



# Changes to the »Swedish Model«

## Trade Unions under pressure

**MONIKA ARVIDSSON**  
August 2014

- At first glance, the Swedish model of high collective bargaining coverage and rather small income disparities still seems intact. 90 per cent of employees are still covered by collective agreements.
- Trade Union membership has started declining, though, in recent years. Legal changes in particular have led to a crowding out of manual workers. In effect, for the first time in history, non-manual workers now show higher trade union density.
- Increased decentralization of collective bargaining in combination with policy-changes has begun to widen the income-gap.



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## Summary

Seen in an international context, trade union density in Sweden has been high in the past 40 years and remains so today. However, there have been dramatic developments in this period. Since the 1970s union density has fallen by roughly ten per cent and currently lies at 70 per cent.

Both manual and non-manual workers have left the trade unions in recent years. To a large extent, this can be explained – within the logics of the existing Ghent-system – by the abolition of the tax benefits previously available for trade union fees and contributions to unemployment insurance. These came at the same time as contributions to unemployment benefit were raised considerably. Though, in late 2013 the Swedish Parliament decided to take a step back and remove the differentiated (and thus for certain occupational groups higher) contributions to unemployment funds implemented in 2007. This has resulted in the restoration of fees for union members which are affiliated with the unions' unemployment funds. Structural changes have, nevertheless, also played a part as the industrial sector has contracted and the private service sector expanded. The same period has also seen an increase in non-typical forms of employment.

The decline in membership of the Swedish Confederation of Professional Employees (TCO) has been arrested since 2008. With an increase of 3.6 per cent compared to the previous year, the downward trend could recently even be reversed. The Swedish Trade Union Confederation (LO) also appears to have halted the decline in membership, even if this process has not been reversed. In 2013 the number of members declined by only 1.2 per cent compared to the strong decline of 7.2 per cent in 2007. The Swedish Confederation of Professional Asso-

ciations (SACO) has, however, increased its membership slightly during the years of economic crisis. Contrary to historical experience, non-manual workers now have a higher union density than manual workers.

In recent decades, collective bargaining coverage on the labour market has been relatively stable in Sweden and has been unaffected by fluctuations in the business cycle. Even though there has been a slight decline since the mid-2000s, still 90 per cent of employees are covered by collective agreements, including compatible agreements between non-affiliated organisations.

The income gap in Sweden narrowed over a substantial period. Strong trade unions, central coordination of wage development and adjustment to inflation goals contributed to achieving this end. However, the bargaining strength of the employers has now grown and, thereby, in contrast to previous experience, the scope for wage and salary increases above the centrally negotiated rate has diminished. Increased decentralisation of collective bargaining in combination with the policies followed by the current centre-right government with regard to the distribution of income has meant that the income gap has widened.

There is strong public support for trade union aims of achieving a more equal wage and salary structure with small differences in income. However, current trends indicate that there will be an increase in the income gap and greater insecurity. Even though the Swedish government 2006–2014, has argued specifically for the advantages of the »Swedish Model« and the independence of the various actors on the labour market, it has, in practice, introduced policies that, to major extent, have weakened the position of trade unions.

## 1. The Trade Union Landscape

Sweden has three national union confederations to which most individual unions are affiliated. The Swedish Trade Union Confederation (Landsorganisationen [LO]) is the oldest of these and was formed in 1898. Today, 14 trade unions are affiliated to it with a total membership of approximately 1.5 million workers. The current chairperson, elected in 2012, is Karl-Petter Thorwaldsson and the Swedish Trade Union Confederation organises workers in both the public and private sectors. The Swedish Municipal Workers' Union (Kommunal), with approximately 500,000 members, is not only the largest trade union in the LO but also in Sweden.

The Swedish Confederation of Professional Employees (Tjänstemännens Centralorganisation [TCO]) is the next largest national confederation with its 14 separate unions and with a total of almost 1.2 million members. The TCO was formed in 1944 and organises professional workers in both the public and private sectors. Its current chairperson is Eva Nordmark.

The Swedish Confederation of Professional Associations (Sveriges akademikers centralorganisation [SACO]), formed in 1947, has 22 unions and professional associations affiliated to it. The SACO is led by its chairperson Göran Arrius and together the unions and associations organise roughly 645,000 graduate employees.

