figure 1: *Employment contract, 1987-1999 (Index 1987 =100)*



Temporary Agency Work

It must be emphasised at the outset that there is very limited knowledge of the size of this sector in Sweden. Temporary work agencies are not identified as a distinct sector in official government statistics (classification of industries) and the labour force survey does not ask about agency work.[3] Thus none of the usual official statistical channels can be used to describe the sector. Neither has there been any research or public investigation that has succeeded in measuring the size of the sector.

The situation became somewhat better with the publication, in October 2000, of a study commissioned by the government (Fridén et al. 2000). While this study is a total investigation of the entire branch, several practical difficulties, including a rather low response rate, mean that we still cannot provide an answer to the simple question of how many are employed in the sector. This will probably only be possible when Statistics Sweden deals with TWAs as a distinct sector.[4] However, it should be emphasised that the study of Fridén et al. (2000) is an significant step forward and provides much information of interest including, not only a quite detailed description of workers by several demographic and socio-economic variables, but also a description and analysis of the worker flows into and out of employment in TWAs.

The incidence and growth of Temporary Work Agency employment

The most basic labour market statistic concerning the number employed cannot be determined with any acceptable degree of accuracy. Fridén et al. (2000) is in principle the most satisfactory of approaches. They identify all firms involved in temporary work agency. They then merge the firm ID number with the Employment Register at Statistics Sweden, in order to count the number employed. However, the authors state

[3] The two sectors with the greatest intensity of TWAs are; Office services and translation activities (SNI 74830) and Miscellaneous business services etc (SNI 74849).

[4] I was informed by Statistics Sweden that the labour force survey intends to classify TWAs as a separate sector some time in the near future, probably by 2002.

that this is definitely an underestimation of the actual number. This is due to problems in securing a definite identification of the firms and the fact that the firm ID numbers are from 2000 and the Employment Register data is from 1998.

Table 6 presents figures from the available sources. The sector organisation, SPUR[5], figure from 1999 figure of 24 000 could be interpreted as an upper bound of the number employed in TWAs. Apart from the possibility of a sector organisation tending to exaggerate its own importance, the high turnover in this sector increases the risk of double counting by non-experts. This corresponds to 0.59% of all employed. This is a relatively low figure compared to most other countries.

Table 6: *Estimates of employment in TWA in Sweden*

SOURCE	Number employed	Percent of all employed	Year
OECD (1996)	7000	0.2%	1996
Fridén et al. (2000)	more than 10 000	0.25%	1998
Sector organisation SPUR	20 000	0.50%	1998
Sector organisation SPUR	24 000	0.59%	1999
Sector organisation SPUR	33 000		June 2000

The only figures that can be used to show the growth of TWA are those from the sector organisation, SPUR.[6] This data shows, see Table 7, a dramatic increase from when the sector was made legal in 1994. In absolute numbers this type of work is, however, still at a low level.

Table 7: *Employees in the Temporary work agency sector*

	TWA employees	% of total employment
1994	5,000	0.13%
1995	7,000	0.18%
1996	10,000	0.25%
1997	14,000	0.36%
1998	18,500	0.46%
1999	25,000	0.61%
2000 (June)	33,000	0.77%

Source: *From SPUR in "Facts about the Swedish Economy" Confederation of Swedish Employers*

Temporary Work Agency firms and their clients

The sector is dominated by four large companies, which account for 75% of the sector's turnover. The top three TWA companies in the world entered the Swedish market in different ways. Adecco (Adia) set up a new company in Stockholm. Manpower entered the Swedish market though its acquisition of Teamwork. Olsten,

[5] SPUR is Swedish Association of Temporary Work Businesses and Staffing Services. We discuss the role played by this organisation in Section 3.

[6] As mentioned above, one may have reason to believe that these figures are greater than the actual number employed.

established itself in Sweden through its Norwegian daughter company's purchase of Lagertjänst. In March 2000 Adecco took over Olsten.

Table 8: *The ten largest TWAs in Sweden 1999*

Firm	Turnover (million SEK)	Change since 1997 (%)	Number employees	Percentage women
Manpower	1054	63	3689	66
Proffice	636	78	1977	82
Olsten Personalkraft	372	86	1165	66
Poolia	248	73	458	52
SJR	39	93	97	52
Skand. Temp. Service	34	55	110	94
Adecco	31	8	88	56
Kelly Services	31	62	145	70
First Reserve F1R	26	44	52	69
Mabi Care	26	75	80	90
Sum/average	2497	70	7861	70

Source: *Konsultguiden (1999).*

According to the sector organisation SPUR, the sector continues to grow and by 1999 the total turnover had increased by 71% to 5700 million SEK and there were in all over 400 TWA companies. Of these over 2000 had five or more employees. In the first half of 2000, 89 per cent of the sector's turnover came from the hiring out of its employees to client companies. The other two activities are sub-contracting (6%) and recruitment services (5%). By June 2000 33,000 persons were employed in the sector. Studies by both SPUR and Fridén et al. (2000) show that there is a very strong concentration to the Stockholm area and that all other regions are under-represented in relation to other employment.

There may be many reasons why a company may become a client to a temporary work agency. Fridén et al. (2000) provides some information on this matter. See Table 9.

The first and most important category is unfortunately very broad, but does correspond to various needs for numerical flexibility. The second most important motive, to obtain access to special competencies, is related to functional flexibility. It notable that probationary motives are not particularity important and cost-cutting even less so.

Table 9: *Reasons to hire TWAs*

Reason	Very important	Quite important	Less important	Not at all important	Total
Due to absenteeism, temporary increase in labour demand or seasonal variation	148	35	9	5	197
To fill positions for a period longer than 1 year	17	47	82	44	190
As a probationary period	19	51	69	48	187
To lower wage or other costs.	12	43	67	65	187
To obtain access to special competencies	68	68	37	20	193
To save training costs	8	15	78	86	187

Source: *Fridén et al. (2000)*

Table 10: *The occupational distribution of TWA employees*

Occupation	Number of workplaces
Shop assistants	26
Bookkeeping personal	94
Office workers	103
Engineers	21
IT-consultants	53
Care workers	29
Doctors	10
Restaurant workers	13
Warehouse workers	74
Industry jobs	70
Others	67

Source: *Fridén et al. (2000)*

They also found that these client companies were predominantly within industry (37%) service companies (excluding trade) (29%) Trade (6%), the public sector 10%, These figures were weighed by the number of TWA employees at the client company. The main functions to be performed within the firm were distributed among the occupational categories presented in Table 10.

The TWA employees

The data pertaining to the individual characteristics of the TWAs presented in the previous section, in Fridén et al (2000), was based on the results of interviews with the firms. In this section the data is based on a merging of the ID number of the TWA employees with the Employment Register (this is based on tax returns). According to the Employment Register just under 10 000 people were employed in TWA companies - Fridén et al. (2000) views this to probably be an underestimation of the true figure. However, there is no reason to doubt the representativity of the sample. They find that the personal characteristics of employees of TWAs may be summarised as follows;

- TWA employees are generally younger than other employees. More than double as many TWA employees were younger than 30 (45%) compared to all other employees.
- 60% of TWA employees were women. The corresponding figure for all employees is 47%.
- TWA employees are slightly better educated than other employees in terms of post school education. However, this is at least in part-attributable to their lower age.
- 14 % of TWA employees were foreign citizens.
- The Stockholm area accounts for 60% of all jobs in this sector.

