

**EUROPEAN PARLIAMENT**

**DIRECTORATE-GENERAL FOR RESEARCH**

**WORKING PAPERS**

**SOCIAL AND LABOUR MARKET POLICY**

**IN SWEDEN**

Social Affairs Series

W - 13

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**PUBLISHER:** **EUROPEAN PARLIAMENT**  
DIRECTORATE-GENERAL FOR RESEARCH  
Division for Social Affairs, Employment, Public Health  
and Consumer Protection  
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The manuscript was finished in July 1997.

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## SUMMARY

### 1. General Information

Sweden is a Scandinavian country covering about 450,000 km<sup>2</sup> with a **population** of 8.82 million and a low population density of only 19.4 inhabitants per km<sup>2</sup>. According to Eurostat statistics, in 1993 5.8% of the total population were foreigners, of whom more than one third are immigrants from other Nordic countries.

Sweden is a **constitutional monarchy with a parliamentary form of government**. Executive power rests with the Cabinet ("Regeringen"), which is responsible to Parliament ("Riksdag"), which holds the legislative power. The parliament has 349 members, who are elected by proportional representation.

**The Social Democratic Party** ("Socialdemokratiska Arbetareparti") has played a dominant role in Swedish politics since 1932. Except for six years of non-socialist rule in 1976-1982, the Social Democrats were in government, either alone or in coalition with other parties, from 1932 to 1991. After three years of non-socialist government, the Social Democrats returned to power in 1994.

**The Swedish welfare state** has traditionally been characterized by a high level of social protection based on universal coverage and solidarity, a large public sector, a low rate of unemployment, regulation of the employment market based largely on collective agreements and comparatively high growth rates.

In the early 1990s the Swedish economy fell into the deepest and longest **recession** since the 1930s resulting in a rate of unemployment of almost 9%, unprecedented in Sweden, and a significant increase in the public sector's overall budget deficit. The present Social-Democratic government is still fighting to overcome these problems. The measures adopted to reinvigorate the economy include severe cuts in public spending which have had a significant impact on Sweden's social policy.

### 2. The Labour Market

#### 2.1. Employment Structure

The rate of **labour force participation** is high in Sweden compared to other European countries, although it has dropped from over 84% of the working-age population in 1990 to 79.4% in 1995. The equivalent averages in the EU are 67.9% in 1990 and 67.7% in 1995. Moreover, the Swedish **employment rate** is high at 72.1% in 1995, compared to an EU average of 60.4%.

25.8% of employed persons in Sweden are in **part-time employment** which compares with the EU average of 16%. The Netherlands has the highest proportion of part-time employees with 37.4% of employed persons, while Greece has the lowest proportion, with only 4.8% in part-time employment.

In Sweden **the service sector** employs a relatively large part of the working population (see the table below). Forestry is the most important component of the agricultural sector, which also includes hunting and fishing, with around 68% of Sweden's land area being covered by forest and woodland. In 1993, forestry products, such as wood, pulp and paper accounted for 16.3% of total merchandise exports.

Sector	Sweden	EU
Agriculture	3.3%	5.3%
Industry	25.8%	30.2%
Services	71.0%	64.5%

Source: European Commission, Employment in Europe, 1996, p. 147 and p. 161.

In 1980, when **the public sector** in other OECD countries employed on average around 20% of the workforce, the Swedish public sector employed around one-third of working Swedes. This reflected the fact that major services such as education, health care and, to a certain extent, housing were supplied by public sector organisations in near-monopoly positions.

## 2.2. Unemployment

Like most European countries, Sweden experiences **high rates of unemployment**. According to Eurostat, the unemployment rate for Sweden in April 1997 was 10.7% which placed Sweden just below the EU average of 10.8%. The highest levels of unemployment are found in Spain at 20.9%, and Finland at 16.6%, while the countries with the lowest rates of unemployment are Luxembourg at 3.7% and Austria at 4.5%. For Sweden, the present unemployment figures represent a very pronounced increase compared to the years before the economic crisis of the early 1990s, when the unemployment rate was 1.8%.

As a result of high unemployment, certain groups of people are facing increased problems in finding a job and are at risk of being excluded from the labour market. **Young people** especially have been hit hard with an average unemployment rate of 22.3% in April 1997 (EU average: 20.5%). The unemployment rates for immigrants and handicapped persons are also higher than average.

Until 1990 **long-term unemployment** was negligible. However, in 1995 the long-term unemployed amounted to 20.2% of the total number of unemployed persons. Nevertheless, by European standards this is a relatively low percentage, as the average for the EU was 49.2%.

### **2.3. Measures to Combat Unemployment**

A number of measures, including programmes to reduce unemployment, have been implemented by the government in response to the economic crisis. Swedish labour market policy is based on the **activation principle**; compared to most European countries, Sweden spends a substantial amount on active labour market programmes. In 1993/94, almost 50% of total government expenditure on labour market policies was devoted to such programmes, while only just under 50% was spent on cash benefits.

Emphasis is laid on helping the unemployed to find suitable vacancies. This task is carried out by the **public employment service** (PES) offices who must ensure that vacancies are rapidly and properly filled and that job seekers find employment quickly. Unemployed persons must register with the PES to be eligible for unemployment benefits. The PES also makes decisions about placements in almost all the labour market programmes. The establishment of private employment agencies run for profit has been allowed since 1993. Employment agencies are permitted only to charge fees to employers and not employees. It was estimated in 1995 that private employment agencies filled only 0.4% of all vacancies.

**Labour market programmes** have been established to provide training and work experience through temporary jobs and through subsidies for employment. It is estimated that about 5% of the labour force, amounting in 1994 to 309,000 individuals, participate in labour market programmes.

In the government's programme from June 1996 the reduction of the rate of "open" unemployment (i.e. excluding those in labour market schemes) is a very important aim; the government has set a target of halving unemployment by year 2000. A precondition for the fulfilment of this goal is, according to the programme, a balanced national budget by 1998 and stable prices. In order to promote growth and employment, the June programme proposes a number of measures, including providing 130,000 extra places in education.

### **2.4. Women in the Labour Market**

At 78%, the rate of participation in the Labour force among Swedish women is high in comparison to the EU average of 57.3%. Almost half of the Swedish labour force are women. In Sweden the unemployment rate for women is lower than that for men; in April 1997 it was 10% for women and 11.4% for men. These figures are remarkable as in most European countries the unemployment rate for women is higher than for men. In April 1997, the average unemployment rate in the EU was 12.5% for women and 9.5% for men. In Sweden, 43% of women work part time; in the other EU countries, the average is 31.3%.

### 3. Industrial Relations

#### 3.1. The Social Partners

It is notable that over 80% of workers in Sweden are members of a **trade union**. Finland and Denmark also have high rates of union membership, while the rates for France, Italy and Germany are 11%, 66%, and 42% respectively. The unions have traditionally been closely associated with the Social Democratic Party.

The three main organisations for employees are the Swedish Trade Union Confederation (LO) with 2.2 million members, the Swedish Confederation of Professional Employees (TCO) with 1.3 million members, and the Swedish Confederation of Professional Associations (SACO) with 385,000 members. Roughly half of the Swedish labour force are white-collar workers.

The LO and, to a lesser extent the TCO, are based on the industrial principle, so that the unions are organised according to the economic sector in which employees are working rather than according to the employees' profession.

The employers have also formed organisations. The most important **employers' organisations** are the Swedish Employers' Confederation (SAF) for employers in the private sector, the Swedish Association of Local Authorities, the Federation of County Councils, and the Swedish Agency for Government Employers (AgV). The largest employers' organisation is SAF, which represents 42,000 companies in the private sector with a total of 1.3 million employees. The member companies are relatively small as more than half of them employ five persons or less.

#### 3.2. Collective Bargaining Agreements

In Sweden, collective agreements traditionally play an central role in regulating relations between employers and employees. Collective agreements can cover any aspect of the employment relationship, such as wages, working conditions, and the terms and conditions of employment. The adoption of legislation in a particular field does not exclude the conclusion of collective agreements, provided that they put the employees in a better position than the legislative provisions.

Bargaining has traditionally taken place **centrally** between the two sides of industry, who negotiated on behalf of their member associations. However, since 1983 negotiations in the private sector have become increasingly decentralised with bargaining taking place more frequently at sector level. The Employers' Confederation (SAF) in particular is strongly opposed to central pay negotiations.

Central pay negotiations have enabled Swedish trade unions to pursue a policy of preventing large inequalities in wages. The success of the unions' policy of wage equalisation can be seen in the very low pay differentials in Sweden compared to other OECD countries. Whereas the difference

between the wages in the highest and lowest deciles for industrial workers in the early 1980s was 34% for Sweden, it was 210% for the United Kingdom and 490% for the United States.

Swedish legislation does not provide for a **minimum wage**. Minimum pay rates are instead laid down in collective agreements. In order to compare accurately the **cost of labour** in Sweden with that in other member states, it is necessary to include not only wages, but also other costs, such as social contributions paid by the employer. Such a comparison shows that the costs per hour for Swedish workers are relatively high at ECU 19.02. This is surpassed only by Germany at ECU 23.14, the Netherlands at ECU 19.20 and Austria at ECU 19.19. When labour costs are related to hourly productivity, however, the figures are more favourable to Sweden, with net wage costs around the European mean.

The Saltsjöbaden agreement of 1938 established the so-called "peace obligation" between employers' organisations and trade unions. Consequently, Sweden experiences relatively few **strikes** and only a small number of days are lost each year; between 1988 and 1992, on average 100 days per 1000 employees each year were lost through strikes, compared to an annual average in the EEA of 153 days.

#### **4. Labour Market Legislation**

The bulk of the labour market legislation in force in Sweden today dates back to the early 1970's, when, for example, statutes on workers' participation in decision-making in working life, job security and the status of trade union representatives at the work place were adopted.

According to the Working Hours Act, normal **working hours** are limited to a maximum of 40 hours per week. This Act also contain provisions concerning *inter alia* overtime, night work, Sunday work and time off. Collective agreements stipulate weekly working hours ranging from 35 to 40 hours. The EC Directive on working-time was implemented in Sweden from 23 November 1996 but resulted only in minor amendments to Swedish legislation.

Under the Annual Leave Act, all employees are entitled to a minimum of 25 working days, that is five weeks, of **annual vacation**.

The **Security of Employment** Act protects employees against unfair dismissal. An employer can only dismiss an employee if he can demonstrate objective grounds for the dismissal. An objective ground for dismissal exists, for example, if there is lack of work so that one or more persons are redundant. However, if it is reasonable to transfer the employee to a different position in the same company, he should not be dismissed. Moreover, dismissals must generally respect the principle of "last in, first out".

Sweden has a relatively developed system of **employee participation** in the workplace, based on the appointment of trade union representatives who exercise rights on behalf of the employees. Trade union representatives are given specific rights to enable them to carry out their activities; they enjoy, for example, special protection against dismissal.

Employers must **inform** employees about the development of the company's activities, profitability and its personnel policies. Where an employer envisages major changes in the company's activities or to the employment conditions for one or more members of the trade union, he is obliged to **consult** the employees before taking any decision.

In private enterprises with at least 25 employees, employees have a right of **representation** on the Board. It has not yet been decided how to implement the Directive on European Works Councils, but some Swedish multinational enterprises such as Scansped, Electrolux, SKF, Volvo, and Ericsson have already concluded voluntary agreements.

## 5. Social Protection

The Swedish system of social protection is characterized by the payment of comparatively generous benefits - although the benefit levels have been reduced in recent years - and by the fact that the payment of benefits is not in general means-tested. The Swedish system of social protection is rather costly with spending amounting to about 40% of GDP in 1992, while the EU average was 27.1% of GDP. It is important to note, however, that two factors in particular make the Swedish system appear expensive: many services, such as health care, are provided directly by the public authorities, while most income transfers and benefits are subject to income tax.

Employers' contributions provide 55% of the funds for social insurance schemes. In this respect, Sweden differs from the other Scandinavian countries, most notably Denmark, where employers' contributions finance a much lower proportion of social expenses.

### 5.1. Old-age Pension Scheme

Sweden has a relatively high percentage of pensioners compared to the other Nordic countries; 18.1% of the population are old age pensioners, while in Denmark, Finland, Iceland and Norway the figures are 13.9%, 15.3%, 9.8%, and 14.5% respectively. At the same time Swedish pension benefits are comparatively generous; on average the old-age pension replaces around 65% of previous income, a replacement rate surpassed only by Germany with a rate of 73%. In comparison the income replacement rate for old-age pensions was 59% in Denmark, 50% in the Netherlands, and 47% in the United Kingdom.

In order to counter the growing costs of the old-age pension scheme, a **pension reform plan** was approved by Parliament in June 1994, which will replace the present system over a period of 20 years. The pension reform plan is very complex, but one of the most significant changes is the introduction of **employee contributions** to the scheme, with the employee and employer paying 50% of the contributions each. The Swedish pension system can be described as a **three-tier system**. The social insurance system guarantees a **basic pension** to all pensioners over 65 irrespective of their previous earnings. The social insurance system also includes an earnings-related supplementary pension - **the ATP system**. These two systems guarantee, as already mentioned, that on average pensions replace around 65% of previous income. The exceptions are the low earners who receive *ad hoc* supplements, and the high earners whose replacement rate is lower because of an earnings ceiling in the ATP-system. The third tier of pension provision, which is less well-known, consists of schemes arranged by collective bargaining.

The **National Basic Pension** covers all persons who have either resided in Sweden for at least three years or who have had three years of employment. A full basic pension is payable to persons who have lived in Sweden for 40 years; the pension is reduced proportionally for each year lacking. The pension is not based on previous income and therefore has a re-distributional effect. In 1996 a full basic pension amounted to SEK 34,057 (ECU 4,075), while for a married person the basic pension was SEK 27,849 (ECU 3,332).