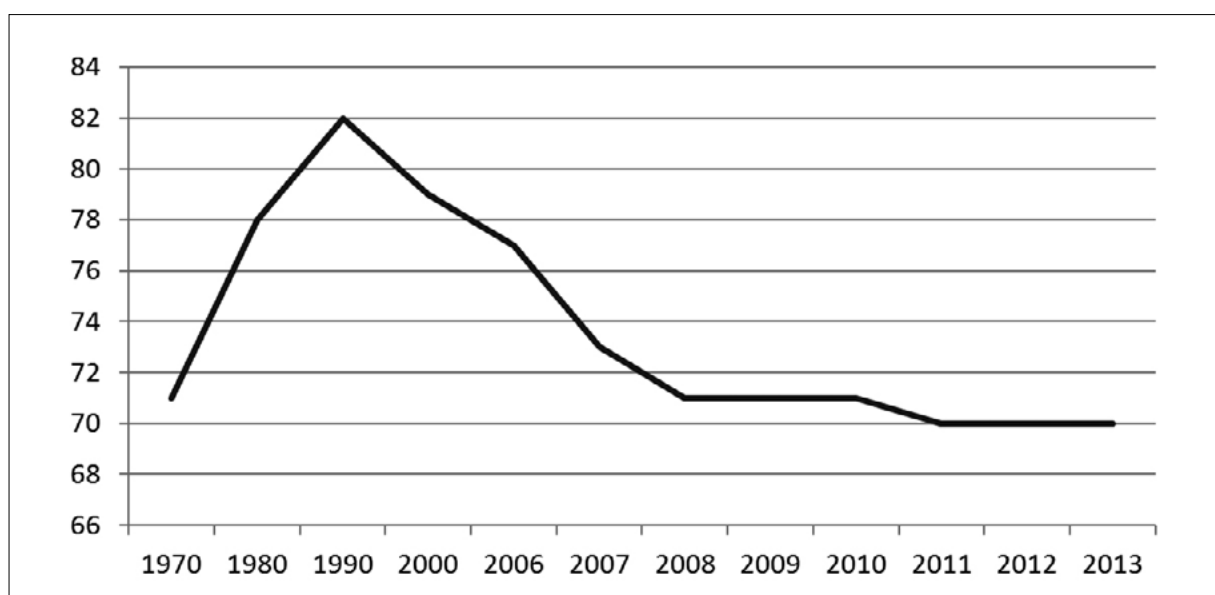
Seen in an international context, trade union density in Sweden has been high in the past 40 years and remains so today. However, there have been dramatic developments in this period. From a level of 71 per cent in 1970, union density rose over a twenty-year period by 11 per cent. This increase which occurred until the 1990s can be explained, to a great extent, by the increasing degree to which women joined the workforce (many of these were part-time employees, which slightly exaggerated the increase) and the increase in membership of non-manual workers.

Since the 1980s, union density for all employees has been around 80 per cent, increasing during the economic crisis of the 1990s only to constantly fall to lower level since.

Many workers, both manual and non-manual, have left the unions since the mid-1990s. The biggest loss occurred in 2007 when membership fell by 5 per cent. This negative trend was arrested among professional and office workers in 2008. Among manual workers the decline in membership has been arrested, even if there has not yet been a turnaround at least in the case of LO. Membership of the LO has fallen each year since 1993. The notable exception to this decline has been SACO, which has increased its membership somewhat during the economic crisis.

The primary reason for this development in recent years is to be found in the altered regulations for unemployment insurance. Since the centre-right coalition

Figure 1: Union density



government came to power in 2006, it has abolished a tax benefit previously available for trade union fees and contributions to unemployment insurance. At the same time it also raised considerably the contributions to unemployment insurance. The effects of this were particularly noticeable in the LO unions, whose members often have lower wages and salaries than professional workers, but also higher fees (which is largely the result of a differentiation based on the unemployment risks in various sectors of the economy). However, higher fees for the unemployed turned out to be too provocative and in late 2013 the Swedish Parliament decided to take a step back and removed the differentiated contributions to the unions' unemployment funds. This has resulted in a reduced fee for union members, which are also affiliated with a union's unemployment fund.