Transitional labour market and labour market flows

A major question in the debate is whether TWA work may be a stepping-stone to jobs in other sectors and was a major issue in Fridén et al. (2000) and particularly as regards immigrants. Analysis of labour market flows sets high requirements of data quality. One problem is the possibility of missing a flow that occurs between two measurement points in time. One may have reason to believe that this problem may be particularly acute in TWAs as such work may be of short duration However, there is no systematic study of the duration of employment in TWAs and, as will be shown in Section 3, according to collective agreements, the employment contract may be more stable than in other countries.[7] Flows are studied from all labour market states 1996 to employment in a TWA 1997 and from employment in TWA 1997 to another labour market state 1998.

From Table 11 we note as regards flows to TWA employment 1997 from 1996; that more than 50 per cent of those who worked in the TWA sector in 1997 were employed in another sector the year before. A third worked in the TWA sector during both 1996 and 1997. Very few came from unemployment or out of the labour force.[8]

Table 11: *Employees in a TWA in 1997 by labour market status 1996 and 1998*

	Labour market status		
	1996	1997	1998
Employed at a TWA	31.7%	Employed at TWA	50.9%
Other employment	57.0%		44.8%
Education	3.5%		1.2%
Unemployed	7.9%		3.2%

Source: *Fridén et al. (2000)*

As roughly one third of the employees in TWAs were employed in this sector in 1996, this means that of the work force in 1997 roughly two thirds were recruited in the intervening period. Fridén et al. (2000) present flows also for women and foreigners (non-Swedish citizens). Their flow pattern is very similar to the total. However, foreigners were slightly more likely to have come from studies and unemployment.

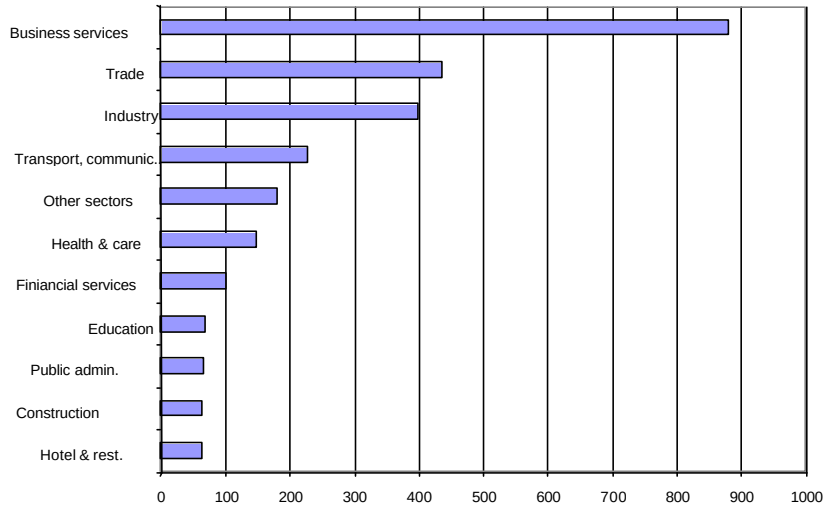
[7] It should be pointed out that the Fridén et al. (2000) study uses, yearly average data. The labour market status is defined as the main status for the year in question.

[8] These figures can be compared with data from the sector organisation SPUR which claimed that 34%) joined a TWA from other jobs, 15 % from unemployment and 27 % who just finished a period in education.

The flows out of the sector, from those employed in a TWA 1997 to their labour market status 1998, show that a half remained in the sector the following year and that more than 40 per cent moved on to another job.

Perhaps the most striking feature of these results is that flows in and out TWAs largely to and from jobs in other firms. It is sometimes forwarded that TWAs may serve as ports-of-entry into the labour market. If by this one means that TWAs recruit largely among the unemployed and persons finishing their education this does not appear to be the case as this does not appear to be the typical flow into TWA work. One fifth of the whole sample for all three years worked in the TWAs all three years. Job mobility is, however, considerable with the sector exhibiting very high turnover. However, as the flows out of TWAs go largely to other firms they do provide a port-of-entry to other jobs, possibly at the client company[9]. Figure 2 shows that the majority of flows to other jobs are in sectors related to typical agency work..

Figure 2: *Flows from TWA employment to other sectors 1997-98*



In the Table 11 above, roughly 50% of TWA employees in 1997 moved on to another job in 1998. Fridén et al. (2000) estimate a probit regression of the probability of moving to a new job compared to the probability of not doing so.[10] They find that being young, male and living in Stockholm increased the probability of moving on to a new job. They found no effect for nationality, education level, size of the workplace and previous labour market history. An interesting result was that if the individual was employed in a TWA 1996 this decreased the probability of moving to a new job in 1998, indicating some duration dependency.

[9] Other information in Fridén et al. (2000), a survey addressed to the TWA employer, indicates that 2/3 of those who leave the sector leave to work in a client company.

[10] As most others stayed at the TWA the model estimates the probability of moving to new jobs compared to, mainly, staying in the TWA sector.

Another issue of interest in terms of labour market flows is whether TWA work provides a path out of unemployment. They study a population of all who were unemployed for any period in 1997 and examine the factors that lay behind these individuals having a job in 1998. Some of those who experienced unemployment in 1997 also had a period of work at a TWA. They find that experience of work at a TWA does have a positive effect but that work in any other type of firm had a much larger effect. Unfortunately, one cannot interpret these results in terms of the effect of agency employment as a means of exiting unemployment due to probable considerable selection problems.[11] The effect of TWA was slightly greater for foreign nationals.

Finally Fridén et al (2000) compare the probability of finding a job in 1998 for two groups, those who worked in a TWA for all of 1997 and those who experienced unemployment and without any job for the whole of 1997. They find that the probability of finding a job in another sector 1998 is lower for TWA employees than it was for unemployed.

[11] Moreover, the effect are very small. In 1997 there were 470,000 persons who were unemployed at some time. Of these 1,700 had also worked in a TWA. Half of these had another job in 1998. This corresponds to 0.2 per cent of the total number employed.

TAW and collective bargaining 3

The development of collective bargaining in the temporary work agency sector in Sweden is truly remarkable. Despite the fact this activity prior to the almost total de-regulation of the 1990s can best be characterised as illegal and that this form of atypical labour is obviously among the most difficult to organise, the majority of TWA workers are now covered by a collective agreement with quite a unique level of employment and income security. The issue of income security, i.e. the provision of a guaranteed monthly wage, has been the main issue in these negotiations.