The **National Supplementary Pension (ATP)** was introduced in 1960 and has become the more important of the two pension plans. The size of the ATP depends on years worked and income earned. For a person who has worked for at least 30 years, the pension will amount to 60% of the average pensionable income, calculated as income earned in the 15 years with highest income. The maximum annual pension in 1996 was SEK 138,356 (ECU 16,553). The ATP plan is financed through contributions paid by employers and self-employed persons of 13% of earned income without any upper limit.

A **pension supplement** is payable to persons who either do not receive any ATP or who are only entitled to a low pension. This pension, which amounts to SEK 19,689 per year (ECU 2,356) ensures that everyone receives a guaranteed minimum pension, composed of the basic pension and pension supplement, amounting to SEK 53,746 (ECU 6,431) per year for a single person with a full earning period, drawing pension from the age of 65.

There are four main schemes arranged by collective bargaining. One is for persons employed by the central government, one for employees of the local government (counties, municipalities and parishes), one for blue-collar workers in the private sector, and one for white-collar workers in the private sector. The purpose of the schemes is to increase the income replacement rate for most workers to 75% of final salary. Earnings above the ATP-ceiling are covered, except in the pension

system for blue-collar workers. However, a decision was taken in 1996 to switch to a defined contribution system without a ceiling.

### **5.2. Other Benefits**

The **sickness and work injury insurance schemes** have been substantially reformed in recent years to curb expenditure. Until a few years ago, the insurance schemes were very generous with compensation rates at 100% of lost income, but since 1990 the income replacement level has been reduced significantly. From 1 January 1997 compensation is set at 80% of lost income. This level applies not only to sickness benefits, but also to work injury benefits received for the first 180 days of illness due to work injury, after which the compensation rate increases to 100%. In addition, since 1993 sickness benefits have been payable only after one day of sickness, and the definition of occupational sickness has been tightened, making it more difficult to become entitled to work injury benefits.

The replacement rates have also been lowered for **pregnancy and parental benefits**, as these benefits are generally payable at the same rate as sickness benefits and the child allowance supplement has been abolished. **Pregnancy benefits** are provided for expectant mothers who are unable to continue normal work; the allowance may be paid for up to 50 days during the last two months of pregnancy. The **parental benefit** allowance gives protection against the loss of income mainly in connection with the birth of a child. The parents are entitled to parental leave for a total of up to 450 days per child until the age of 8 years and the mother may begin to draw parental allowance 6 weeks before the estimated date of birth. Out of the 450 days of leave, 30 days are reserved for the mother and 30 for the father, while the rest of the days can be split as they wish. A **general child allowance** of SEK 640 a month is paid for children under the age of 16 residing in Sweden.

### **5.3. Unemployment Benefits**

In Sweden there are two types of unemployment benefits: income-related unemployment insurance benefit and flat-rate unemployment benefit. In 1995, 68% of registered unemployed people received the income-related unemployment insurance and 7% received the flat-rate unemployment benefit. Payment of these benefits is conditional on registration with the PES and the recipients must be available for work or for participation in a labour market programme.

**Unemployment insurance benefits** are payable only to persons who have been members of an insurance society for 12 months and worked for at least 80 days before claiming benefits. These benefits have also been reduced, in order to cut public spending. Until 1993 unemployment benefit could amount to 90% of the insured person's previous income, but it has gradually been reduced to 75% from 1 January 1996. In addition, benefits can only be received after a waiting period of 5 days and the maximum benefit to be paid has been set at SEK 564 per day. The duration of the benefits is, formally, relatively short as a worker under the age of 55 can receive benefits for a

maximum of 300 days, while for those over 55 the maximum duration of the benefits is 450 days. In practice, however, the system allows the payment of benefits for much longer periods of time as participation in labour market programmes gives the person a right to receive a new round of benefits.

## 6. Education and Vocational Training

The Swedish educational system is based on the principle that everybody should have equal opportunities regardless of ethnic background or area of residence and is based on a system of lifelong learning, emphasizing adult and further education, where training is an important part of the general education system. A recent OECD survey shows that a relatively high percentage of the Swedish population has a higher educational degree.

Swedish education is mainly financed from public funds and in 1993 total public expenditure for the whole of the educational system accounted for around 7.5% of GDP which makes Sweden one of the countries with the highest spending on education, the OECD average being around 5.8%.

Schooling is **compulsory** and comprehensive for nine years, from the age of 6 or 7. Around 98% of pupils attend public schools run by the municipalities, even though it is possible to choose between public and private schools. The school year is relatively short, covering 40 weeks with a minimum of 178 and a maximum of 190 school days.

The **upper secondary education** ("gymnasieskolan") consists of 16 nationally determined programmes, of which 14 are **vocational programmes** and 2 are programmes preparing for **university studies**. All programmes last for three years and all programmes cover certain core subjects, such as Swedish, English, Civic Education, Mathematics, and Sports and health studies. The vocational programmes include experience work at a work place for at least 15% of the time. Secondary education has become an education for everyone, as 98% of the pupils which attended compulsory school now enter 'gymnasieskolan', and only 8% of pupils drop out.

Sweden has 37 **higher education** institutions, including 7 universities and a number of small and medium-sized university colleges. Three different general degrees are awarded: The diploma or certificate after 2 years of full-time study ("högskoleexamen"), the Bachelor's degree ("kandidatexamen") after at least 3 years study and the Master's degree ("magisterexamen") after at least 4 years study. **Distance learning** has a long tradition in Sweden and a number of higher education studies are offered on this basis. In 1993, the capacity of higher education institutions was increased by about 30%. In 1994, just over 30% of young people in Sweden continued to higher education, which is offered free of charge. Students who attend higher education are entitled to receive financial assistance from the government, in the form of student grants and loans.

In accordance with the principle of **lifelong learning**, the Swedish system of **adult education** provides adults with good opportunities for improving their educational qualifications. The government has recently allocated more funds to ensure an increase in the general educational level and to strengthen professional training.

In order to encourage more adults to improve their educational qualifications, a special educational assistance system takes effect from 1 July 1997, allowing principally unemployed persons to follow basic education or upper secondary education for a maximum of one year while receiving an amount equivalent to either the unemployment insurance benefit or to the cash labour market assistance (unemployment benefit not linked to previous income).

As part of the Swedish government's active labour market programmes, **vocational training** is offered to unemployed persons or persons in danger of losing their jobs. Training and retraining activities are organised by the national employment training agency AMU, which co-ordinates about 100 training centres.

## 7. Sweden and the EU

Sweden formally lodged an application for membership of the European Community in July 1991. A first step towards accession was the agreement on the European Economic Area (EEA), which extended the internal market of the Community to most of the EFTA countries. In a referendum on Sweden's accession to the European Union held in November 1994, 52.3% of votes were cast for, and 46.8% against, accession.

Sweden's accession to the European Union has no direct effect on the Swedish provisions on social protection (see Chapter 5), as Articles 117-122 of the Treaty of Rome on social policy, as well as Protocol (No. 14) on Social Policy to the Maastricht Treaty, do not provide the Community with any competence to adopt legislative acts harmonising the Member States' social legislation. The same applies to education and vocational training (see Chapter 6), because even though the EC Treaty contains a Chapter on Education, Vocational Training and Youth (Articles 126-127), it is expressly stated in Article 126 that the Member States maintain full responsibility "for the content of teaching and the organisation of education systems".

However, the general principle of non-discrimination as well as the detailed provisions contained in Regulation No. 1408/71 on social security benefits have required amendment of some of the Swedish provisions reserving certain rights and benefits to Swedish nationals or to individuals domiciled in Sweden.

The EC Treaty and the Social Protocol annexed to the Maastricht Treaty provide the Community with competence to adopt legislative provisions concerning labour market issues, but in view of the high level of protection generally afforded to workers in Sweden, and the relatively advanced provisions on equality, it has been necessary for Sweden to adopt only minor changes to labour market legislation.

It seems that Sweden will be able to maintain its tradition of regulating the labour market by way of collective agreements as Sweden was assured by the Commission during the accession negotiations that the Social Protocol to the Treaty on European Union would not require any change to the existing Swedish practice of regulating the labour market by means of collective agreements between the social partners.



## CHAPTER 1

# Introduction

### 1. General Information on Sweden

The Kingdom of Sweden is, like Denmark and Norway, a Scandinavian country. The Scandinavian countries belong to the wider group of Nordic countries which also includes Finland and Iceland. A close relationship exists between the Nordic countries which is underlined by their co-operation through the Nordic Council and the Nordic Council of Ministers. An example of this co-operation was the 1954 agreement on a common labour market<sup>1</sup>.

Sweden is a member of the Nordic Council, the UN, the OECD, the Council of Europe, and, from 1 January 1995, the European Union (EU). Due to Sweden's traditional policy of non-alignment it remains outside NATO, although it would apply for observer status within the Western European Union.

Sweden is a constitutional monarchy. The monarch, who is Head of State, has only very limited formal prerogatives. Executive power rests with the Cabinet ("Regeringen"), which is responsible to Parliament ("Riksdag"), which holds the legislative power. The parliament has 349 members, who are elected on the basis of proportional representation. Parliamentary government was adopted in 1917 and in 1921 Sweden introduced universal adult suffrage<sup>2</sup>.

The official language is Swedish. The State religion is the Evangelical Lutheran Church of Sweden to which 88% of the population belong. An Act ensuring full freedom of religion for all people, except for the King, was not adopted until 1951. After year 2000 the Church will become independent from the State<sup>3</sup>.

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<sup>1</sup> MISEP, Basic Information Report, Employment observatory, 1995, p. 3.

<sup>2</sup> The Europa World Yearbook, 1995, vol. II, s. 2886.

<sup>3</sup> Munzinger-Archiv/IH-Länder aktuell 7/96, Soziales und Kultur, p. 3.

## 2. The Demographic Situation

### 2.1. Figures

Area<sup>4</sup>: 449.964 km2 (in EU, only France and Spain are larger)

Population (1994)<sup>5</sup>: 8.82 million

Pop. density<sup>6</sup>: 19.4 inhabitants per km2 (EU average - 147.4 per km2)

Fertility rate (1994): 1.89 child per woman (highest in EU - average 1.45 per woman)

% of births outside marriage: 50% (highest in EU - average 21.7%)

Life expectancy at birth (1993): Females: 81.3 years (second highest in EU - average 79.6 years)  
Males: 76.1 years (highest in EU - average 73.2 years)

Infant mortality rate (1994)<sup>7</sup>: 4.9 per thousand (second lowest in EU - average 6.2)

Immigration<sup>8</sup>: 5.8% of the total population (EU average - 4.8%)  
EU-foreigners: 2.2% (EU average - 1.5%)  
Non-EU foreigners: 3.6% (EU average - 3.3%)

### 2.2. Immigration

In 1993, according to Eurostat statistics, foreigners accounted for 5.8% of the total population, which at that time was 1 percentage point higher than the average for the EU. In numbers, this means that out of a population of 8.7 million, 500,000 were foreigners. EU foreigners numbered 187,100 persons in total. By far the largest group of EU immigrants in Sweden is Finnish nationals (111,500), followed by Danish nationals (27,000), Germans (12,900), and Britons (10,700). Immigrants from non-EU countries come mainly from Norway (40,300), Ex-Yugoslavia (39,600),

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<sup>4</sup> Eurostat, Basic Statistics of the European Union, 1995, p. 123.

<sup>5</sup> EIU-reports, No. 24.

<sup>6</sup> Eurostat, 1995, p. 123.

<sup>7</sup> Eurostat, Population and social conditions, Statistics in Focus, No. 8, 1995, table 2.

<sup>8</sup> Eurostat, Population and social conditions, Statistics in Focus, No. 2, 1996.

Iran (39,000), Turkey (26,500), and Poland (16,400)<sup>9</sup>. While the number of immigrants fell between 1975 and 1983, it rose in 1990, partly due to the number of refugees who were granted asylum<sup>10</sup>.

### **3. Recent Economic and Political Developments**

The Swedish welfare state has traditionally been characterized by a high level of social protection based on universal coverage and solidarity, a large public sector, a low rate of unemployment, regulation of the employment market based to a wide extent on collective agreements and comparatively high growth rates. These elements distinguish the social policy of Sweden, commonly referred to as the Swedish model<sup>11</sup>, from the social policy of most European countries<sup>12</sup>.

The deep recession in the early 1990s and the measures adopted to restore economic stability have resulted in severe cuts in government spending and had a significant impact on Sweden's social policy. Therefore, a short analysis of recent political and economic developments of particular importance for social and labour market policy is given below.

#### **3.1. Until 1990**

The Swedish welfare state is largely a product of the post-war period, where the strength of the Social Democratic Party (Socialdemokratiska Arbetareparti - SAP) was very pronounced. From 1932 until 1976, except for a brief period in 1936, SAP formed the government, either alone or as the senior partner in coalitions<sup>13</sup>. A strong trade union movement and sustained economic growth were significant features of this period. Even in the 1970s, where the oil crises generally led to economic problems, Sweden had a relatively high growth rate, with an 18% increase in GDP from 1970 to 1980. The unemployment rate was consistently very low and until 1981 never exceeded 2%. There was a very strong increase in spending on social security during the 1970s, with an increase in real public expenditure of 111% between 1970 and 1980<sup>14</sup>.

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<sup>9</sup> Eurostat, No. 2, 1996, *supra*, table 4.

<sup>10</sup> Gould, Sweden: The Last Bastion of Social Democracy, 1996, p. 79.