Another reason for the fall in membership can be found in structural changes. The industrial sector has contracted and the private service sector expanded. Trade unions are traditionally stronger in the former sector of the economy than in the latter. An increase in non-typical forms of employment also explains part of the changes, as fewer workers see the benefits of a trade union membership as the unions' unemployment funds are limited to those with stable income over time and/or membership represents additional costs.

The highest union density is to be found in the public sector where today the level of membership is 85 per cent for non-manual workers and 81 per cent for manual workers. In the manufacturing industries, the levels of membership are high for manual workers (83 per cent in 2012) but lower for non-manual workers (79 per cent in 2012). The lowest levels of membership for both manual and non-manual workers are to be found in the private service sector (56–65 per cent in 2012) and in the wholesale and retail trades (56–59 per cent in 2012).

It is of interest to note that there has been a change in union density between non-manual and manual workers, where non-manual workers, contrary to previous experience, now show a higher density than manual workers. Once again, the alterations in unemployment insurance have played a major role with higher fees for manual workers and lower fees for non-manual workers. The correlation between level of employment and union membership is commonly explained by the risk of unemployment (thus increases in union membership if high risk of unemployment and vice versa). This might indicate that non-manual workers are feeling more insecure than before. If this is true, a possible explanation would be the greater impact of international competition on employment level in all sectors.

Figure 2: Levels of Union membership in per cent

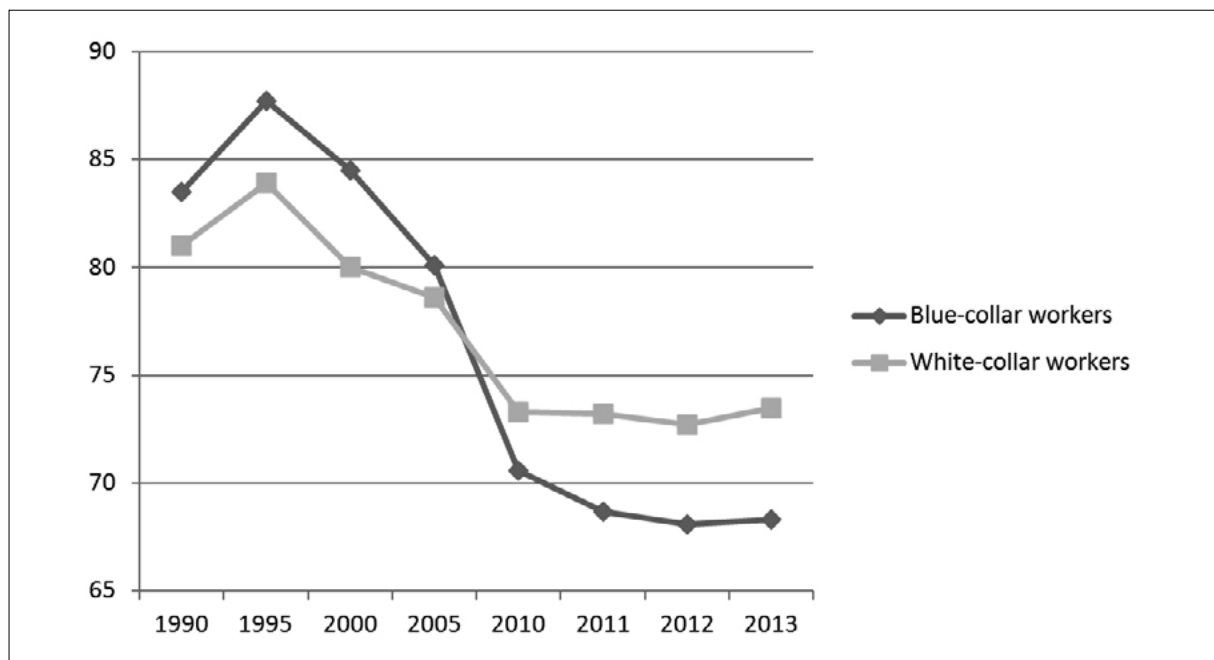
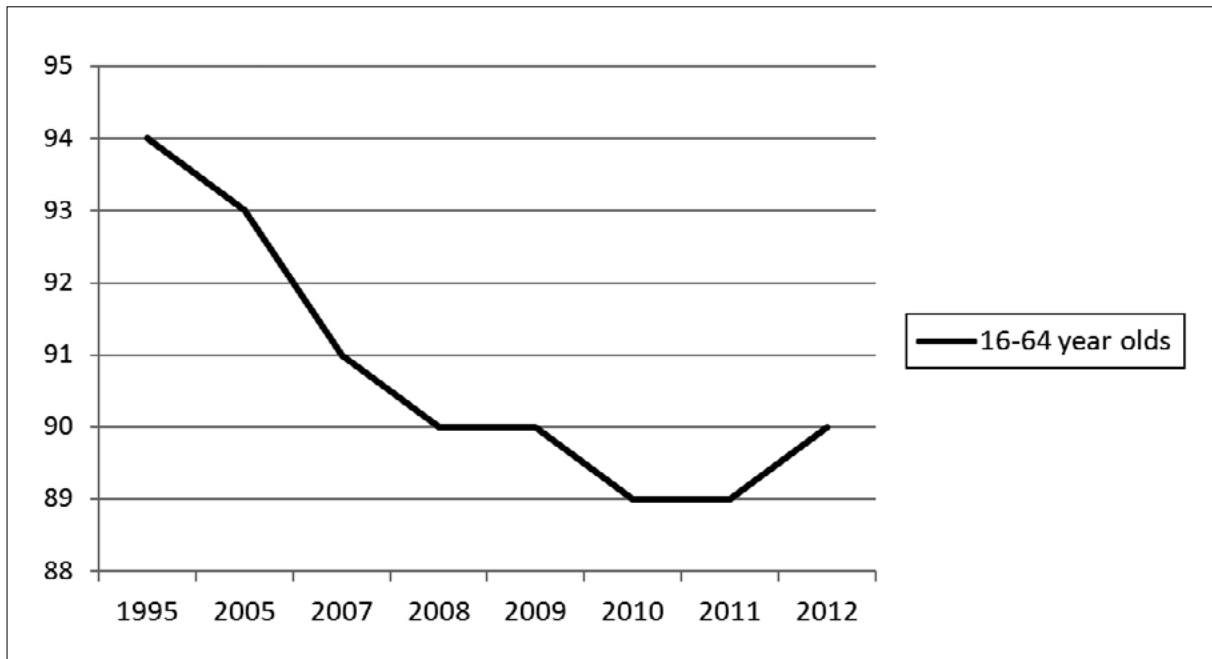