It is a well-known fact that trade union membership is extremely high in Sweden (90%) and in fact has increased somewhat during the 1990s. The decline of unionism in the advanced industrial economies in recent decades has occurred at the same time in the erosion of the standard employment relationship and corresponding increase in atypical employment forms. While it certainly is not the case that the drop in organisation rates can solely be attributable to the growth of atypical forms of employment it must have been a contributory factor. This has not been the case in Sweden. Indeed it appears that various forms of atypical labour have a higher degree of organisation than those on open-ended contracts. This is not easy to explain.

Some explanations as to why these agreements came about, in terms of the strategy of the agency firms, are forwarded in Section 3.3. However, any explanation must also be firmly placed the general context of Swedish industrial relations and the central position of the collective bargain.

The content of the major collective agreements

Most agency workers are white-collared workers in the private sector (office "temps" etc). Even prior to the de-regulation of the 1990s this sector existed though with dubious legal status.[12] After de-regulation it was amongst the first to conclude a collective agreement and agreements in this sector have tended to set the agenda in others collective bargaining areas. The most recent agreement in this sector came into force in July 2000. The agreement was concluded between The Service Firms Employer Federation (tjänsteföretagens arbetsgivare förbund) and the two major unions HTF[13] and CF[14]. This agreement covers 15 000 employees in 120 companies and is thus by far the most important agreement in the TWA. sector.[15] According to the agreement, the employee is guaranteed an income corresponding to 125 hours a month, after being employed for ten months in the company the guaranteed basic wage is 142 hours per month. The two guaranteed levels have been interpreted to correspond to 75% and 85% of the full-time monthly wage.[16]

Regarding the employment contract, the collective agreement points out that the main principle is that the contract should be open-ended but, under certain circumstances, permits LDCs as listed below:

- Probationary contracts as in §6, see textbox 1;

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[12] See Appendix 1 for a description of the legal development.

[13] The Salaried Employees' Union HTF, generally known as HTF, is a union for salaried personnel working in the private sector, primarily in commerce, transport and service industries. HTF has over 155,000 members.

[14] The Swedish Association of Graduate Engineers.

[15] According to HTF the agreement covers 80% of employees in the collective bargaining area.

[16] Earlier agreements in this sector gave lower guarantee wages. The first collective agreement gave 50% and one concluded in 1998 gave 75%.

- Contracts according to §5, see textbox 1. The agreement explicitly states, however, that the work tasks should lie outside the employer's normal activity.
- The employment of a leave replacements may be of a maximum duration of six months unless the local parties agree otherwise. It underlines that the person on leave refers to an employee in the temporary work agency.
- Agreed upon LDCs, see § 5 in text box 1 in Appendix 2 may not be utilized for temporary work agency employees working at a client firm.
- On-call contracts (*behovsanställning*) are allowed without restrictions regarding duration or number of employees. They may be used for temporary increases in labour demand, when special competencies are required or at a newly stared firm. However, the need for labour should seen to be temporary. If this contractual form is abused, the local union may terminate the firm's right to utilize this contractual form.

The agreement also attempts to address some Social Security issues. Sick pay is an important issue for the employer, who is responsible for the payment of the first two weeks of sick pay, which amounts to 80% of current income. If the employee is sick while not hired out to a client firm, the guarantee wage is judged to be the current income. If he is hired out then it is based on the actual income.

There are other collective agreements in this bargaining area. Perhaps the most favourable agreement, for the employees, was between the unions HTF and CF at the company JobAgent. This agreement took effect in March 2000. All wages offered are a guaranteed full-time monthly wage. The agreement also makes a commitment to training during paid working time. According to the firm, they have 200 employees, mainly office and administrative staff. The company claims to be the only fully Internet based TWA in Sweden and is not affiliated to the peak level employers federation (SAF).

Since September 2000, there is, in principle, one agreement covering the entire private blue-collar TWA sector. This agreement was signed by 18 unions affiliated to the blue-collar peak organisation, the LO. On the employee side, the negotiations were co-ordinated at the peak level but each union signed its own, more or less identical, collective agreement with the employer organization (Tjänsteföretagens arbetsgivareförbund). The main principle is that all TWA employees shall have the same wages and working conditions as those in the client company. The main issue was, of course, the insecurity of income due to uncertain hours of placement in a client company. According to the parties, the guaranteed monthly wage is 85% of the wage received during the previous quarter.[17] In October 2002 the guarantee wage is to be increased to 90% for those who have employed longer than six months. However, this does not apply to labour hired for a duration shorter than 10 days. For these persons the guaranteed wage is the average during the previous quarter for the employee at the TWA. The LO ´s initial negotiating position was 100% guarantee wage and LO states that this is still their aim.

The issue of trade union representativity is treated rather unusually in this bargaining area. The process is as follows. The TWA company examines in which collective bargaining area most of its activities are

[17] We note that it now is the case that most employees in this sector by the two major collective agreements are now guaranteed 85% of a full-time monthly wage. It may not be a coincidence that this level is just above the 80% replacement rate common to most Swedish social insurance systems and in particular unemployment insurance.

concentrated. It then identifies the dominant union who becomes the negotiating party at the national level. The national union then examines each of the TWA company's local offices to examine which is the dominant union locally. The local dominant union then becomes the TWAs negotiating party at the local level.

Trade Union representation and the access to participation at the workplace

The important issues here are mainly concerned with the decision to hire contingent labour and practical difficulties in assuring trade union influence in work when the work place may change on a daily basis.

Trade Union influence in the hiring of contingent labour

Labour law has awarded the trade unions rights of information, negotiation and even veto when the employer intends to uses labour with which he does not have an employment contract in his enterprise.[18] Previously these paragraphs of the Co-determination law (MBL) applied mainly to sub-contracted work (entreprenad) as it does not apply to "work of a short-term or temporary nature". However, in response to the de-regulation of temporary work agencies, the revision of MBL (1993:440) explicitly included workers of temporary work agencies in this section of the Co-determination Act.[19] The bargaining procedures, which were strengthened in MBL (1994:1686), require that, before making a contract to hire in labour, the employer must negotiate with the trade union. This is to occur at the employer's initiative. The employer is also required to provide the trade union with the information on the proposed work that is sufficient for the union to arrive at an informed position on the issue. This includes that the employer provides information on the proposed work agency's (or sub-contractor's) enterprise and on the circumstances under which the work is to be carried out.[20]

If the union is of the informed opinion that proposed hiring of the external workers could be presumed to lead to disregard of the law or collective bargaining agreement then the employer may not implement the proposed hiring.[21]

While labour law does not provide the trade union with any specific influence on the firm's decision to hire labour on a limited duration contract, collective agreements may do so. See Appendix 2.

Trade Union representation at Temporary Work Agencies

The issue of trade union representation and the opportunity for union members to participate in union activities encounters practical difficulties when the day-to-day work is not carried out at the employer's premises and the actual place of work may change on a daily basis.

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[18] MBL (1976:580) 38-39§§.

[19] Note, however that an exception is still made for "work of a short-term or temporary nature".

[20] These requirements to information may be waived by a collective agreement.