<sup>11</sup> There are various opinions as to what connotes the Swedish model, see e.g. Nørby Johansen, Welfare State Regression in Scandinavia? The Development of Scandinavian Welfare States from 1970 to 1980, 1986, pp. 129-130, Premfors, The 'Swedish Model' and Public Sector Reform, July 1991, p. 84, Gould, Sweden: The Last Bastion of Social Democracy, 1996, pp. 72-75. Because of the similarities between the Scandinavian countries some writers refer instead to the 'Scandinavian Model'.

<sup>12</sup> The welfare state of the other Scandinavian countries resembles that of Sweden.

<sup>13</sup> The Europa World Yearbook, 1995, vol. II, p. 2886f.

<sup>14</sup> Nørby Johansen, Welfare State Regression in Scandinavia? ..., 1986, p. 137.

The 1980s started with a new oil price shock and a recession, leading to a sharp rise in unemployment. In 1983, 3.5% of the labour force were unemployed, which for Sweden was a relatively high unemployment rate. In order to make Swedish export cheaper and more competitive abroad, the krona was devalued twice in the early 1980s, first 10% and then in 1982 by 16%<sup>15</sup>. These devaluations contributed to a recovery of the economy and to a decline in unemployment.

In the early 1980s the Swedish welfare system had developed fully and provided comprehensive 'womb-to-tomb' protection. The level of public expenditure had reached a peak in 1982 at close to 67% of GNP; by 1988, public expenditure had been reduced to about 60% of GNP. In comparison, in 1960 the public sector accounted for around 30% of GNP, close to the OECD average<sup>16</sup>.

Financing of this advanced welfare system led to high rates of taxation and by the 1980s public spending had turned into a problem. This was acknowledged not only by non-socialist parties but also by the Social Democratic Party which tried to counter this by reducing public sector expenditure, but these changes only slightly modified the traditional model. Sweden still had a very large public sector<sup>17</sup>.

### **3.2. The recession in the early 1990s<sup>18</sup>**

The recession that began in early 1990 and lasted for 3 years, and which still have repercussions today, was the deepest and longest since the 1930s and resulted in a rate of unemployment of almost 9%, unprecedented in Sweden, and a significant increase in the public sector's overall budget deficit<sup>19</sup>.

Sweden lost its position as one of the world's most affluent countries as a result of the recession. This can be seen by comparing Swedish GDP per capita with other European countries. In 1989, Sweden had a relatively high GDP per capita of ECU 16,252 compared to the EC average of ECU 13,641. Due to the severe economic recession, in 1993 Swedish GDP per capita had declined to an estimated ECU 15,590, while in most other European countries GDP increased, leaving Sweden slightly **below** the EC average GDP of ECU 15,835<sup>20</sup>.

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<sup>15</sup> The Europa World Yearbook, 1995, vol. II, p. 2886f and Trehörning, Measures to Combat Unemployment in Sweden. Labor Market Policy in the Mid-1990s, 1993, p. 19.

<sup>16</sup> Premfors, The 'Swedish Model' and Public Sector Reform, July 1991, p. 90 and p. 85. In 1980 where the Swedish public sector had surpassed 60% of GNP the OECD average was just above 40%.

<sup>17</sup> Premfors, *supra*, pp. 90-92 and p. 94.

<sup>18</sup> See generally: Ramaswamy, and Green, Recession and Recovery in the 1990s, September 1995, pp. 6-7.

<sup>19</sup> Lachman, Overview, in "Challenges to the Swedish Welfare State", September 1995, p. 1.

<sup>20</sup> Eurostat, 1995, p. 42.

### 3.2.1. Causes of the recession

The causes of the recession were many and interrelated and have been explained by two different theories<sup>21</sup>.

According to one theory, the crisis was mainly a result of errors in economic policy employed in the 1980s which had led to an economic boom, and the unfortunate timing of the stabilisation policy applied in the late 1980s in response to the overheating of the economy. The economic boom had been triggered largely by financial liberalisation and generous tax rules, which had led to a boost in domestic consumption, followed in the late 1980s by a labour shortage, emerged most notably in industry<sup>22</sup>. As a result, salaries increased rapidly causing high inflation, weakening competitiveness and net exports. These problems were aggravated by general international downturn, which led to the closure of a large number of Swedish companies<sup>23</sup>.

The response of the government has been criticised as having aggravated still further the economic crises. First, the currency was devaluated comparatively late in November 1992<sup>24</sup> and monetary conditions improved only after the devaluation<sup>25</sup>. Moreover, the major tax reform of 1991 has been criticised for its unfortunate timing. This reform, which significantly lowered the tax rate on income from capital, was introduced at the time when the economic boom was lowing, consumption had started to decrease and household savings were increasing. Real net interest rates increased, reinforcing the rise in household savings and decreasing consumption even further<sup>26</sup>.

Another theory regards the crisis of the 1990s "as symptomatic of profounder structural problems in the Swedish economy"<sup>27</sup>. The devaluations of the early 1980s had made Swedish companies more competitive but they also had the effect that fundamentally unprofitable companies were not encouraged to increase their efficiency<sup>28</sup>. Moreover, in the 1980s major Swedish companies had

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<sup>21</sup> Swedish NLMB, Prevention of long-term unemployment and permanent rejection from the labour market, November 1994, p. 1.

<sup>22</sup> Trehörning, Measures to Combat Unemployment in Sweden ..., 1993, p. 20.

<sup>23</sup> OECD, OECD Economic Surveys - Sweden, 1994, p. 16 and Nordisk ministerråd, Arbetsmarknad och arbetsmarknadspolitik i Norden 1994, p. 87.

<sup>24</sup> At the end of 1992 the Government allowed the Swedish krona to 'float', leading effectively to a devaluation of about 10%, cf. The Europa World Yearbook, 1995, vol. II, p. 2887 and Gould, Sweden: The Last Bastion of Social Democracy, 1996, p. 76.

<sup>25</sup> OECD, OECD Economic Surveys - Sweden, 1994, p. 24.

<sup>26</sup> Swedish NLMB, Prevention of long-term unemployment ..., November 1994, p. 1 and OECD, *supra*, p. 16ff and p. 24.

<sup>27</sup> Swedish NLMB, *supra*, p. 1.

<sup>28</sup> Trehörning, Measures to Combat Unemployment in Sweden ..., 1993, p. 22.

increased their investments abroad. Expansion of production and employment in the private sector thus took place outside Sweden. In manufacturing especially, there was a severe decline in employment in Sweden<sup>29</sup>. "The previous invisibility of these problems is put down to their having been concealed by the heavy expansion of public employment and by recurrent devaluations"<sup>30</sup>.

### 3.2.2. Government response

With the new and more severe recession of 1990, the policies of the Social Democratic government changed. It was forced to abandon its previous policy whereby full employment and the defence of the welfare state had been overriding priorities<sup>31</sup>. The policy of subsequent Swedish governments, including Social Democratic ones, has since then focused on lowering the rate of inflation, reducing in the budget deficit and cutting costs<sup>32</sup>. Cutting public expenditure has, for example, resulted in a significant lowering of the level of social security benefits, cf. below, Chapter 5.

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<sup>29</sup> Gould, Sweden: The Last Bastion of Social Democracy, 1996, p. 75 and Trehörning, Measures to Combat Unemployment in Sweden ..., 1993, p. 23.

<sup>30</sup> Swedish NLMB, Prevention of long-term unemployment ... November 1994, p. 1.

<sup>31</sup> The Europa World Yearbook, 1995, vol. II, p. 2887.

<sup>32</sup> Trehörning, Measures to Combat Unemployment in Sweden ..., 1993, p. 57.

## CHAPTER 2

## The Labour Market

### 1. Employment Structure

In comparison to other European countries Sweden has a very high rate of labour force participation even though it has dropped from over 84% of the working-age population<sup>33</sup> in 1990 to 79.4% by 1995; the EU equivalents are 67.9% in 1990 and 67.7% in 1995<sup>34</sup>. The reduction in the Swedish labour force was partly caused by a growing number of young persons continuing their education and not entering the labour force. Another factor was workers either leaving the labour force, for example on early retirement, or participating in training programmes<sup>35</sup>.

Moreover, the Swedish employment rate<sup>36</sup> is high at 72.1% in 1995 compared to an EU average of 60.4%<sup>37</sup>. Between 1990 and 1994, the number of persons employed fell by more than 575,000, i.e. by 12 per cent<sup>38</sup> and employment fell to 71.4% of the working-age population, which was the same level as at the beginning of the 1970s. Employment was reduced in all economic sectors, but especially in the industrial sector where more than 250,000 jobs were lost<sup>39</sup>. This was primarily due to low demand during the recession, but also to restructuring and streamlining of industry. In the public sector, employment was reduced by 6%, or more than 120,000 jobs, between 1990 and 1994<sup>40</sup>.

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<sup>33</sup> The **working-age population**, which is defined as all persons aged 16-64, is divided into two categories: those in the **labour force** (all occupied persons i.e. employed and self-employed persons as well as those looking for an occupation) and those **outside the labour force**, for example students, pensioners, and housewives.

<sup>34</sup> European Commission, Employment in Europe, 1996, p. 147 and p. 161.

<sup>35</sup> Swedish National Labour Market Board (Swedish NLMB), Prevention of long-term unemployment and permanent rejection from the labour market, November 1994, p. 4, Ramaswamy, The Swedish Labour Market, September 1995, p. 12, and Nordisk ministerråd, Arbetsmarknad och arbetsmarknadspolitik i Norden 1994, TemaNord 1995:602, p. 88.

<sup>36</sup> % of population between 15-64 in employment.

<sup>37</sup> European Commission, Employment in Europe, 1996, p. 147 and p. 161.

<sup>38</sup> Swedish NLMB, Prevention of long-term unemployment ..., November 1994, p. 3.

<sup>39</sup> The Swedish Institute, Swedish Labor Market Policy, December 1995, p. 1 and Swedish NLMB, *supra*, p. 3.

<sup>40</sup> Nordisk ministerråd, Arbetsmarknad och arbetsmarknadspolitik i Norden 2994, TemaNord 1995:602, p. 90 and Swedish NLMB, *supra*, p. 3.

25.8% of employed persons are in part-time employment, compared to the EU average of 16%. The Netherlands has the highest proportion of part-time employees with 37.4% of the employed persons, while Greece has the lowest proportion, with only 4.8% in part-time employment<sup>41</sup>.

In Sweden, the service sector employs a relatively large part of the working population, cf. the table below.

Sector	Sweden	EU
Agriculture	3.3%	5.3%
Industry	25.8%	30.2%
Services	71.0%	64.5%

Source: European Commission, Employment in Europe, 1996, p. 147 and p. 161.

Forestry is the most important component of the agricultural sector, which also includes hunting and fishing, with around 68% of Sweden's land area being covered by forest and woodland. In 1993 forestry products , such as wood, pulp and paper, accounted for 16.3% of total merchandise exports<sup>42</sup>.

In 1980, when the public sector in other OECD countries employed on average around 20% of the workforce, the Swedish public sector employed around one-third of working Swedes. This reflected the fact that major services such as education, health care, and, to a certain extent, housing were supplied by public sector organisations in near-monopoly positions<sup>43</sup>.

## 2. Unemployment

Like most European countries, Sweden experiences high rates of unemployment. According to the European Commission, the unemployment rate for Sweden in April 1997 was 10.7% which placed Sweden just below EU average of 10.8%. The highest levels of unemployment are found in Spain at 20.9% and Finland at 16.6% while the countries with lowest rates of unemployment are Luxembourg at 3.7% and Austria at 4.5%<sup>44</sup>. For Sweden, the present unemployment figures

<sup>41</sup> European Commission, Employment in Europe, 1996, p. 147 and p. 161.

<sup>42</sup> The Europa World Yearbook, 1995, vol. II, s. 2888.

<sup>43</sup> Premfors, The 'Swedish Model' and Public Sector Reform, July 1991, p. 85 and Gould, Sweden: The Last Bastion of Social Democracy, 1996, p. 74.

<sup>44</sup> European Commission, Employment in Europe, 1996, tables pp. 147-162. It is important to note that employment figures in this publication may differ from national statistics, which in the case of Sweden register the unemployment rate as being in the region of 7.5-8%, cf. the Swedish Institute, Swedish Labor Market Policy,

represent a very pronounced increase compared to the situation before the economic crisis of the early 1990s, when unemployment rates were at 1.8%.

As a result of high unemployment certain groups of people are facing increased problems in finding a job and are at risk of being excluded from the labour market. Young people especially have been hit hard with an average unemployment rate of 22.3% in April 1997 (EU average: 20.5%). The unemployment rates for immigrants and handicapped persons are also higher than average<sup>45</sup>.

Until 1990 long-term unemployment was negligible. However, in 1995 the long-term unemployed amounted to 20.2% of the total number of unemployed persons. Nevertheless, by European standards this is a relatively low percentage, as the EU average was 49.2%<sup>46</sup>.

As mentioned earlier, the government took a number of measures in response to the economic crisis, including measures to tackle unemployment. Although employment has risen since 1993 and the rate of unemployment has been reduced, unemployment remains at a relatively high level. One reason why the unemployment rate has fallen so slowly is that more people have joined the labour market as the economy has improved<sup>47</sup>.

### **3. Measures to Combat Unemployment**

Swedish labour market policy was from its beginning based on the "activation principle". The first government programmes to reduce unemployment were introduced at around the outbreak of the First World War. In the early years, these programmes mainly took the form of low-paid<sup>48</sup> emergency jobs in the public sector, such as building of roads, the planting of land and the construction of timber floatways<sup>49</sup>.

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December 1995, p. 1 and EIU Country Reports, 4 March 1996. The European Commission data are used to have a common floor when comparing the rate of unemployment with that of the other European countries.

<sup>45</sup> European Commission, Employment in Europe, 1996, p. 161 and Nordisk ministerråd, Arbetsmarknad och arbetsmarknadspolitik i Norden 1994, TemaNord 1995:602, p. 91. The specific problems of immigrants have been described and proposals on how to solve those problems have been put forward in the Main Final Report from the Immigrant Policy Committee, 1996. See MISEP, Employment Observatory, Trends, No. 27, pp. 12-13.

