

## **The Swedish collective agreement model**

The Swedish collective agreement model is based on the regulation of wages and various working and employment conditions in agreement between the social partners (trade union organisations and employer organisations) and the management of enforcement and settlement of disputes by the parties themselves. There are three trade union confederations in the Swedish labour market. The Swedish Trade Union Confederation (LO), The Confederation of Professional Employees (TCO) and the Swedish Confederation of Professional Associations (SACO). Together they have 50 affiliated trade unions in the private and public sectors, with a total of more than 3, 4 million members.

The Swedish collective agreement model combines security, influence and sound conditions for employees with industry adaption, stability and similar competitive conditions for employers. This is a model that strengthens Sweden and creates growth and prosperity. However, relations in Swedish labour market are influenced by rest of the world and the collective agreement model is facing several major challenges. Swedish membership of European Union is one such challenge.

### **Collective agreements determine pay and maintain industrial peace.**

The Swedish system of regulation of wages and conditions of employment, collective agreements, emerged the course of history and is an arrangement between trade union organisations, employer organisations and the State. Collective agreement negotiations are a method of jointly setting wages and other conditions of employment. When agreements between social partners have been signed they are binding on both parties and their members. Industrial peace – the no-strike rule- is then applicable. (Employees are entitled, however, to take sympathy action directed at another employer that does not have an agreement). Before an agreement is signed both parties have the right to take industrial action to enforce negotiation demands. Strike ( employee party) and lockouts (employer party) are democratic rights for free and independent parties, are protected by the Swedish Constitution.

### **The State's involvement is restricted**

The Swedish collective agreement model means that the social are separate and independent (autonomous). The State's involvement is very restricted and is mainly limited to basic legislation on collective agreements and industrial action, mainly in the Act on Co-determination at Work and to facilitating for the social partners in other respects. One example of this is the mediating role of the National Mediation Office in collective bargaining. Furthermore, labour law legislation is often semi-discretionary. This make it possible for the parties to fully or partly deviate from the legislation through collective agreements.

### **The social partners are responsible for Wage formation**

In many countries a minimum wage is determined by law or collective agreement that is declared to be generally applicable and thus valid for all workers in a particular industry. Sweden has chosen another route. Wages are regulated in collective agreements between the social partners and the agreement has independent status.

Some Swedish collective agreements do not contain explicit minimum wages but only calculation models or principles for pay setting. It is then the social partners at local level that must ensure that wages are set at individual level in accordance with the agreement.

Through a high organisation rate on both employee and employer sides and the principle that when there is a collective agreement at workplace it must be applicable to everyone working there. About 90 % of all Swedish employees are covered by collective agreements. There are currently more than 650 collective agreements on wages and general terms and conditions of employment in Sweden.

### **The collective agreement also regulates many other things**

A wide range of other conditions apart from wages are also determined by collective agreements, such as forms of employment, period of notice, working hours, holidays, sick pay and various insurance schemes. The provisions of collective agreements and the Act on Co-determination at Work concerning negotiations in disputes between employer and employee also means that the absolute majority of disputes are settle in negotiation between the parties without their needing to go to court.

### **A unique model that delivers results**

The collective agreement system and strong autonomy of the social partners has served and is still serving Sweden well. Before the collective agreement model gained its strong position the Swedish labour market was characterized by many major disputes. Due to the obligation to keep industrial peace between the parties, applicable during the period they are bound by collective agreement with each other. Sweden today is one of the countries of Europe with the smallest number of working days lost due to strikes or lockouts.

Another key argument for the Swedish model is that regulation through collective agreement is more flexible and adaptable to different industries than legislation can ever be. One reason to allow the social partners responsibility for wages form is that jointly they are the best suited to determining the size of the pay margin, and how wages should be weighed against other conditions such as working hours, holidays, pension provision etc.

### **A model with strong support that should be safeguarded**

The Swedish collective agreement model has strong support from the trade unions, the employers and the State. Though there are various collective agreement systems in existence around Europe, the Swedish model is almost unique.

It is of utmost importance both for employees and for the Swedish economy that the Swedish collective agreement model and autonomy of the social partners is not restricted either national or by the EU.