[21] According to Bergqvist and Lunning (1986), leading experts in labour law, this can include matters such as self-employment designed to circumvent social security contributions and sub-contractors (or TWAs) who have a history of breaking working time and health and safety laws.

For privately employed white collar workers (i.e. the area where most TWA work is performed), the Development Agreement gives all employees the right to pursue trade union activities during paid working hours for, at the most, 5 hours a year. According to the Development Agreement the trade union meetings that are to be held for the 5 hours per year should be arranged so that they cause the least possible inconvenience to the employer. For this reason the meetings are usually held after the normal working hours (on overtime pay).

In the white-collar TWA agreement signed in 2000 (see Section 3.1), the parties agree that it is important that the local trade union and the TWA employer together can agree upon a suitable time for these meetings but that the client company's activities should be disturbed as little as possible.

According to F*m*L, the local trade union representatives shall not be prevented from carrying out their duties towards the union members. In the white-collar TWA agreement, it is stated that this may imply that an office is put to the union representative's disposal and perhaps with a telephone. The local parties are encouraged to agree upon the establishment of visiting or telephone times. If the company is a large one, then the agreement states that this might even entail that the local union representative works with these duties on a full time basis.

The agreement points out the importance of long-term planning to ensure that the time allocated to union activity does not cause disturbance in the daily work. It also underlines the special problems that may arise due to the lack of access to union members due to the nature of agency work, while underlining that the usual rights and obligations regarding trade union representation, information etc should be performed in these sectors as in others. However, the national agreement does not stipulate in detail how these problems should be solved. As is customary in these matters the national agreement sets down only broad guidelines and encourages the local parties to work out the details in accordance with the particular circumstances of the particular workplace.

This chapter of the agreement concludes with the following words

"The rules of the Development Agreement regarding trade union information its members shall be applied (five hours paid leave per year). All members shall have the same opportunity to partake of the information regardless of whether they work as hired by a client company, sub-contractor or stationary at the temporary work agency"

As mentioned earlier this agreement is the most important one in the field of agency work. It encompasses most of the workers in the sector and is seen as a model upon which other agreements have tended to follow.

Strategies adopted by those involved in Temporary Agency Work

The fact that this new and difficult to organise sector is now almost totally covered by collective bargaining agreements that give a considerable degree of employment and thus income security to the employees is truly remarkable and requires some explanation.

Before the 1990s it was illegal to perform these activities for profit. However, despite this such companies did exist and several companies were found guilty in court of illegal agency work. The sector had a bad reputation and in the popular view it was a sector with the potential for worker exploitation. Thus a major issue for the newly started companies was to obtain legitimacy among client companies, potential employees, the government (which became Social Democratic shortly after the bourgeoisie government had de-regulated

TWAs) and the trade unions. In this context the sector organisation, Swedish Association of Temporary Work Businesses (SPUR) played an important role. It introduced a scheme of "voluntary authorisation" and required proof of solvency and good practice to register firms. It also set down ethical rules, which, though not binding in any legal respect may, may be grounds for expulsion from SPUR.[22]

It is this perspective, i.e. the need to obtain legitimacy that at least in part probably explains the willingness of TWA companies to sign collective agreements. Thus, one must yet again emphasise the importance of the collective agreement in Sweden. With a collective agreement the sector becomes acceptable in society. It is interesting to note that the major trade union in this sector (HTF) circulates a "white list" of 97 companies that have signed collective agreements and encourage companies to only use these companies. Moreover, the debate on the legal status of agency work is still continuing. With a Social Democratic government in power, and with trade union lobbying the government (mainly concerning public registration), the sector probably does not feel that the legal status is fully secure. Another reason for the TWA sector to sign agreements that provide relatively generous conditions as regards income security in these agreements is related to the need to attract labour in short supply. There is much anecdotal evidence and newspaper reports that, particularly in health care and education, agencies are able to provide labour that public employers cannot attract.

The explanation of the unions role in this union success story is obviously related to the general strength of unions in the country as a whole, in particular the success in organising all forms of contingent labour. While one could argue that the vulnerable position of these workers on the labour market would suggest that they would have most to gain from union membership, this has not been the case in other countries. International experience is of a fall of union membership coinciding with the increase in atypical forms of employment. It is difficult to point at any concrete factor that explain the divergent Swedish experience. In broad terms one could speculate that it is related to the historically well-documented phenomena of Swedish trade unions' to face up to economic realities and to actively participate in structural change and the modernisation of work.

An issue of importance for the degree of income security provided in this sector is related to the state system of social security. Since 1995 it became clear that unemployment benefit would not be paid out to employees of temporary work agencies, while they are not placed in a client company. This makes it very difficult for the employee to obtain a satisfactory income from periodic wage and benefit payments. Thus the agency will have great difficulty in shifting the costs of flexibility to the state. In order to attract labour it is the TWA firm that will have to guarantee a income. Most TWA workers will be at an income level that provides in unemployment benefit is 80% of their full-time income. This is around the actual level of guaranteed income for agency workers in collective agreements.

During the de-regulation of this sector during the 1990s, the opinions of the social partners were very clear. The Employers Association (SAF) have continually called for total de-regulation and almost every step was opposed by the trade unions. Since de-regulation the employers have continued to call for fuller de-regulation, including the removal of the prohibition on the agency taking a fee from the job seeker. The trade unions appeared to have shifted their position. Indeed, they have, themselves set up agencies. In the political debate they have focused mainly on the issue of authorisation.

[22] Voluntary authorisation and ethical rules are almost certainly part of SPUR's strategy to thwart union the lobbing the government to have an obligatory public authorisation (and possible monitoring).

At a meeting with the previous deputy Minister of Industry, the unions (TCO, HTF and ST) on 17th February 2000, called upon the Government to establish a system of authorisation. In the meantime the unions asked the minister to follow the development in the sector with particular reference to discrimination of the immigrants (reports of this had been recently prominent in the media).

However, their main strategy has been to secure collective bargains for all agency work. In August 2000, 97 TWA companies had a collective agreement with HTF and CF. This list is continuously updated and sent out to the trade union representatives at client companies in an attempt to persuade client companies to hire these firms.

There has been some rivalry between the various peak union organisations regarding which union should be the social partner. Within the peak organisations there is more cooperation. Member unions of the LO (the peak-level blue-collar organisation) have agreed that no member union may sign a collective agreement for agency workers that work in client firms that have a collective agreement with another member union. For example, it is the Metalworkers Union that signs agreements with agencies that hire in labour to the metal companies.

TAW and working conditions 4

First we must underline that work at a temporary agency work is not necessarily temporary work, in Sweden. Indeed according to a study carried out by the main trade union organising TWA workers, nearly all employees in the sector have an open-ended contract (HTF, 1998). With the degree of employment and income security typical to this type of work in Sweden many of the typical problems associated with temporary work could be thought not to be relevant. However, even if some temporary agency work may not be legally precarious, one may have reason to believe that the three party relationship (worker, agency and client) may have consequences on working conditions. For example it may not always be clear who (the agency or the client) is responsible for the observance of health and safety legislation. Moreover, the very fact that an agency worker may change workplace almost daily may have important consequences, not only for health and safety (primarily, one may suppose, on socio-psychological health) but also as regards worker information, representation and co-determination. It is in these respects that TAW is a distinctive employment form. Moreover, the issue of precariousness cannot be neglected. Even when agency work is performed with an open-ended contract and is not precarious de jure, the extreme sensitivity of this sector to fluctuations in the business cycle means that the de facto employment security of these workers will be less than for workers in other sectors of the economy. Indeed it was shown in Section 2 that labour turnover is high in TWAs.