<sup>46</sup> European Commission, Employment in Europe, 1996, p. 147 and p. 161.

<sup>47</sup> The Swedish Institute, Swedish Labor Market Policy, December 1995, p. 1.

<sup>48</sup> Salaries for emergency jobs were 15-25 per cent below open market wages, cf. Trehörning, Measures to Combat Unemployment in Sweden, 1993, p. 9.

<sup>49</sup> Trehörning, *supra*, pp. 8-9.

The basic features of Swedish labour market policy emerged only in the late 1950s and the 1960s, when the number of programmes began to expand significantly. The focus of labour market programmes has changed over the years. Originally the main purpose was to promote an efficient allocation of labour but later, in the 1970s, policy concentrated on reducing business cycles to keep down registered unemployment. Today, the primary task is to prevent the emergence of harmful chronic unemployment which would damage the smooth functioning of the labour market in the long term<sup>50</sup>.

Swedish labour market programmes can be divided into active and passive components. The active component is partly directed towards matching of employees and employers (the placement service), and partly to running training and work experience programmes and to providing employment subsidies. The passive part consists mainly of cash benefits for the unemployed (see below, Chapter 5, section 2.4)<sup>51</sup>.

Compared to most European countries, Sweden spends a large percentage on active labour market programmes. In 1993/94, almost 50% of total expenditure on labour market policy was devoted to such programmes, with only just below 50% spent on cash benefits<sup>52</sup>.

Although active labour market programmes are still a significant feature of Swedish labour market policy, they have decreased in importance since the late 1980s. In recent years, expenditure on employment benefits has grown more rapidly than that on active measures, due to the strong increase in unemployment and the fact that only a limited number of people can be provided with useful training<sup>53</sup>.

### **3.1. The Placement Service<sup>54</sup>**

The public employment service (PES) offices are part of the National Labour Market Administration (Arbetsmarknadsverket) and play a crucial role in Swedish labour market policy. The main tasks of the PES are job placement and vocational counselling. Under the government's 1995 Employment Programme, the PES must ensure that vacancies are rapidly and properly filled and that job seekers find employment quickly.

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<sup>50</sup> The Swedish Institute, Swedish Labor Market Policy, December 1995, p. 1.

<sup>51</sup> Ramaswamy, The Swedish Labor Market, September 1995, p. 12.

<sup>52</sup> The Swedish Institute, Swedish Labor Market Policy, December 1995, p. 3.

<sup>53</sup> Ramaswamy, The Swedish Labor Market, September 1995, pp. 12-13.

<sup>54</sup> MISEP, Sweden - employment services, Employment Observatory: TRENDS 26, 1996, pp. 9-10.

Unemployed persons must register with the PES to be eligible for unemployment benefits and statistics show that in 1993 more than 90% of persons reported to be unemployed were registered with the PES. PES offices have a controlling function, as they may report to the administering body if they have reason to believe that a person is not entitled to unemployment benefit, as, for example, he does not accept a suitable job offer. The PES also make decisions about placements in almost all the labour market programmes.

From 1936 to 1992 private employment agencies run for profit were generally prohibited but have been permitted since 1993. They are permitted to charge fees to employers only. This change in Swedish legislation was followed, in June 1993, by Sweden's withdrawal from the International Labour Organisation's Convention 96, part II, under which employment agencies charging fees should be eliminated. It is estimated that private employment agencies filled only 0.4% of all vacancies in 1995<sup>55</sup>.

### **3.2. The Active Labour Market Programmes**

In 1994, 309,000 people, or 5.2% of the labour force, were participating in labour market programmes. These programmes cover a wide range of measures, which may be divided into three categories: programmes to influence demand for labour, programmes to influence supply of labour and programmes for the disabled. Today, the programmes to encourage demand for labour are of major importance; 162,000 persons were participating in such programmes in 1994, compared with 70,000 persons in programmes dealing with supply of labour and 77,000 persons in programmes for the disabled<sup>56</sup>.

#### **3.2.1. Programmes to Influence Demand for Labour and Generate Employment**

The programmes in this category cover employment development, recruitment subsidies, relief work, educational leave replacements, start-up grants and workplace introduction. The latter is a new programme which began on 1 July 1995, which replaces some older programmes including youth training. Only the more important programmes will be described here.

Employment development was introduced in 1993. This programme provides the participants with a job while they are "paid" benefits equivalent to those they would receive while unemployed. The benefits are paid entirely by the government. For unemployed persons the programme has the advantage that they are active and that they are entitled to a new period of benefits after completing the programme. The employers have the advantage that the employee costs nothing and, in particular, organisations and voluntary associations of limited means can benefit from this programme. The programme, which lasts a maximum of 6 months, is available only to unemployed

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<sup>55</sup> See MISEP, Sweden - employment services, Employment Observatory: TRENDS 26, 1996, pp. 9-10 and Trehörning, Measures to Combat Unemployment in Sweden ..., 1993, p. 59.

<sup>56</sup> The Swedish Institute, Swedish Labor Market Policy, December 1995, p. 2 and 4.

persons receiving unemployment benefits from an insurance society. In 1994 about 44,000 persons participated in the programme<sup>57</sup>.

Recruitment subsidies were introduced in 1984 and are intended to facilitate employment in the private sector. Employers who engage unemployed persons aged 18 or more may receive a subsidy covering a maximum of 50% (formerly 60%) of wage costs for six months. For immigrants, refugees and older people who have been unemployed for a longer time the subsidy may cover up to 75% of the wages for 12 months<sup>58</sup>. The system of subsidies to private firms has the advantage that unemployed persons are active, but it may also have a negative effect as it may result in the hiring of subsidised persons at the expense of non-subsidised workers<sup>59</sup>.

The programme of workplace introduction, which began on 1 July 1995, is intended to activate the unemployed while providing them with workplace training. The programme is aimed at unemployed persons aged 20 or over and is used when the unemployed person cannot be given an ordinary job or if he cannot be accommodated in one of the other programmes. The training may take place in either the private or the public sector and lasts up to six months.

### 3.2.2. Programmes to Influence Labour Supply

The programmes in this category, covering employment training, in-house employment training and employment institutes, aim to improve the level of skills in the labour force and to facilitate occupational mobility. Employment training is by far the largest of these programme.

Employment training provides individual training, leading to permanent jobs while improving the qualifications of the persons in question. The programme consists mainly of vocational training courses, but may also include orientation courses or general studies. The training period is usually between 15 and 20 weeks. During this time, participants receive either unemployment benefits or the lower grant of training allowances, amounting in 1995 to SEK 245 per day. In comparison, an average industrial worker earns around SEK 600 per day in 1993<sup>60</sup>. Annual studies show that in 1994 about 40% of participants succeeded in finding a job within six months of their courses, compared to between 60% and 75% before the recession<sup>61</sup>.

### 3.2.3. Programmes for the Disabled

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<sup>57</sup> The Swedish Institute, *supra*, p. 2 and 4 and Trehörning, *supra*, pp. 67-68.

<sup>58</sup> The Swedish Institute, *supra*, p. 2 and 4 and Trehörning, *supra*, pp. 67-68.

<sup>59</sup> See Ramaswamy, The Swedish Labor Market, September 1995, p. 16.

<sup>60</sup> Trehörning, *supra*, p. 63.

<sup>61</sup> The Swedish Institute, *supra*, p. 2 and 4, Trehörning, *supra*, pp. 67-68, and Ramaswamy, *supra*, p. 15.

On average one in ten job seekers are occupationally handicapped and so experience particular difficulty in finding a job<sup>62</sup>. In order to make it easier for persons with a reduced work capacity to find employment, the government offers wage subsidies to employers who engage handicapped job seekers. The subsidies vary, depending on each person's work capacity, and may cover up to 100% of wage costs. Handicapped persons who are unable to take up an ordinary job can instead be offered sheltered employment at the government-owned company, Samhall AB, which produces goods such as furniture, plastics and clothing and provides services, such as cleaning. Samhall, which had around 28,000 employees in 1994, consists of about 800 units in 320 locations<sup>63</sup>. Samhall has a dual purpose as the aim is not only to provide meaningful employment for disabled persons, but also to provide rehabilitation so that people can enter or re-enter the normal labour market. In 1994 1,372 persons were transferred from Samhall to employment in the open labour market, with or without wage support<sup>64</sup>.

### 3.2.4. Latest Developments

The latest government programme, set out on 11 June 1996, has as its main aim the reduction of the rate of unemployment by 50% by year 2000<sup>65</sup>. To achieve this goal, the government must balance the national budget by 1998 and ensure stable prices, which are to be achieved by making savings in public expenditure of SEK 126 billion by 1998<sup>66</sup>.

The June package, which aims to promote growth and employment has several components<sup>67</sup>:

- 130,000 extra places in education;
- 40,000 older long-term unemployed persons to be provided with jobs in local authorities;
- small enterprises are supported by reducing payroll taxes on the first SEK 600,000 of wages per year by 5%;
- projects which aim at creating jobs in environmental recycling, small enterprises and in trade with the Baltic states;
- increased unemployment benefits, although limited to a maximum period of 3 years
- start-up grants and other measures to help women start their own businesses.

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<sup>62</sup> Trehörning, *supra*, p. 70.

<sup>63</sup> The Swedish Institute, *supra*, p. 4.

<sup>64</sup> MISEP, Basic Information Report, Employment observatory, 1995, p. 66.

<sup>65</sup> EIRR 270, Programme to fight unemployment, July 1996, p. 27 and infor MISEP, Autumn 1996, p. 12. N.B. This figure excludes persons in labour market schemes.

<sup>66</sup> This programme was adopted in April 1996, cf. "Programme to fight unemployment", EIRR 270, July 1996, pp. 27-28, at p. 27.

<sup>67</sup> "Programme to fight unemployment", EIRR 270, July 1996, pp. 27-28, at p. 27 and infor MISEP, No. 55, Autumn 1996, p. 12.

### 3.3. Sweden and the Essen Process

As mentioned earlier, many other European countries are, like Sweden, facing high rates of unemployment. Combined efforts are being made at the European level to promote employment in Europe. At the Essen summit in December 1994, the Member States of the European Union committed themselves to take action to improve employment and adopted a five-point plan to that effect. The action plan suggested that the Member States adopt the following measures in order to improve employment opportunities:

1. The promotion of investments in vocational training based on the principle of life-long learning and access to continued training for all;
2. The promotion of flexible working arrangements, wage restraint, and the creation of new job opportunities eg. in the environmental and social services spheres;
3. The reduction of non-wage labour costs to facilitate the taking-on of employees, particularly of unqualified employees;
4. Improving the effectiveness of labour market policy;
5. Employment measures targeted at groups particularly hard hit by unemployment, especially young people, the long-term unemployed, older employees and unemployed women<sup>68</sup>.

The Swedish response to the Essen process has been to develop efficient active labour market measures to promote education and to improve employment prospects for vulnerable groups; these policies correspond to points 1, 4, and 5 of the Essen-plan<sup>69</sup>. The 1996 employment programme, with its aim of creating jobs in environmental recycling, is, however, in line with one of the measures proposed under point 2 of the Essen plan.

## 4. Women in the Labour Market<sup>70</sup>

At 78%, the rate of participation in the labour force among Swedish women is high in comparison to the EU average of 57.3%. Almost half of the Swedish labour force are women. In Sweden the unemployment rate for women is lower than that for men; in April 1997 it was 10% for women and

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<sup>68</sup> European Council, Conclusions of the Presidency, December 1994, Essen.

<sup>69</sup> See Social Europe, Suppl. 6/96, Employment & Labour market, p. 57. The publication provides a summary of the employment strategies applied in the Member States as a follow-up to the Essen summit.

<sup>70</sup> The Swedish Institute, Equality Between Men and Women in Sweden, December 1994 and European Commission, Employment in Europe, 1996, p. 147 and p. 161..

11.4% for men. These figures are remarkable, as in most European countries the unemployment rate for women is higher than for men. In April 1997, the average unemployment rate in the EU was 12.5% for women and 9.5% for men.

Swedish women are, however, employed on different terms to men. In 1995, 43% of Swedish women in employment work part time, which is a relatively high percentage compared to the EU average of 31.3%. Moreover, occupations dominated by women are mainly in fields as services, treatment, and care<sup>71</sup> and on average women earn less than men. Although pay differentials between men and women are small in Sweden when compared to many other countries, women who work full-time earn on average only 80% of the salary earned by male full-time employees.

The Equal Opportunities Act aims at ensuring equal rights for men and women in employment, working conditions and opportunities for personal development at work. The Act prohibits direct and indirect discrimination on grounds of gender. In addition, the Act obliges employers to take certain active measures to promote equality at the workplace.

In order to promote the implementation of the Equal Opportunities Act, an Equal Opportunities Ombudsman was set up in 1980. The main task of the Ombudsman is to ensure that employers comply with the Act, but the Ombudsman may also help to promote equality by, for example, issuing public information. Moreover, an employee who claims that he or she has been subjected to discrimination may take the case to the Labour Court.

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<sup>71</sup>

Nordic Council of Ministers, Women and Men in the Nordic Countries, December 1994, p. 16.



## CHAPTER 3

# Industrial Relations

## 1. The Social Partners

### 1.1. Trade Unions

For more than a century the trade union movement has been strong in Sweden and has benefited from the long periods of Social Democratic government. The first to organise themselves were workers, who formed a central organisation, the Swedish Trade Union Confederation (LO) in 1898; professional employees formed organisations during the 1920's and 1930's<sup>72</sup>.