There is very little information indeed on the working conditions of temporary agency workers. This is almost certainly due to the novelty of this type of job in Sweden. Before the de-regulation of this sector in the early 1990s temporary agency work was illegal. However as agency work is often of short duration recent research on the issue of all forms of temporary work will be presented. The limited research that does exist specifically on agency work does focus on the relevant issue in a Swedish context, i.e. matters related to the frequent change of work place with consequences for both health and safety matters and social isolation. Both of these research issues are presented below.

Working conditions for all temporary workers

The most recent, and perhaps most interesting, Swedish research on working conditions and contractual form is in Aronsson et al. (2000). It is a rather well established empirical finding that working conditions and health-related outcomes are worse for contingent labour than for those on open-ended contracts. See Benavides and Benach (1999) and Paoli (1991, 1996) However, Aronsson et al. (2000) wishes to differentiate between various forms of limited duration contracts as LDCs may be comprised of jobs with quite different working conditions. They study various forms of LDCs in terms of their relative proximity to the centre or periphery along the lines of Atkinsson (1984). The classification of types of limited duration contracts is the one used in the labour force survey and roughly corresponds to the contracts permissible in labour law; see Text Box 1 in Appendix 2.

Table 12 summarises their results. The table should be read as follows. Values greater than one indicate a greater probability that those on open-ended contracts (the reference category). Statistically significant results (at the 5% level) are in bold print. For example, reading across the row “Express distaste about their work”, both leave replacement and especially on-call workers are more likely to feel distaste compared to those on open-ended contracts. The same tendency is found for seasonal workers but is not statistically significant. Probationary workers exhibit less of a tendency to distaste but again it is not statistically significant.

Table 12: *Working conditions and contractual form: Odds ratios with reference to open ended contracts*

	leave replacement	Probationary	Seasonal	Project	On call
Training during paid working time	0,36	0,31	0,20	0,30	0,18
Opportunity to learn and develop	0,89	1,32	0,50	1,19	0,70
Able to decide on work organization	0,38	0,38	0,47	0,64	0,26
Feel support from boss	0,87	0,92	0,77	0,97	0,88
Feel support from workmates	0,91	0,84	0,75	1,05	0,59
Stomach problems	1,30	1,23	0,87	1,26	1,23
Express distaste about their work	1,34	0,89	1,47	1,26	1,52
Sleep problems	1,25	1,22	0,57	1,32	0,93
Back or neck pains	1,10	0,67	1,21	1,24	1,35
Feel tired	1,40	1,19	0,89	1,60	1,52
Hesitate to comment on working conditions	2,09	1,76	0,79	1,51	2,08

Source: *Aronsson et al. (2000)*

Note: *Results from a multinomial logit which controls for age, sex, education level and working time. A stratified sample of 3,812 from the Labour Force Survey 1997 (13% non-response).Significant (5%) variables in bold type.*

The results show a differentiated picture of working conditions for workers on LDCs. The two extremes are project workers (*projekt anställningar*), who most resemble those on open-ended contracts and on-call workers (*behovsanställningar*). Controlling for age, sex, educational background and working time, they find that all forms of LDC are less likely to both receive job training and to "participate in the planning of the work tasks". On-call and seasonal workers as less likely to have the "opportunity to learn and develop at work" No statistically significant effects are found for perceptions of "support and encouragement from the management and fellow employees.

On-call workers have the most marginal relationship to the workplace as they are only employed sporadically. In some countries most of the TWA workers would be in this category. While it almost certainly is the case that some TWA workers in Sweden are also be in this category, it has been underlined above that the majority of TWA workers are not and would be in the reference category of open-ended contracts.

In earlier work, Aronsson and his colleagues have addressed a survey to 750 persons employed on limited duration contracts, Aronsson (1999) and Aronsson and Göransson (1998) Roughly one third of the responds who said that they refrained from expressing criticism of working conditions replied that this was due to the fact that they were on a limited duration contract. In Aronsson and Gustafsson (1999), a stratified sub-sample of employees from the Labour force Survey are asked "Does the situation on the labour market make you hesitate in saying what you think about the work environment and working conditions". The results of logit regressions (controlling for age, sex, education, and occupation) show that having a LDC (together with being in the public sector) was the most significant factor.

[23] We note, however, that they have not controlled for economic sector.

Working conditions for Temporary Agency Workers

The ultimate responsibility for the working environment (health and safety) is the employer, i.e. the temporary work agency. However, in 1994 shortly after the de-regulation of temporary agencies in 1993, amendments were made to the Working Environment law. The relevant revisions were in Chapter 3 paragraph 12 § which states;

> *"The person in control of the workplace shall ensure that the workplace has equipment to ensure that the person who works there, without being an employee, shall not be exposed to the risk of ill-health or accidents. The person who utilises hired labour to perform work at his/her workplace shall take the necessary protective precautions."*

There is thus a dual responsibility held by the TA employer and the client company employer. As new statutory law often requires some court cases to give it content and no cases have yet come to the Labour Court, the actual regulation may be seen as unclear at the present.

However, it is clear that various Swedish authorities are somewhat concerned about state of the working environment in TWAs. The Swedish Work Environment Authority (*Arbetsmiljöverket*) inspected the working conditions in 60 TWA offices and over 100 workplaces at client companies during the autumn of 2000. The companies included the largest four companies in the sector, i.e. Manpower, Poolia, Proffice and Olsten.

The investigation found that a large proportion of the workers experienced sufficient support from their employers. They feel themselves to be visible and needed. The agency companies exhibited a will to improve working conditions. However, problems were found in 50 of the 60 agency offices. These were;

- The routines for observance of work environment rules must be introduced more widely. Those routines that exist are not documented and thus not made sufficiently well known. These include issues ranging from how the work environment should be investigated to how rehabilitation and discrimination should be dealt with.
- The contact person at the client company needs better training as regards work environmental issues.
- The agency worker should be provided better preparation prior to arriving at a new workplace. The client employer should either demand this from the agency or itself assume the responsibility.
- Personnel meetings for agency workers (at the agency) are very rare. Those that have frequent meetings have the most satisfied employees.

This was the first major inspection of the sector in Sweden. It is to be followed up with further inspections at the smaller companies in the coming two years.

There is reason to believe that the best working conditions for agency workers are to be found in the health care and educational sectors. At the current wage levels these sectors are exhibiting labour shortages and client employers (in the public sector) have turned to agency firms to fill recruitment needs. This labour shortage is probably the major factor behind the considerably better wages and working conditions found in the health and care sectors in Bergmark's (1999) study. The study was commissioned by the central employers federation (SAF). It was based on a random sample of 55 (43% response rate) nurses working in TWAs. 58% worked full time (higher than other privately employed nurses). 84% state that they had the same level of occupational classification category as when they worked in the public sector and 44% stated that they had similar of job

tasks to those that they previously did in the public sector. All of 52% liked their job better compared to before while 13% liked it less. They considered the work pace to be slightly lower in the TWA compared to previous jobs and most thought that the work environment had improved slightly. They also thought that they had more influence at work than before with more support and encouragement and more opportunity to take an own initiative. A large majority thought that management was better in the TWA. (strange as they still work in public sector). The most marked difference is in wages, all of 93% say that their wages were "greatly improved" Similar questions were put to private health companies these employees answered that the wages were more or less the same.

A debate article written by the leader of the trade union for Sweden's nurses, midwives and biomedical scientists, The Swedish Association of Health Professionals (Vårdförbundet), comments the problems of the public sector in recruiting nurses as compared to ease temporary work agencies. She is of the opinion that the TWAs offer nurses "more influence over their work tasks, suitable hours of work and higher wages".

Appendix 1

The legal regulation of Temporary Work Agencies in Sweden

A short history

Until its abolition in 1992, the law (1935:113) prohibiting illegal employment exchanges[24] entailed, in principle, a prohibition, of employment exchanges for profit.[25] An exception was made for music and stage artists to and from abroad, subject to permission from the Labour Market Board (AMS). While the law allowed employment exchanges that charged a fee from the employer, the fee was only to cover costs but not to earn profit, (*utan förvärvssyfte*). The establishment of such companies required permission from AMS, which could set the upper limit on the fee that could be charged. Non-fee charging exchanges did not require permission but were required to inform AMS of their intention to embark on such activities. All private exchanges were required to keep detailed notes and were required, upon request, to make documents relevant to their activities available to AMS. The law from 1935 had numerous transitional conditions and, during the long transition period which ended in 1968, exemptions were made for the music and stage artists, domestic employees, and employees in hotels, restaurants, health care and agriculture.

From the outset the law was problematic in several respects. In its original formulation there was no definition of employment exchange activity. A major problem was the distinction between exchange activity and temporary work agencies. With the revision of the law in 1942, (SFS: 1942:209) the position appeared to be clearer. The revised law stated that if the main purpose of the activity was to hire out labour to other companies, they should be viewed as private employment exchanges and, as such, illegal.[26]

Despite the prohibition in law of both temporary work agencies and private employment exchanges, there undoubtedly were a number of companies that pursued activities that operated on the fuzzy borderline with sub-contracting and several cases reached both the Labour and Supreme Court.[27] Two branches dominated in the legal controversies, office temps and shipyard workers (the so called “grey” labour force), see Bohlin (1989).

During the period up to the 1990s, the issue was the subject of many official government investigations and motions in parliament but without any significant change to the law of 1934. The first step towards liberalisation was taken by the Social Democratic government (law 1991:746). This law made only minor adjustments to the prohibition of private employment exchanges but clearly differentiated between private

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[24] The word “exchange” is used to denote job matching activities. Work “agencies” refers to firms that employ and hire out labour to various client companies.

[25] The 1aw of 1935 was the Swedish implementation of ILO convention no. 34 from 1933 and this convention was of importance in interpreting the Swedish law. The original convention was ratified by five other nations. The convention was revised in 1950 - ILO convention no.96. This time almost 50 nations signed the convention

[26] This was also the position of the ILO. In 1965, Sweden requested clarification from the ILO whether “ambulatory typing agencies” were covered under Convention No. 96. The ILO stated that these agencies did fall with the scope of Convention No. 96. Ambulatory typing agencies were to be seen as “ intermediaries” and stated that, “the agency which places the worker at the disposal of the third party, acts as an intermediary for procuring employment for a worker or supplying a worker for an employer” (ILO 1966: 396).

[27] Those who broke the law could be sentenced to fines or prison for up to six months.

exchanges and temporary work agencies. Temporary work agencies were legalised but subject to the following regulations:

1. The employee could only be hired out to the client firm for work that arose from a temporary need and only for a period of, at the most, four months.
2. Only §5.1, 5.3 and §6 LDC contracts could be used., see text box 1 in Appendix 2.
3. AMS was to monitor the activities of temporary work agencies and was given considerable powers of inspection and sanction (vite).

A collective bargain made by the central organisations could complement or replace the law as regards the first two points listed above.

This became law in 1992 but was repealed by the Bourgeois government the following year. However, it is worthwhile noting the three points above as the current political debate circles around the two issues of registration/inspection and the use of LDCs.

The current regulation in statutory law

In prop 1992/1993:218 the government viewed the previous legislation as outdated and stated that:

> *"The reasons that once lay behind the prohibition of private employment exchanges are today, with a well developed public employment exchange, strong trade unions and extensive labour market and social protection, without significant relevance"*

The current law, effective from 1st July 1993, made private employment exchanges legal for the first time since the law from 1934. It also almost totally removed the regulation of temporary work agencies. Of most importance was the abolition of the three requirements listed at the end of the previous section.

According to the current law there is only one important restriction on the activities of private employment exchanges and work agencies, namely that it is forbidden to charge the job seeker a fee. This is strongly stated in law. In the prop 1992/1993:218, which is an important source for the interpretation of the law in court, it is stated that the private employment exchange may not engage in any form of economic transaction with the job seeker, such as the payment of a deposit or the requirement to pay for some associated service. Failure to comply with this paragraph of the law may result in fines or prison for a maximum of six months.

There are two other restrictions on the activities of temporary work agencies. The employee of the temporary work agency shall not be prevented from obtaining a job at the client company and someone who leaves a job to work in a temporary work agency may not be placed to work at his/her ex-employer until a period of six months has elapsed.

As the de-regulation was so extensive, it may also be useful to set out clearly what the law does not stipulate.[28]

[28] Points 3 and, in particular, point 1 are the main issues of current debate about temporary work agencies.

1. In most countries the state exerts some sort of control over the activity of these firms. They may have to apply for a licence or be registered at some public body. Even the otherwise de-regulated UK, public inspectors have the right to inspect the activities of the firm and have the power to close private employment exchanges. Similar legal requirements exist in Germany and Austria. In Sweden there is no form of registration, licence, monitoring or inspection by the state. The only body that has any form of monitorial role is the sector's own organisation, SPUR[29], which sets down ethical rules.

2. The law applies to all categories of workers in all sectors of the economy apart from the minor exception of private employment exchanges for seamen.[30] This contrasts with, for example, France (which limits by sector) and Italy (which excludes lower educated job seekers.

3. As temporary work agencies and contracts of limited duration lower the employment protection for the employee one could conceive some limitation on the use of LDCs in temporary work agencies, as was the case before the most recent change in the law. There is no limitation for temporary work agencies to employ labour on an LDC.