It is notable that over 80% of workers in Sweden are members of trade unions. Finland and Denmark also have high rates of union membership; while the rates for France, Italy and Germany are 11%, 66%, and 42% respectively<sup>73</sup>. The unions have traditionally been closely associated with the Social Democratic Party. Recently, however, the unions have complained that the proposed reforms to the Security of Employment Act demonstrate that the Social Democrats no longer want to maintain these links.

The three main central organisations for employees are the Swedish Trade Union Confederation (LO) with 2.2 million members, the Swedish Confederation of Professional Employees (TCO) with 1.3 million members, and the Swedish Confederation of Professional Associations (SACO) with 385,000 members<sup>74</sup>. Roughly half the Swedish labour force are white-collar workers<sup>75</sup>.

The organisations of the LO and, to a lesser extent the TCO, are based on the industrial principle, so that the unions are organised according to the economic sector in which employees are working rather than according to the employees' profession<sup>76</sup>.

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<sup>72</sup> Dirke, L., Labour legislation in Sweden, 1996, p. 21 and The Swedish Institute, Labour Relations in Sweden, April 1996, p. 1.

<sup>73</sup> Eurostat, Portrait Social de l'Europe, 1995.

<sup>74</sup> The Swedish Institute, Labour Relations in Sweden, April 1996, p. 2, Watson Wyatt, Employment Terms and Conditions, DataServices, Europe, (1995), p. 290, and Micheletti, M., Swedish Corporatism at a Crossroads: The Impact of New Politics and New Social Movements, July 1991, p. 147.

<sup>75</sup> Micheletti, M., Swedish Corporatism at a Crossroads: The Impact of New Politics and New Social Movements, July 1991, p. 150.

<sup>76</sup> The Swedish Institute, Labour Relations in Sweden, April 1996, p. 2.

## 1.2. Employers' Organisations

The employers have also formed organisations. The most important employers' organisations are the Swedish Employers' Confederation (SAF) for employers in the private sector, the Swedish Association of Local Authorities, the Federation of County Councils, and the Swedish Agency for Government Employers (AgV)<sup>77</sup>. The largest employers' organisation is SAF, which represents 42,000 companies in the private sector with a total of 1.3 million employees. The member companies are relatively small as more than half of them employ five persons or less. The Association of Local Authorities represents Sweden's 288 municipal governments, which have 735,000 employees, while the Federation of County Councils represents some 305,000 employees. Finally, the AgV represents government authorities with 250,000 employees.

## 2. Collective Bargaining Agreements

In Sweden, collective agreements traditionally play a central role in regulating relations between employers and employees. Collective agreements were especially important from the birth of the trade union movement at the end of the nineteenth century until the beginning of the 1970s<sup>78</sup>. The Co-determination Act on the rights of association and negotiation guarantees that negotiations between the social partners can take place while the more detailed rules for collective bargaining have been settled in agreements between the social partners<sup>79</sup>.

Collective agreements are legally binding on the members of the organisations who are signatories. Consequently, as most employers are members of an employers' association, they are bound by collective agreements not only vis-à-vis employees who are members of a contracting trade union, but also vis-à-vis non-unionised employees who are not members of a union<sup>80</sup>.

Collective agreements can cover any aspect of the employment relationship, such as wages, working conditions, and terms and conditions of employment<sup>81</sup>. The adoption of legislation in a specific field does not prevent the conclusion of collective agreements, provided that they put the

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<sup>77</sup> Dirke, Labour legislation in Sweden, 1996, p. 21.

<sup>78</sup> Dirke, *supra*, p. 21, The Swedish Institute, Labour Relations in Sweden, April 1996, p. 1, SALA (Swedish Association of Local Authorities) and the Federation of Swedish County Councils, Collective bargaining in Swedish local and regional government, 1995, p. 5, and MISEP, Basic Information Report, Employment observatory, 1995, p. 11.

<sup>79</sup> Gower, Employment Law in Europe, 1995, pp. 420-421, and SALA, *supra*, p. 11.

<sup>80</sup> Watson Wyatt, Employment Terms and Conditions, DataServices, Europe, (1995), p. 292.

<sup>81</sup> SALA, Collective bargaining in Swedish local and regional government, 1995, p. 11.

employees in a better position than the legislative provisions. Labour legislation thus sets minimum standards only.

Traditionally bargaining has taken place centrally between the two sides of industry, who negotiated on behalf of their member associations.<sup>82</sup> These umbrella organisations recommended that their member organisations should conclude collective agreements within a general framework. The formal agreements were then negotiated at sector level while the final details were settled between the companies and the local unions<sup>83</sup>. Since 1983 negotiations in the private sector have become increasingly decentralised, with bargaining more and more frequently at sector level. A crucial step was taken by the Employers' Confederation (SAF) in 1990 where it declared that it would no longer participate in central pay negotiations. SAF is currently arguing for further decentralisation of the bargaining process so that negotiations could take place locally, thereby giving more freedom and responsibility to the individual company. This is, however, opposed by the trade unions.<sup>84</sup> The Social Democratic Government seems to support the trend towards decentralisation in its new proposals for reform of the legislation on social protection<sup>85</sup>.

### **3. Wages**

The negotiation of wages constitutes an important element in collective bargaining. Swedish trade unions have traditionally pursued a wage policy of preventing large inequalities in wages. The success of the unions' policy of wage equalisation can be seen in the very low pay differentials in Sweden compared to other OECD countries. Whereas the difference between the highest and lowest deciles for industrial workers in the early 1980s was 34% for Sweden, it was 210% for United Kingdom and 490% for the United States.<sup>86</sup> With the decentralisation of collective bargaining, the Employers' Confederation, SAF, hoped to achieve larger pay differentials. The 1995 pay round did not, however, give rise to any large differences in wage increases. However, the agreements were

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<sup>82</sup> Micheletti, Swedish Corporatism at a Crossroads: The Impact of New Politics and New Social Movements July 1991, p. 155. For more details see Rehn and Viklund, Changes in the Swedish Model, 1990, pp. 310-313.

<sup>83</sup> The Swedish Institute, Labour Relations in Sweden, April 1996, p. 3.

<sup>84</sup> Watson Wyatt, Employment Terms and Conditions, DataServices, Europe, (1995), p. 292 and Social Europe, suppl., 3/96, p. 105. See also Micheletti, Swedish Corporatism at a Crossroads: The Impact of New Politics and New Social Movements, July 1991, p. 156.

<sup>85</sup> EIRR 273, Sweden: Government proposes reform of the Security of Employment Act, Oct. 1996, p. 10. This proposal is also mentioned below, Chapter 4, section 3.

<sup>86</sup> Ramaswamy, The Swedish Labor Market, September 1995, p. 16.

concluded for varying periods of time; most will run for three years, while a few are to run for five years. This difference may indicate that the collective model is breaking up<sup>87</sup>.

Swedish legislation does not provide for a minimum wage. Minimum pay rates are instead laid down in collective agreements. In order to compare accurately the cost of labour in Sweden with that in other member states, it is necessary to include not only wages, but also other costs, such as social contributions paid by the employer. Such a comparison shows that the costs per hour for Swedish workers are relatively high at ECU 19.02. This is surpassed only by Germany at ECU 23.14, the Netherlands at ECU 19.20, and Austria at ECU 19.19<sup>88</sup>. When labour costs are related to hourly productivity, however, the figures are more favourable to Sweden, with net wage costs around the European mean (figure 1).

Source: Social Europe 3/96, p. 5.

#### **4. Industrial Action**

The 1938 Saltsjöbaden agreement established a so-called "peace obligation" between employers' organisations and trade unions. Sweden has, therefore, has relatively few conflicts in the labour market. According to agreements between the social partners, a dispute concerning the content of an agreement must be solved by bargaining or by the courts; it is generally illegal to take industrial

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<sup>87</sup> The Swedish Institute, Swedish Labor Market Policy, December 1995, p. 4.

<sup>88</sup> Eurostat, 1995, table 3.42, p. 189.

action during the period of agreement. A strike or a lock-out can be called legally only if during negotiations for a new agreement it has proved impossible to reach agreement and if a period of mediation has failed. The right to take industrial action is also limited by collective agreements according to which conflicts must not have a disruptive influence on functions important to society<sup>89</sup>.

Only a small number of days are lost through strikes; on average, 100 days per 1000 employees each year between 1988 and 1992, compared to an annual average in the EEA of 153 days for the same period<sup>90</sup>. This situation is changing, however, because some regard the employers' withdrawal from the system of centralised bargaining as amounting to a withdrawal from the Saltsjöbaden peace agreement.

## 5. Social Partners' Participation in Other Fora

Established interest organisations, such as employers' organisations and trade unions are, for example, members or experts on state commissions, such as the Commission for Sickness and Work-injury which make proposals for the future developments in specific fields<sup>91</sup>. Interest organisations are also members of lay boards which govern many public agencies and are asked for their views regarding public policy proposals<sup>92</sup>. In recent years especially, the Swedish Employers' Confederation (SAF) has argued against this kind of involvement for interest organisations, particularly regarding their representation on the lay boards. The SAF believes that such representation requires a centralisation of state and interest organisations contrary to the employers' organisations' wish for increased decentralisation<sup>93</sup>.

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<sup>89</sup> Hähnel, and Göranson, Sweden, 1996, p. 243, and Watson Wyatt, Employment Terms and Conditions, DataServices, Europe, (1995), pp. 292-93, Social Europe, suppl. 3/96, p. 104, MISEP, Basic Information Report, 1995, p. 15, and Gower, Employment Law in Europe, p. 423.

<sup>90</sup> Social Europe, suppl., 3/96, p. 104.

<sup>91</sup> SOU 1996: 113, p. 676.

<sup>92</sup> Micheletti, Swedish Corporatism at a Crossroads: The Impact of New Politics and New Social Movements July 1991, p. 148.

<sup>93</sup> Micheletti, *supra*, pp. 154 - 155.



## CHAPTER 4

# Labour Market Legislation

### 1. Introduction

In the early 1970s in response to trade union calls for legislative reforms, the Social Democratic government adopted a wave of labour market legislation, including laws concerning workers' participation in decision-making, job security and the status of trade union representatives at the work place. At the same time the government abolished large parts of the current regulations for public employees<sup>94</sup>.

Since then there have been no major legislative reforms. Certain attempts have been made to change the relatively old laws, but due to changes of governments, without much success. There seems to be general agreement that an overhaul of the legislation is needed, and in 1995 the Social Democratic government adopted a new approach under which reforms to legislation are to be based on collective agreements. For this purpose, the government appointed a commission, representing all the parties, which was to formulate proposals for reforms. The parties failed, however, to reach agreement by summer 1996<sup>95</sup>.

### 2. Working Time

Under the Working Hours Act, the regular working hours are limited to a maximum of 40 hours per week. Certain categories of employees, such as managerial employees, are not covered by the Act. This Act also contain provisions concerning *inter alia* overtime, night work, Sunday work and time off. For example all employees are ensured the right to leave work for up to 60 days to take care of a close person who is seriously ill. It should be noted that collective agreements may deviate from the provisions of the Working Hours Act; under collective agreements, the weekly working hours range from 35 to 40 hours<sup>96</sup>.

The EC-Directive on working-time was implemented in Sweden with effect from 23 November 1996, but resulted only in minor amendments to Swedish legislation.

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<sup>94</sup> Dirke, Labour legislation in Sweden, 1996, p. 22.

<sup>95</sup> Hähnel and Göransson, Sweden, 1996, p. 253

<sup>96</sup> Watson Wyatt, Employment Terms and Conditions, 1995, p. 284-85.

There have been discussions whether the maximum working week should be reduced, in order to create more jobs, but at present there seems to be no political commitment to make changes<sup>97</sup>. At the moment, the discussion is focusing more on whether overtime should be subject to stricter limits. The issue of more flexible working schedules has also been raised. The final report from the Working-time Committee in 1996 proposed, for example, that overtime maximum should be reduced from 200 hours to 100 hours per year. Moreover, the Committee proposed more flexible working hours, which should in general be achieved via collective agreements and via the principle that working time should be scheduled according to the needs of individual firms and in accordance with the wishes of the employees<sup>98</sup>.

According to the Annual Leave Act all employees are entitled to a minimum of 25 working days, that is five weeks, of annual vacation.

### **3. Employment Security**

Pursuant to the 1974 Security of Employment Act employment shall be permanent unless otherwise agreed and can be terminated only through lay-off, dismissal or retirement<sup>99</sup>. The Act protects the employees against unfair dismissal. An employer can only dismiss an employee if he can demonstrate objective grounds for the dismissal. An objective ground for dismissal exists, for example, if there is lack of work so that one or more persons are redundant. An employee may be legally dismissed on certain personal grounds, such as criminal activity, negligence, inability to co-operate with colleagues, or incompetence<sup>100</sup>. If it is reasonable to transfer the employee to a different position in the same company, notice should not be given. Dismissals must generally respect the principle of 'last in, first out'. The Act also stipulates the periods of notice, which may vary from one month's notice for employees under the age of 25 up to six month's for those aged 45 or more<sup>101</sup>.

Reforms to the Security of Employment Act were adopted in 1996, which *inter alia* increased the period of probationary employment from six to twelve months, introduced a new form of temporary

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<sup>97</sup> Hähnel and Göransson, Sweden, 1996, pp. 248-251.

<sup>98</sup> Hähnel and Göranson, *supra* p. 250 and SOU 1996: 145. Sammenfatning av 1995-betänkning om Arbetstid.

<sup>99</sup> Gower, Employment Law in Europe, 1995, p. 412, Watson Wyatt, Employment Terms and Conditions, 1995, p. 294f.

<sup>100</sup> Gower, *supra*, p. 420, Watson Wyatt, *supra*, p. 295.

<sup>101</sup> The Swedish Institute, Labour Relations in Sweden, April 1996, p. 3 and Watson and Wyatt, *supra*, p. 294.

employment, and made it easier to conclude collective agreements at company level on most labour law issues. These reforms were criticised by the unions<sup>102</sup>.

#### **4. Health and Safety at Work**

The 1978 Working Environment Act is a framework law, which sets out the requirements regarding the working environment in general terms. The employer has the main responsibility for establishing a satisfactory working environment, and must ensure that employees have the training necessary to avoid injury and bad health. The employees are, on the other hand, obliged to use the safety equipment provided and to take proper care. To ensure the proper arrangement of the working environment, the Working Environment Act requires safety committees to be established and safety representatives to be elected. The Labour Inspectorate is responsible for supervising the implementation of the Act<sup>103</sup>.

Apart from these general obligations the Working Environment Act contains a broad range of rules, ranging from the principle that workers should not in general work in isolation to complex standards on, for example, hazardous substances and noise levels, drawn up by the appropriate government agencies. A large part of EU environmental legislation has been implemented in Sweden after January 1994<sup>104</sup>.

#### **5. Employee Participation at the Workplace<sup>105</sup>**

The workers' right to participation in the decision-making process at company level was mainly established in legislation adopted in the 1970s, although the first provisions for limited information and consultation and for work councils were adopted in the Saltsjöbaden agreement in 1938<sup>106</sup>.

The system of employee participation is based on the appointment of trade union representatives, who exercise the rights on behalf of the employees. The Act on the position of trade union representatives at the workplace provides *inter alia* that a trade union representative cannot be made

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<sup>102</sup> EIRR 273, Sweden: Government proposes reform of the Security of Employment Act, Oct. 1996, p. 10 and Arbetsmarknadsdepartementet, Rapport, Lättara att anställa ... inte att säga upp, October 1996.

<sup>103</sup> Gower, Employment Law in Europe, 1995, p. 429.

<sup>104</sup> Watson Wyatt, Employment Terms and Conditions, 1995, p. 287.

<sup>105</sup> For a detailed account, see Social Europe, suppl. 3/96, pp. 108-113.

<sup>106</sup> Social Europe, suppl. 3/96, p. 108.

redundant because of his duties, that the representative has a right to reasonable time off to carry out his activities and that he may attend trade union training with no loss of pay<sup>107</sup>.

Under the Co-determination at Work Act an employer is obliged to consult the employees before taking decisions involving major changes in the company's activities or the working or employment conditions for one or more members of the trade union, such as changes of duties, re-locations, lay-offs or redundancies<sup>108</sup>. The employer must also, under the Act inform the employees about the development of the company's activities, profitability, and its personnel policies. Moreover, the employer must, on request, allow the trade union to see any document which may be relevant to the protection of the employees' collective interests, although confidential documents are exempt<sup>109</sup>.

Under the Act on Board Representation for Employees in the Private Sector, employees have a right of representation on the board of private companies over a certain size. In firms with at least 25 employees, the employees are entitled to appoint two members and two deputies to the Board of Directors. The number of employee representatives is increased to 3 members and 3 deputies in companies which have employed over 1000 people in Sweden in the last year<sup>110</sup>. It has not yet been decided how to implement the Directive on European Works Councils, but some of the Swedish multinational enterprises, such as Scansped, Electrolux, SKF, Volvo, and Ericsson have already concluded voluntary agreements<sup>111</sup>.

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<sup>107</sup> Social Europe, suppl. 3/96, p. 111, and Watson Wyatt, Employment Terms and Conditions, 1995, p. 290-91.

<sup>108</sup> The Swedish Institute, Labour Relations in Sweden, April 1996, p. 3, Gower, Employment Law in Europe, 1995, p. 424, and Watson Wyatt, *supra*, p. 291.

<sup>109</sup> Watson Wyatt, *supra*, p. 291, Gower, *supra*, p. 425, and Social Europe, suppl. 3/96, p. 111.

<sup>110</sup> Social Europe, suppl. 3/96, p. 112-113, Watson Wyatt, *supra*, p. 291, and Gower, *supra*, p. 425.

<sup>111</sup> Social Europe, suppl. 3/96, p. 110.

## CHAPTER 5

# Social Protection

### 1. Introduction

In Sweden, as in the other Scandinavian countries, social protection is a right for all citizens and everybody is entitled to the same basic amount when faced with a "risk", such as sickness, work injuries or old-age. Persons in paid employment, moreover, may receive supplementary benefits through occupational schemes<sup>112</sup>. The Swedish social security system is also characterised by its comparatively high level of compensation and by the fact that the payment of benefits is not in general means-tested<sup>113</sup>.

Employers' contributions to the funds for the social insurance schemes are high compared to the other Nordic countries (see figure 1: Nososco, Social Security in the Nordic countries, 1995).

**Figure 1:** Financing of social security expenditure according to contributions made by public authorities, employers and the insured

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<sup>112</sup> European Commission, Social Protection in Europe, KOM (95) 457, p. 32.

<sup>113</sup> Scherman, The current situation in the Swedish economy ..., 1995, p. 6, and the Swedish Institute, Social Insurance in Sweden, November 1995, p. 1.

The Swedish system of social protection is rather costly with spending amounting to about 40% of GDP in 1992, while the EU average was 27.1% of GDP<sup>114</sup>. It is important to note, however, that differences between the countries' systems of social protection make comparisons difficult. Two factors in particular make the Swedish system appear relatively more expensive: many services, such as health care, are provided directly by the public authorities whereas in other countries more services may be provided by private institutions. Moreover, in Sweden, most income transfers and benefits are subject to income taxation, which result in the payment of higher amounts than if no income taxation is to be paid by the recipient<sup>115</sup>.

With the economic crisis of the 1990s, the high level of expenditure on social protection became the focus of attention, and reforms have been implemented to cut back expenses. One of the basic problems is the indexation, whereby benefits are increased in accordance with inflation, regardless of the state of economy. During times of economic crisis in particular, indexation puts a strain on the economy as expenses constitute a larger percentage of the GDP. In order to reduce social insurance costs, the old-age pensions scheme will be changed so that pensions are index linked to the economic growth rate instead of to the inflation rate<sup>116</sup>. The changes and proposed changes of the social insurance schemes will be dealt with in more detail below.

It should be noted that Sweden, as a member of the European Union, is subject to the rules prohibiting discrimination on grounds of nationality and to the provisions co-coordinating social insurance for migrants. Therefore, certain requirements in Swedish social legislation, such as citizenship or residence, have been subject to modifications in respect of EU citizens living in Sweden.

## 2. Social Insurance Schemes

### 2.1. Pensions<sup>117</sup>

Sweden has a relatively high percentage of pensioners compared to the other Nordic countries; 18.1% of the population are old age pensioners, while in Denmark, Finland, Iceland and Norway the figures are 13.9%, 15.3%, 9.8%, and 14.5% respectively<sup>118</sup>. At the same time Swedish pension benefits are comparatively generous; on average the old-age pension replaces around 65% of

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<sup>114</sup> Hagemann, Social Security in Sweden, September 1995, p. 33.

<sup>115</sup> Hagemann, *supra*, pp. 31-32.

<sup>116</sup> Scherman, The current situation in the Swedish economy ..., 1995, pp. 10-12.

<sup>117</sup> European Commission, Employment & Social affairs, Series No 1, Labour Market Studies - Sweden; The Swedish Institute, Fact Sheets on Sweden: Social Insurance in Sweden, November 1995.

<sup>118</sup> NOSOSCO, Social Security in the Nordic Countries, 1995, p. 29.

previous income, a replacement rate surpassed only by Germany with a rate of 73%. In comparison the income replacement rate for old-age pensions was 59% in Denmark, 50% in the Netherlands, and 47% in the United Kingdom.

In order to counter the growing costs of the old-age pension scheme, a pension reform plan was approved by Parliament in June 1994, which will replace the present system over a period of 20 years. The pension reform plan is very complex, but one of the most significant changes is the introduction of employee contributions to the scheme, with the employee and employer paying 50% of the contributions each. The Swedish pension system can be described as a three-tier system. The social insurance system guarantees a basic pension to all pensioners over 65 irrespective of their previous earnings. The social insurance system also includes an earnings-related supplementary pension - the ATP system. These two systems guarantee, as already mentioned, that on average pensions replace around 65% of previous income. The exceptions are the low earners who receive *ad hoc* supplements, and the high earners whose replacement rate is lower because of an earnings ceiling in the ATP-system. The third tier of pension provision, which is less well-known, consists of schemes arranged by collective bargaining.

The National Basic Pension covers all persons who have either resided in Sweden for at least three years or who have had three years of employment. A full basic pension is payable to persons who have lived in Sweden for 40 years; the pension is reduced proportionally for each year lacking. The pension is not based on previous income and therefore has a re-distributional effect. In 1996 a full basic pension amounted to SEK 34,057 (ECU 4,075), while for a married person the basic pension was SEK 27,849 (ECU 3,332).

The National Supplementary Pension (ATP) was introduced in 1960 and has become the more important of the two pension plans. The size of the ATP depends on years worked and income earned. For a person who has worked for at least 30 years, the pension will amount to 60% of the average pensionable income, calculated as income earned in the 15 years with highest income. The maximum annual pension in 1996 was SEK 138,356 (ECU 16,553). The ATP plan is financed through contributions paid by employers and self-employed persons of 13% of earned income without any upper limit.

A pension supplement is payable to persons who either do not receive any ATP or who are only entitled to a low pension. This pension, which amounts to SEK 19,689 per year (ECU 2,356) ensures that everyone receives a guaranteed minimum pension, composed of the basic pension and pension supplement, amounting to SEK 53,746 (ECU 6,431) per year for a single person with a full earning period, drawing pension from the age of 65.

There are four main schemes arranged by collective bargaining. One is for persons employed by the central government, one for employees of the local government (counties, municipalities and

parishes), one for blue-collar workers in the private sector, and one for white-collar workers in the private sector. The purpose of the schemes is to increase the income replacement rate for most workers to 75% of final salary. Earnings above the ATP-ceiling are covered, except in the pension system for blue-collar workers. However, a decision was taken in 1996 to switch to a defined contribution system without a ceiling.

## 2.2. Sickness and Work Injury Benefits

The sickness and work injury insurance schemes have been substantially reformed in recent years. Until a few years ago, the insurance schemes were very generous with compensation rates at 100% of the income loss<sup>119</sup>, but as the costs of these insurance schemes increased substantially during the 1980s it was decided that reforms were necessary to curb costs. The rise in expenses was due to a substantial increase in both short- and long-term absence due to sickness, and in the number of work-related injuries<sup>120</sup>.

One of the most important changes to the sickness insurance scheme has been the reduction of the income replacement level. The levels of compensation have been changed a number of times, but from 1st January 1997 compensation is set at a uniform level of 80% of lost income. A waiting period of one day without benefit for each period of illness, including work-related illness, was re-introduced in April 1993<sup>121</sup>. Another significant change was the introduction of sick pay in January 1992, which obliged employers to pay compensation for the first 14 days of a sickness period. This reform was intended to encourage employers to take greater interest in the health of their employees<sup>122</sup>. From 1st January 1997, the sick pay period has been extended to four weeks<sup>123</sup>.

Before the work injury insurance system was reformed, it was relatively easy to have an injury or a disease classified as work-related and so obtain work injury benefit, because the normal burden of proof was reversed and an occupational sickness was broadly defined<sup>124</sup>. In 1993 the reverse burden of proof was changed and the concept of an occupational injury tightened<sup>125</sup>. In the event of illness resulting from a work injury, benefits are paid according to the ordinary sickness

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<sup>119</sup> Scherman, *supra*, p. 10.

<sup>120</sup> SOU 1996:113, Report from the Commission for Sickness and Work Injury, pp. 668-671.

<sup>121</sup> Many European countries have a three-day waiting period before compensation is paid cf. Hagemann, Social Security in Sweden, 1995, p. 39.

<sup>122</sup> Scherman, The current situation in the Swedish economy ..., 1995, p. 10 and Hagemann, *supra*, p. 37.

<sup>123</sup> SOU 1996:113, p. 673.

<sup>124</sup> Scherman, The current situation in the Swedish economy..., 1995, p. 10.

<sup>125</sup> The Swedish Institute, Social Insurance in Sweden, 1995, p. 3.

insurance rules for the first 180 days<sup>126</sup>. After this period an annuity is paid which, in case of lasting injury and complete incapacity for work, will be a life annuity payable up to the national retirement age. The benefit will, in principle, amount to 100% of the person's lost income, reduced by any basic or ATP pension received but with a ceiling of compensation of SEK 271,500 (ECU 32,482) in 1996<sup>127</sup>.

Further reforms to the sickness and work injury insurance schemes may be expected in the future. In June 1996, a Parliamentary Committee submitted a report on possible reform. The Committee proposed the creation of a general insurance scheme covering "all cases of compensation, irrespective of cause and duration, where the capacity to work has been impaired as a result of sickness, injury or functional impediments"<sup>128</sup>. In its proposal, the Committee emphasises the importance of preventative measures and active measures for rehabilitation.

### 2.3. Family Benefits

Family benefits have also been subject to changes in recent years with lowered income replacement rates for pregnancy and parental benefits. The child allowance supplement has been abolished.

#### 2.3.1. Pregnancy and Parental Benefits

Pregnancy benefits are provided for expectant mothers who are unable to continue normal work. The allowance may be paid for up to 50 days during the last two months of pregnancy and at the same rate as sickness benefits, so providing 80% income replacement<sup>129</sup>. No pregnancy benefit is paid during the last ten days before the expected date of confinement<sup>130</sup>.