In their official commentary to the bill, the two major peak trade union bodies (LO and TCO) were against the de-regulation and claimed that it may diminish employment protection and lead to increased economic crime. The other white-collar peak organisation (SACO) took a more positive view but suggested that after 12 months the hire should result in an employment contract at the hiring firm. The employer organisation (SAF) called for an abolition of all regulation.

[29] The Swedish Association of Temporary Work Businesses and Staffing Services

[30] The exception for seamen is based on ILO convention (9/120), 32 other countries, including many European countries, adhere to this convention.

Appendix 2

The regulation of employment contracts

Statutory law is by no means the only source of legal regulation of the labour market. Case law (usually the Labour Court) has a similar status as in most continental European countries and EU law has, of course, the same status as in other Member States. The source of regulation that differs from most other countries, both in terms of its form and impact, is the collective agreement. Before the 1974 Employment Protection Act almost all of the regulation of employment contracts was made in collective agreements.

Collective agreements are legally binding to the contracting parties (and their members) and cover over 90% of all employees. While the major legislative initiatives of the 1970s broke the tradition of government non-interference in these matters, labour law still left the two parties considerable room to conclude collective bargains. The bargain could either complement statutory law or replace it in its entirety. Nearly all of the paragraphs of the Employment Protection Law pertaining to contracts of limited duration have such a status. In contrast to most European countries (and most labour legislation emanating from the European Union), statutory law is not to be seen as a floor of minimum worker rights which can be strengthened by a collective agreement. Collective agreements in Sweden may result in either weaker or stronger worker protection.[31] Perhaps the best example of lower de facto worker protection than in statutory law concerns the stipulation of first-in last-out at collective redundancies. Collective agreements on LDC contracts contain numerous cases of both stricter and more lenient regulation than in statutory law. It should be pointed out that by no means all paragraphs of labour law may be replaced by a collective agreement. For example, the current law on temporary work agencies has no such paragraphs. Neither can the parties make an agreement that discriminates particular employees.

Previously, collective bargains which permitted different regulation than the statutory regulation of contracts of limited duration could be struck only by a central trade union. This generally means at the level of a national union. However, since 1997 it became possible to make bargains at the local level (often at the work place) provided that the parties had made a central agreement in other matters. This change in the law met intense criticism from the trade union movement, and indeed more than in any liberalisation of the law from 1974.

Finally, even if the above mentioned means of regulation limit the scope for the employee and the employer to make a contract, the individual contract can in some cases be quite important. While most individual contracts (which since 1996 must be written) may only stipulate the starting date, the type of contract and position in the company, other individual contracts may contain much detail. This is particularly the case for some categories of white collar-workers. Moreover, both the Employment Protection and the Working Time laws do not apply to upper management.

The regulation of employment contracts in statutory law

As the open-ended contract is the general rule in Swedish labour law, it is necessary to set the regulation of limited duration contracts against the background of the law on open-ended contracts.

[31] An interesting restriction to the possibility to conclude collective agreements that provide weaker protection to the worker is if the European Union has legislated in this area of law. The European Union does not accept that member states, either by law or collective bargain, allow for a lower level of worker protection.

The statutory basis for the regulation of the employment contract is the Employment Protection Act, originally from 1974.[32] Prior to this law, the regulation of the employment contract was primarily the domain of collective bargaining. The cornerstones of the law are:

1. It is presumed that the employment contract is 'until further notice' (*tillsvidare*).
2. Terminations of such contracts by the employer are to have a just-cause (*saklig grund*).
3. Collective redundancies are, in principle, to follow the simple seniority rule of 'last-in, first-out'.

Just cause may be classified as causes related to the individual worker (e.g. drunkenness, bad time-keeping) and "shortage of work" (*arbetsbrist*). The term "shortage of work" is, in fact, misleading. It is the employer who decides when there is a shortage of work (not, for example The Labour Court) and is more of a catch-all phrase encompassing any reason that is not related to the behaviour of an individual worker.[33] In an international comparison the "Last-in first out" is distinctive. In practice the principle is not as strict as might appear. It is subject to suitability and competence of the employee and may be applied to quite small groups of workers at a work place separately. The main impact of last-in first-out is to hinder the employer from dismissing a worker on individual grounds by using the motivation of "shortage of work".

The law further requires that open-ended contracts can be terminated only after relatively lengthy periods of advance notice.[34] If the employer subsequently re-hires, those made redundant have priority to re-employment, in accordance with seniority, but subject to conditions of suitability up to one year after the redundancy. Coupled to these regulations are requirements under the Co-Determination Act[35] for management to negotiate with union representatives when taking important decisions effecting the workforce and in particular at collective redundancies.

The general principle is that contracts are to be open-ended. However, the 1974 law, permitted exceptions where, under certain circumstances, the employment contract could be specified as being of limited duration. When the duration expires, the employer does not have to observe many of the procedures and incur the possible costs that follow from terminating a standard contract. The law of 1974 allowed exceptions for work that by its nature is of a limited duration. Such contracts were common in, for example, the construction industry. They also permitted seasonal work and leave replacements. There was no specification of the maximum duration of the contract in calendar time.

Since 1982 two other forms of limited duration contacts were permitted by law, namely probationary employment, for a maximum duration of six months, and for work arising from a temporary increase in labour demand (*vid tillfälliga arbetsanhopningar*) for an accumulated maximum of six months during a three year period.[36]

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[32] Law 1982:80

[33] An example of when the Labour Court has not accepted the employer's claim of "shortage of work" was when the Court viewed it to be a means for the employer to dismiss a particular worker.

[34] The law states that notice be between one to six months and varies with seniority.

[35] Law 1976:580

[36] During 1994 the maximum duration of both these contracts was prolonged to twelve months. When the Social Democratic government returned to power the following year, maximum duration was once again set to six months.

During the period of the LDC (but not probationary contracts), the employer may not terminate the contract before its expiry unless this possibility was stipulated in the contract. In such case the contact may be seen as being open-ended, but not after a certain point in time.

The most recent changes in the regulation of limited duration contracts was in 1997. They entailed both a liberalisation of limited duration contracts and some increased worker protection. The liberalisation was of great principle importance as it permitted the hiring of labour for a limited duration without the employer having to give any motivation as to why the contract was not for an unlimited duration. However, a firm may only have a maximum of five persons employed with such a contract. Moreover, a particular individual may not be thus employed for more than 12 months during a three year period. If the firm is a new one the period is may be extended from 12 to 18 months. These contracts are termed "agreed contracts of limited duration" (*överenskommen visstidsanställning*). The Bill (Prop. 1996/97:16) stated that it was not the purpose of the Act is not to promote very short term employments and so the minimum permissible duration was set at one month.