The parental benefit allowance gives protection against the loss of income mainly in connection with the birth of a child. The parents are entitled to parental leave for a total of up to 450 days per child until the age of 8 years and the mother may begin to draw parental allowance six weeks before the estimated date of birth<sup>131</sup>. Out of the 450 days of leave, 30 days are reserved for the mother and 30 for the father, while the rest of the days can be split as they wish. For the first 60 days the parents receive an allowance with a replacement rate of 85%, while for the next 290 days the compensation

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<sup>126</sup> Before January 1992 the ordinary sickness benefit was payable only in 90 days.

<sup>127</sup> The Swedish Institute, Social Insurance in Sweden, 1995, p. 3 and MISSOC-Info, 3/96, p. 27.

<sup>128</sup> SOU 1996:113, A General and Active Insurance for Sickness and Rehabilitation, p. 677.

<sup>129</sup> Hagemann, Social Security in Sweden, September 1995, p. 41.

<sup>130</sup> Forsäkringskassan, Useful Information on Social Security, 1994, p. 16.

<sup>131</sup> SALA a.o., Collective Bargaining in Swedish local and regional government, 1995, p. 20 and Watson Wyatt, Employment Terms and Conditions, 1995, p. 286.

is the same as for sickness benefits, namely 80%<sup>132</sup>. Collective agreements often provide for a supplement so that the parent's full salary is replaced for up to four months<sup>133</sup>. For the last 90 days the parent who is caring for the child receives a standard amount of SEK 60 per day. The same amount is paid, during the whole parental leave, to unemployed persons. Rules also provide that the parental allowance may be paid at one-half or one-quarter of the full amount if the parent takes up work at half or three-quarter time; the number of days is then increased accordingly. Mothers use around 90% of all days for which a parental allowance may be received.

In addition to the parental benefit a temporary parental benefit is paid, at a replacement rate of 80%, for up to 60 days per child annually when a parent must take days off from work in order to take care of a sick child below the age of 12<sup>134</sup>.

### 2.3.2. Child Allowances

A general child allowance of SEK 640 per month is paid for children under the age of 16 residing in Sweden. For children over 16 who attend compulsory school an extended allowance is paid at the same rate. A special benefit for large families with three or more children was abolished on 1 January 1996, but is to be phased out gradually for families drawing the benefit before that date<sup>135</sup>.

## 2.4. Unemployment Benefits

In Sweden there are two types of unemployment benefits: income-related unemployment insurance benefit and flat-rate unemployment benefit. In 1995, 68% of registered unemployed people received the income-related unemployment insurance and 7% received the flat-rate unemployment benefit. Payment of these benefits is conditional on registration with the PES. Moreover, persons eligible for unemployment benefits must be available for work or for participation in a labour market programme<sup>136</sup>.

### 2.4.1. Unemployment Insurance Benefits

The Swedish unemployment insurance system is based on the principle that generous benefits are offered, but for a relatively short period, as it is believed that it is the duration of benefits rather than their size which has an adverse impact on incentives to work<sup>137</sup>.

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<sup>132</sup> The Swedish Institute, Social Insurance in Sweden, 1995, p. 2 and MISSOC-Info 3/96, p. 26. Before the 1 January 1996, the rates of compensation were 90% and 80%, respectively.

<sup>133</sup> Watson Wyatt, Employment Terms and Conditions, 1995, p. 286.

<sup>134</sup> The Swedish Institute, Social Insurance in Sweden, 1995, p. 2.

<sup>135</sup> The Swedish Institute, *supra*, 1995, p. 4, MISSOC-Info 3/96, p. 27, and Tiberg a.o., Swedish Law - a survey, 1994, pp. 107-108.

<sup>136</sup> MISEP, Employment Observatory: TRENDS 26 (Annual Report), 1996, p. 9.

<sup>137</sup> Ramaswamy, R., The Swedish Labor Market, September 1995, p. 13.

The payment of unemployment benefits is administered by 42 unemployment insurance funds, which have close ties to the unions. The major part of the Swedish labour force belongs to these insurance societies, although membership is voluntary<sup>138</sup>.

The unemployment benefits are paid out of an unemployment fund which is financed almost entirely by payroll taxes. Employers are required to pay 2.16% of the total wage bill to the fund, while employees, since January 1994, have to pay 1% of their wage. In order to receive unemployment benefits a person must have been a member of an insurance society for 12 months and have worked for at least 80 days before to claiming benefits.

As a result of the recession the size of unemployment benefits has been reduced in recent years. Until 1993 unemployment benefit could amount up to up to 90% of the insured person's previous income. This was first reduced to 80% and, from 1 January 1996, it was further reduced to 75% of previous income. In addition, benefits can only be received after a waiting period of 5 days and the maximum benefit to be paid has been set at SEK 564 per day<sup>139</sup>.

The duration of the benefits is, formally, relatively short as a worker under the age of 55 can receive benefits for a maximum of 300 days. For workers over 55, the maximum duration of the benefits is 450 days. In practice, however, the system allows the payment of benefits for an extremely long, almost indefinite, period of time. Benefits can be prolonged by alternating between periods where unemployment benefits are received and periods of participation in active labour market programmes. Workers have, for example, the right to temporary relief job before their right to unemployment benefits comes to an end. After six months in a relief job, the worker is eligible for another round of unemployment benefits. Likewise, participation in training programmes gives the person a right to receive a new round of benefits. In 1993, the non-socialist government set a maximum limit of two years on the possibility of alternating between different labour market programmes. However, this measure was revoked when the Social Democratic government returned to power<sup>140</sup>.

#### 2.4.2. Cash Labour Market Assistance

A separate compensation system covers employees who are not insured by an unemployment insurance fund. This system, known as the cash labour market assistance, is administered by the

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<sup>138</sup> Ramaswamy, R., The Swedish Labor Market, September 1995, p. 14 and OECD Economic Surveys - Sweden, 1995, p. 59.

<sup>139</sup> Arbetsmarknadsdepartementet, Fakta, Februari 1997, Ramaswamy, *supra*, p. 14, OECD Economic Surveys - Sweden, 1995, p. 60, and MISEP, Basic Information Report, Employment observatory, 1995, p. 16.

<sup>140</sup> Ramaswamy, *supra*, p. 14.

state authorities and the benefits paid are unrelated to previous income<sup>141</sup>. The assistance is paid to persons who have been gainfully employed at least 75 hours per month for at least 5 months at a rate of SEK 230 (ECU 28) per day<sup>142</sup>.

If a person is neither eligible for unemployment benefits nor for the cash labour market assistance he may instead be entitled to receive social assistance from local authorities which are outlined below<sup>143</sup>.

#### 2.4.3. Changes

It should be noted that the government will put forward a proposal for a reform of the unemployment insurance system in March 1997, based on an agreement between the LO and the Social Democrats. Under these proposals, unemployment insurance will consist of a basic and a supplementary insurance. The benefit level will be restored to 80% of previous income with an increase in the maximum benefit from 1 January 1998 from SEK 564 to SEK 580 per day. On the same day, the basic insurance will be increased from SEK 230 to SEK 240 per day. On the basis of a report to be drawn up, it will later be decided whether to limit the period of unemployment benefits to a maximum of 3 years<sup>144</sup>.

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### 3. Health Care<sup>145</sup>

According to the 1982 Health and Medical Services Act people shall be offered health and medical services of good quality, which shall be provided on an equal basis for everyone and be easily accessible. The public health services are available, free or on payment of a fee, to all persons residing in Sweden regardless of nationality and, in cases of emergency, to all patients coming from EU or EEA countries.

Responsibility for providing health services rests primarily with the county councils who operate almost all the services and who also levy taxes to raise the necessary financial resources. Only the care of elderly and disabled people in their homes is the responsibility of the 288 local authorities. The total cost of the Swedish health services, including pharmaceuticals and dental care, was SEK 110 billion in 1993, or 7.6% of GNP. This percentage has since decreased and is expected to

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<sup>141</sup> MISEP, Basic Information Report, Employment observatory, 1995, p. 16.

<sup>142</sup> MISSOC-Info, 3/96, p. 27.

<sup>143</sup> OECD Economic Surveys - Sweden, 1995, s. 59.

<sup>144</sup> Arbetsmarknadsdepartementet, Fakta, Februari 1997. The proposal is based on SOU:150, Arbetsmarknadsdepartementet, En Allmän och sammanhållen arbetslöshedsförsäkring.

<sup>145</sup> The Swedish Institute, The Health Care System in Sweden, 1996.

decrease still further. The health service sector employs around 300,000 people, or about 10% of all employees in Sweden.

The *primary health care sector* is concerned with the general health of the people and the treatment of diseases and injuries that do not require hospital treatment. This sector is organised in *local health centres*, employing different categories of professionals such as doctors, nurses, midwives and physiotherapists. In 1993 the concept of *family doctors* (general practitioners) was introduced in primary care, so that everyone may now choose a doctor as their own family doctor<sup>146</sup>. Primary health care is also provided by private doctors and physiotherapists, at district nurse clinics, children's clinics (vaccinations, health checks and ordinary consultations), and at maternity clinics.

Consultations at the primary health care level are usually subject to a fee, the size of which varies depending on the county council. The fee for consulting a family doctor varies between SEK 60 to SEK 140 per visit, while a consultation with a specialist at a hospital or with a doctor in private practice may cost between SEK 100 and SEK 260. Dental care for all children and young persons under 19 is free of charge. For adults, public dental insurance covers dental care expenses exceeding SEK 700 in any one year.

The responsibility for *the hospital* also rests with the county councils. Sweden has relatively few but large hospitals: 80 central and district county hospitals and 10 regional hospitals with more specialists and specialised facilities. A few years ago, patients were given the right to choose whom to consult in case of illness, be it the health centre, family doctor or even the hospital. A patient may go to a hospital without any referral from the primary health care services. While in hospital, the patient must pay SEK 80 per day, children under 16 pay nothing. There is, however, a ceiling on payments for medical care and pharmaceuticals of SEK 2,200 in any twelve month period running from the first visit to a doctor, after reaching which the patient is entitled to free care for the remainder of this period.

#### 4. Child Care<sup>147</sup>

Corporal punishment is prohibited and Sweden has ratified the UN Convention on the Rights of the Child. In July 1993, the Office of the Children's Ombudsman was established to safeguard the rights of persons under 18.

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<sup>146</sup> Gould, The Last Bastion of Social Democracy, 1996, p. 84.

<sup>147</sup> The Swedish Institute, Child Care in Sweden, 1994.

Child care services were originally provided only by the municipalities, but today such services may also be offered by co-operatives, foundations, and others, with funding support from the municipalities. In 1992 the private child care services had increased their share to between 7 and 18% of the total child care services. As child care facilities are provided at municipal level they are subject to large regional variations. Overall, the child care sector has been affected by the recession and has suffered cuts, mainly resulting in increased fees and a lowering of standards, with a trend towards larger groups in child care services and lower staffing ratios.

The child care services before school age<sup>148</sup> consist mainly of day care centres (38% of children in the under 6 age group) and family day care (23%). The day care centres in particular have expanded in recent years, as family day care has gradually declined. Parents pay a monthly fee, which is usually dependent on the time spent by the child in the care facility, the parents' income and the number of children in the family. Besides the services already mentioned, there are also part-time groups and open pre-school, which is a drop-in form of activity introduced in 1972.

## 5. Care for the Elderly

Like in other European countries, Sweden is facing the problems of an ageing population. 17.6% of the population are over 65 years, and the group of persons over 80 is now 48% larger than in 1980. Developments since 1980 and forecasts until year 2020 are illustrated in figure 2.

**Figure 2:**

Old-age pensioners aged 65 and above		
Year	% of total population	Number of individuals
1980	16.4	1,360,000
1994	17.67	1,540,000
2000 forecast	17.0	1,529,000
2020 forecast	20.7	1,958,200

Old-age pensioners aged 80 and above		
Year	% of total population	Number of individuals
1980	3.2	263,000

<sup>148</sup> School-age has been from the age of 7, but with effect from 1997, children may start school at the age of six, if their parents so wish.

1994	4.5	408,000
2000 forecast	5.1	455,000
2020 forecast	5.1	486,800

In Sweden the main principle concerning the care of the elderly is that citizens should be allowed to remain in their own home as long as possible; in 1996, 92% of the elderly live in ordinary homes. To help the elderly stay in their own homes, the 288 municipalities provide a home help service to help with domestic tasks such as cleaning and cooking. Home nursing schemes are also provided for those who need nursing without outside a hospital or a home for elderly<sup>149</sup>. The elderly are charged a fee for the home help services, which varies according to the municipality, number of hours of help, and income.

If the elderly are no longer able to live in their home, since 1992 the municipalities have been responsible for providing alternative forms of housing such as service houses, a form of sheltered accommodation resembling an ordinary flat. People in need of more care may instead stay in old-age homes, nursing homes or in group dwellings. In 1993 fees for services provided for the elderly were introduced, with persons living in special housing paying rent as well as care and service charges. The individual will generally be able to keep a minimum of about one third of his or her income<sup>150</sup>.

<sup>149</sup> NOSOSCO, Social Security in the Nordic Countries, 1995, p. 28.

<sup>150</sup> The Swedish Institute, The Care of the Elderly in Sweden, August 1996, p. 2 and Gould, The Last Bastion of Social Democracy, 1996, p. 82-83.



## CHAPTER 6

## Education and Vocational Training<sup>151</sup>

### 1. Introduction

The Swedish educational system is based on the principle that everybody should have equal opportunities regardless of ethnic background or area of residence<sup>152</sup> and is based on a system of lifelong learning system, emphasizing adult and further education where training is an important part of the general education<sup>153</sup>.