The new law also addressed the important issue of repeated contracts of limited duration (*rullande visstidsanställninar*). While this applied only to leave replacement LDCs, these are by far the most common form of LDC in Sweden[37] and thus the revision of the law is of considerable potential impact. The new law stated that if someone was employed as a leave replacement for a total duration of three years during a five year period then the contract becomes of open-ended. This became law on 1st January 2000[38]. In Text Box 1 we list the forms of limited duration contracts allowed by law.[39]

Text Box 1: *The circumstances under which an employment contract of limited duration may occur. (My translation of the law)*

5 §

A time limited contract may be made in the following cases:

1. Contract for a certain time, certain season or certain work if it is motivated by the characteristics of the work task.
2. Contract for a certain time for leave replacements, work experience or holiday work.
3. Contract for a certain time, but at the most for six months during a two year period, if it is due to a temporary increase in the work load.
4. Contract for the time before the employee shall start National Service or other equivalent service which last longer than three months.

[37] I suspect this is not generally the case in other countries.

[38] Note that that if temporary work agencies are a substitute to leave replacements (temporary work agencies as an externalisation of the personnel department) then this revision of the law may serve to promote the incentive for employers to use agency workers.

[39] The Employment Protection Act does not exclude the possibility that other forms of LDCs may be allowed by other laws. Previously, pre-1990s, the law allowed for other forms for the employees of central government. This have almost totally been abolished.

5. Contract for a certain time for employments after pension. This applies when the employee has reached the age that stipulates pensioning, or when no such requirement exists, when the employee reaches the age of 65.

/Becomes law 2000-01-01
If an employee has been employed as a leave replacement for a accumulated duration of three years during the previous five years, the contract becomes open-ended.

5a A employment contract for a certain period may be made in cases other than those in 5 (agreed-upon limited duration contract). Such a contract may be of an accumulated duration of 12 months during a three year period.. No contract may be for shorter than a month. If a contact is made for a period shorter than a month then the contract is for a month.

In companies that previously have not had any employees, the employer may make a contract of the type mentioned above, for an accumulated duration 18 months during a three year period. This is permitted from the time of the employment of the first employee for a period of three years.

At any given point in time at the most five such contracts made be made by an employer.

6 § A contract can also be made for a time limited probational employment if the probationary period is at the most six months.

If either the employer or employee does not want to continue the employment contract after the expiration of the probationary period then notice of this should be given upon the exipration of the probationary period. If this is not done then the probationary contract becomes open-ended.

If not otherwise contracted, a probationary contract may be terminated before the expiration of the probationary period.

The use of repeated LDCs has always been a controversial and legally difficult issue. There is no explicit rule that in law prohibits them. In introducing the 1974 law it is stated that while repeated LDCs should in general not occur, there can be circumstances when they would be of benefit to both parties. The fact that legislation was required to clarify the situation for leave replacements suggests that in practice there is considerable room for the use of repeated contracts in §5.

Even if there are many circumstances under which LDCs may be permitted, §4 of the law sets down the presumption that contracts are open-ended. This principle has practical consequences. If the contracting parties have not specifically made a contract of limited duration then the Labour Court will generally rule that the contract is of unlimited duration. Moreover, when it is unclear as to what type of contract was made, it is up to the employer to prove that it was of limited duration. Moreover, while §5.1 would appear to allow for considerable leeway to employ labour on a LDC, the Labour Court's interpretation should be restrictive and, according to Sigeman (1994), this has indeed been the case.

The primary legal sanction when the employer breaks the law on LDCs is a fine. If the employer illegally employs labour on a LDC, the Labour Court may declare that the contract becomes of unlimited duration.

The regulation in collective agreements

Collective bargains apply to all employees in the same type of economic activity at a particular workplace. At a typical workplace there will be two agreements, one for white and one for blue-collar workers and apply to both unionised and non-unionised labour in the respective collective bargaining area. As a collective bargain is the only means for an employer to obtain some relaxation of the relatively strict rules of law (particularly as regards seniority rules), the Employment Protection Law may be an incentive for an employer to recognise unions and to regulate the contract by means of a collective bargain.[40]

There is very little systematic knowledge of how limited duration contracts are regulated in collective agreements. The exception is the regulation of probationary contracts and those arising from temporary increases in labour demand. Storrie (1994) investigated the content of 65 collective agreements, as they stood in September 1993, regarding these two forms of contracts for private blue-collar workers in the LO-SAF bargaining area. The collective bargains differed from law mainly regarding the maximum permissible duration of the contracts and the degree of influence awarded to the union in the hiring decision. There were three types of union influence: the requirement of union consent, the right to negotiation and no influence.

As regards probationary contracts, most agreements followed the law concerning the maximum permissible duration of six months (68 per cent of the workers). In other respects the collective agreements generally resulted in more restrictive rules than in statutory law. In sectors consisting of 41 per cent of the total number of employees, union consent was required. Quite similar results, concerning the relationship between law and collective agreement, were found for limited duration contracts during periods of temporary increases in labour demand. Here, however, there were more cases when the collective bargain allowed a more liberal regulation than statutory law.

There is no systematic study of other types of contracts of unlimited duration in collective agreements. I mention only some examples in order to illustrate the diversity of unlimited contracts that exist.

The construction industry is one of the most limited contract intensive sectors. Given that § 5.1 allows an employment contract for a limited duration if it is motivated by "the characteristics of the work task" and that work on a particular building or road may be viewed in such a light, this would appear to give the employer great scope to undermine the norm that contracts are to be of unlimited duration. In 1988, as the result of the government's threat of special legislation (Ds A 1987:7) the employer and union organisations concluded a collective bargain that in detail regulates LDC contracts (*byggnads-, anläggnings- och vägfacken*). The agreement emphasises §4 of the law, i.e. that unlimited duration contracts should be the "normal" form in these sectors and restricts the use of LDCs. §5.1 contracts. Such contracts may still used, but only for work that is estimated to last not longer than six months and only for new construction (*nyproduktion*) or major repair or renovation. If the employee remains at the firm upon completion of this work the contract is converted to one of unlimited duration. The same obligation holds if the several repeated contracts of an

[40] Observers of the Swedish labour market often claim that certain institutional arrangements are feasible due to the high union organisation level. In many cases, however, it is appropriate to observe that the legal and institutional framework promotes a high level of unionisation, see Fahlbeck (1984).

accumulated period of eight months have been used during a 12 month period. A recent innovation in the SEKO-Byggförbundet agreement is the open-ended contract for seasonal work

The educational sector is another unlimited duration intensive sector. Probationary contracts in most collective agreements are for one year, in contrast to the law's six months. State subsidised theatres have many contract forms for the duration of a single play, for half and whole year. Since 1998 there is a new contract termed "long-term contract" (*långtidskontrakt*). This is can be for between two and five years. This contact allows for higher wages to compensate for the lower degree of employment security.

White collar agreements in the private sector, are generally less restrictive than both the law and blue-collar agreements. For example, it generally is the case that there is no limitation (in calendar time) of how long an employee may be employed to satisfy a temporary increase in labour demand.

In recent years a new form of contract of unlimited duration has appeared in several collective agreements, particularly, in the trade and transport sectors. These can be viewed as on-call contracts (*behovsanställningar*) and entail that the employee is at the employers disposal and may be called upon to work when need arises. According to SOU 1997:27 these employment contracts exist both with and without the support of collective agreements and thus are of dubious legality.

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