One indicator of a country's level of education is the percentage of the population holding a higher educational degree. A recent OECD survey shows that in Sweden a relatively high percentage of the population, 27% of the age group 25-34 years, has a higher educational degree while the average for the OECD countries is 23%, with Canada at 51%, the United States at 32% and Norway at 31% taking the lead<sup>154</sup>. Another indicator is the competence of students and adults, compared to other countries. The 1994/95 Third International Mathematics and Science Study showed that Swedish students have gradually improved their score since 1964; out of nine countries, Sweden has improved its position from ninth to sixth. The International Adult Literacy Survey demonstrated that Swedish adults have very high reading skills compared to the seven other countries tested<sup>155</sup>.

Swedish education is financed mainly by public funds. In 1993, total public expenditure for the whole of the educational system accounted for around 7.5% of GDP, which makes Sweden one of the countries with the highest spending on education, the OECD average being around 5.8%<sup>156</sup>.

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<sup>151</sup> See e.g. European Commission, Structures of the Education and Initial Training Systems in the European Union, 2nd ed., pp. 347-367, The Swedish Institute, Facts and Figures on Youth in Sweden, 1995, The Swedish Institute, Upper Secondary and Adult Education in Sweden, 1995, and The Swedish Institute, Higher Education in Sweden, 1994, and the Swedish Ministry of Education and Science (SMES), The Swedish Education System, March 1997.

<sup>152</sup> OECD, Education at a glance, OECD Indicators, 1996, p. 323 and SMES, *supra*, p. 7.

<sup>153</sup> Le Magazine, Sweden, 1995, p. 12.

<sup>154</sup> OECD, Education at a Glance, Analysis, 1996, p. 16 and p. 68.

<sup>155</sup> OECD, Education at a Glance, Analysis, 1996, Chapter 2, p. 28 and figures 2.1 and 2.3.

<sup>156</sup> OECD, Education at a Glance, Analysis, 1996, p. 18.

## 2. Compulsory school<sup>157</sup>

In Sweden schooling is compulsory and comprehensive for nine years, from the age of 6 or 7 years. All pupils must take the same subjects in the first years (1-6) at school, with English as a compulsory language from the 3rd or 4th year. During the last school years (7-9), pupils have some optional courses; one option must be a second foreign language (French, German, Spanish<sup>158</sup> or home languages in the case of children with at least one non-Swedish parent). The majority - 50% - is opting for German, while 17% choose French. No marks are given during the first seven years at school.

98% of pupils attend the public schools run by the municipalities, even though it is possible to choose private education. Since the school year 1993/94, it has also become possible to choose a public school outside the home municipality. There is no regulation as to the number of pupils per class; in 1992/93 the average was 22.

The school year covers 40 weeks, with a minimum of 178 and a maximum of 190 school days. Winklerfelt points out that this is a shorter school year than that of countries such as the Netherlands, with 200 school days, and Japan, with 243 days, and at the same time Swedish pupils spend the least time on homework. Nonetheless, as mentioned earlier, international surveys on reading skills and understanding show that Swedish pupils have a relatively high score<sup>159</sup>.

## 3. Upper Secondary Education<sup>160</sup>

Upper secondary education, or gymnasieskolan, has passed through several reforms. The latest was introduced in the school year 1992/93 and was fully implemented by the school year 1995/96<sup>161</sup>. These reforms introduced a decentralisation of responsibility and decision-making powers, with municipalities being made responsible for the organisation and implementation of the school programme.

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<sup>157</sup> European Commission, Structures of the Education and Initial Training Systems in the European Union, 2nd ed., pp. 355-356, and the Swedish Ministry of Education and Science (SMES), The Swedish Education System, 1997, pp. 18-23.

<sup>158</sup> Was introduced as an alternative language with effect from the 1995/96 school year.

<sup>159</sup> Winklerfelt, EU, Sverige och utbildningen, 1995, p. 39 and *supra* note 5.

<sup>160</sup> European Commission, Structures of the Education and Initial Training Systems in the European Union, 2nd ed., pp. 362-364, The Swedish Institute, Upper Secondary and Adult Education in Sweden, 1995, and the Swedish Ministry of Education and Science (SMES), The Swedish Education System, 1997, pp. 24-30.

<sup>161</sup> For an evaluation of the reform, see SOU 1996:1, Den nya gymnasieskolan - hur går det?, Utbildningsdepartementet.

These reforms led to a more uniform upper secondary education. Previously, upper secondary education had consisted of about 25 different programmes, lasting between 2 and 4 years, the new scheme consists of 16 nationally determined programmes, of which 14 are vocational programmes and 2 are programmes preparing for university studies. All programmes last for three years and all programmes cover certain core subjects, such as Swedish, English, Civic Education, Mathematics, and Sports and health studies. The reforms were intended to increase the individual's choice of school and type of study. Each of the national programmes is based on a number of courses in different areas, and courses may be selected from both the programme selected and from other programmes. The vocational programmes are aimed at giving pupils a wider and deeper knowledge than earlier and include experience at a work place for at least 15% of the time.

There are no examinations in upper secondary education, but marks are awarded on the completion of each course and for special project work, with the leaving certificate containing a record of the marks for all courses taken. Upper secondary education has become an education for everyone, as 98% of the pupils having attended the compulsory school now enter 'gymnasieskolan', and only 8% of pupils drop out<sup>162</sup>.

#### **4. Higher Education<sup>163</sup>**

Sweden has 37 higher education institutions, including 7 universities and a number of small and medium-sized university colleges<sup>164</sup>. Three different general degrees are awarded: the diploma or certificate after 2 years of full-time study (högskoleexamen), the Bachelor's degree (kandidatexamen) after at least 3 years study and the Master's degree (magisterexamen) after at least 4 years study. Distance learning has a long tradition in Sweden and a number of higher education studies are offered on this basis<sup>165</sup>.

In 1993, higher education in Sweden was reformed in a similar way to upper secondary education: decentralisation with the organisation of studies and the range of courses to be decided locally and increased choice for students regarding study routes were introduced<sup>166</sup>. The capacity of higher education institutions was increased significantly; in the academic year 1993/94, the number of

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<sup>162</sup> This marks a significant change since 1979, where 79% entered 'gymnasieskolan' with 15% dropping out, cf. SOU 1996:1, p. 28.

<sup>163</sup> See the Swedish Ministry of Education and Science (SMES), The Swedish Education System, 1997, pp. 31-35.

<sup>164</sup> Le Magazine, Sweden, 1995, p. 324.

<sup>165</sup> The Swedish Institute, Higher Education in Sweden, 1994.

<sup>166</sup> OECD, Education at a Glance, OECD Indicators, 1996, p. 324.

students was around 255,000, an increase of 30% compared to the beginning of 1990<sup>167</sup>. In 1994 just over 30% of young people in Sweden were in higher education<sup>168</sup>.

In Sweden higher education is free of charge and no tuition fees are paid by the students. Students who attend higher education are entitled to receive financial assistance from the government, in the form of student grants and loans. The student grant, which is non-repayable, amounted to up to SEK 17,100 per academic year in 1994, while the repayable loan amounted to up to SEK 44,600.

## 5. Adult Education and Vocational Training

An important feature of the Swedish educational system is the principle of lifelong learning. The need for life-time learning, training and retraining has been accentuated by the present high level of unemployment together with changes regarding the organisation of enterprises, where frequent changes at the workplace require the employees to be flexible and adaptable<sup>169</sup>. In response to this need, the Swedish government has allocated more funding to adult education and vocational training. A 5-year programme which will provide an increase in the general educational level begins in autumn 1997 which will provide 10,000 more places in education every year from 1997 to 2000. A programme for professional training, starting in autumn 1996, provided 1,500 new educational places in 1997 and a further 4,300 in 1998<sup>170</sup>.

### 5.1. Adult Education<sup>171</sup>

Under the Education Act, the public school system for adults covers general adult education, adult education for the mentally handicapped, and Swedish instruction for adult immigrants. Responsibility for these forms of adult education rests mainly with the municipalities. Other forms of adult education are organised by high schools and adult education associations.

The most important forms of adult education, counted by the number of participants, are the general municipal adult education with 211,000 pupils in 1995/96, and tuition for immigrants with 51,500 pupils in 1995/96. The municipal adult education includes education at levels equivalent to the general school system's basic education, upper secondary education and supplementary education. This system of adult education is very flexible. Students are free to choose their own study

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<sup>167</sup> Winklerfelt, EU, Sverige och utbildningen, 1995, p. 44. For more details on the level of education, see pp. 47-51.

<sup>168</sup> The Swedish Institute, Higher Education in Sweden, 1994.

<sup>169</sup> Ottersten, E.K., The Swedish training system, European Journal of Vocational Training, No. 4, p. 15.

<sup>170</sup> See press-release from the Utbildningsdepartementet, Regeringen satsar på skola och utbildning, 15. April 1997.

<sup>171</sup> Swedish Ministry of Education and Science, *supra*, pp. 36-38.

programme: they may follow a single course, study part-time or full-time, during the day or evening, and so can combine their studies with employment.

To encourage more adults to improve their educational qualifications, a special educational assistance system takes effect from 1 July 1997, allowing principally unemployed persons to follow basic education or upper secondary education for a maximum of one year while receiving an amount equivalent to either unemployment insurance benefit or to the cash labour market assistance<sup>172</sup>.

## **5.2. Vocational Training**

As part of the Swedish government's active labour market programmes, vocational training is offered to unemployed persons or persons in danger of losing their jobs (see above, Chapter 2, section 3.2.2.). Training and retraining activities are organised by the national employment training agency (AMU), which coordinates about 100 training centres. Specific measures for the requalification of persons working in declining sectors, such as textiles and shipbuilding have been introduced, with a view to developing sectors with a more promising future, such as transport and services. In 1994, about 50 000 persons (full-time-equivalents) received vocational training<sup>173</sup>.

In addition to public vocational training system, companies organise job-related training. Although this training is privately financed, the State provides grants to help initiate and support such training<sup>174</sup>.

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<sup>172</sup> Utbildningsdepartementet, Högare utbildning och forskning, 1996/9, p. 41.

<sup>173</sup> OECD, Education at a Glance, OECD Indicators, 1996, p. 324 and Le Magazine, No. 4, 1995, Sweden, p.12.

<sup>174</sup> Ottersten, E.K., The Swedish training system, European Journal of Vocational Training, No. 4, p. 16.



## CHAPTER 7

# Sweden and the EU

### 1. Introduction

Sweden became a member of the European Union with Finland and Austria on 1 January 1995. This was the final stage of a process which had begun in the late 1980s when Sweden sought to establish closer relations with the other European countries. This process marked a significant change, or to some a revolution, in Swedish policy towards Europe<sup>175</sup>. From the early 1960s Swedish membership of the European Community had been regarded as impossible in view of Sweden's neutrality policy and its wish to maintain sovereignty over crucial aspects of Swedish society, such as the organisation of the welfare state and industrial relations. Sweden's desire to engage in closer co-operation with the European countries in the early 1990s should be seen in the light of *inter alia* the need to improve the position of Swedish industry and the changes in relations with the Eastern Europe and the Soviet Union.

Sweden formally lodged an application for membership of the European Community in July 1991. A first step towards accession was taken with the agreement on the European Economic Area (EEA), which extended the internal market of the Community to most of the EFTA countries. A referendum on Sweden's accession to the European Union held in November 1994 turned out in favour of membership with 52.3% for and 46.8% against<sup>176</sup>.

### 2. Effects of Membership

Sweden's accession to the European Union has no direct effect on the Swedish provisions on social protection (see Chapter 5), as Articles 117-122 of the Treaty of Rome as well as Protocol (No. 14) on Social Policy to the Maastricht Treaty, do not provide the Community with any competence to adopt legislative acts harmonising the Member States' social legislation. The same applies to education and vocational training (see Chapter 6), because even though the EC Treaty contains a Chapter on Education, Vocational Training and Youth (Arts. 126-127), it is expressly stated in

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<sup>175</sup> B. Huldt, *Schweden und die Europäische Union, Aus Politik und Zeitgeschichte*, 1996, p. 19.

<sup>176</sup> For details on the accession negotiations, see M. Jorna, *The Accession Negotiations with Austria, Sweden, Finland and Norway: A Guided Tour*, European Law Review, 1995, pp. 131-158.

Article 126 that the Member States maintain full responsibility "for the content of teaching and the organisation of education systems".

Although Sweden maintains control over the contents of its social legislation as well as its legislation on education and vocational training, EC provisions on free movement of persons and freedom of services may have certain repercussions on social and educational law. These fields of law are subject to the Community principle that discrimination on grounds of nationality is prohibited. Thus citizens of the Union should enjoy the same rights as Swedish nationals not only regarding "employment, remuneration and other conditions of work and employment" (see Art. 48(2)), but also regarding access to education and the right to receive social benefits. The general principle of non-discrimination as well as the detailed rules contained in Regulation No. 1408/71 on social security benefits have required the amendment of some Swedish provisions reserving certain rights and benefits to Swedish nationals or to individuals domiciled in Sweden.

Turning to the labour market, the EC Treaty and the Social Protocol annexed to the Maastricht Treaty provide the Community with competence to adopt legislative provisions concerning: the health and safety of workers, working conditions, the information and consultation of workers, equality between men and women and the integration of persons excluded from the labour market. So far, Community provisions comprise mainly a number of minimum rules for the protection of the health and safety of workers, including the Working Hours Directive, and some provisions ensuring equal rights for men and women regarding employment and remuneration. As regards the information and consultation of workers, only the Directive on European Works Council has been adopted. Due to the high level of protection generally afforded to workers in Sweden, and in view of the relatively advanced provisions on equality it has only been necessary for Sweden to make minor changes in labour market legislation.

It seems that Sweden will be able to maintain its tradition of regulating the labour market by way of collective agreements as Sweden was assured by the Commission during the Swedish accession negotiations, that the Social Protocol to the Treaty on European Union would not require any change to existing Swedish practice concerning the labour market and collective agreements between the social partners<sup>177</sup>.

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Declaration No. 46 by the Kingdom of Sweden on social policy.

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