Figure 3: Coverage, collective agreements



Despite the overall major decline in membership in recent years, the unions affiliated to the LO have succeeded in retaining their elected representatives. These representatives are a prerequisite for trade union activity at work places all around Sweden. The most common functions for union representatives are to follow-up health and safety issues, participate in company board meetings and to be the personal contact link between the trade union federation and members at the workplace.

In all, there were 325,000 elected union representatives in Sweden in 2011. Of these, 158,000 were elected representatives in one of the LO affiliated unions, which was 1,000 more than five years previously. They constitute roughly 14 percent of all LO members. In the TCO and Saco affiliated unions there were 119,000 and 42,000 elected representatives, respectively, which constitute 13 percent and 9 percent, respectively of all TCO and Saco members.

Men more often act as elected representatives than women. Of the women who are members of a union 11 percent are elected representatives whilst the figure for men is 14 percent. Gender distribution varies among the LO, TCO and Saco to the extent that the TCO displays greater equality than the LO and Saco.

One of the most important welfare issues for members of the LO affiliated unions is security of income when unemployed. A well-considered unemployment insurance system mitigates against wage competition during periods of high unemployment.

Almost 500,000 workers left the unions' unemployment funds when fees were raised. It is important to note, that unemployment funds that are either guaranteed by unions or are independent from union membership (so called »a-kassor«) are voluntary. Besides these unemployment funds, there is a basic compensation that covers everyone.

For the unions affiliated to the LO, the member's subscription has, in some cases, risen from approximately SEK100<sup>1</sup> a month to up to SEK700-800<sup>2</sup>. Political policies have meant that the long-term unemployed receive only 65 percent of their previous salary/wage, compared to the 80 percent they are formally entitled to. The changes that have been introduced also mean that it has become more difficult to be awarded benefit, something which hits LO's members generally and women in particular.

1. Approximately 11 Euro (June 2014).

2. Approximately 77 to 88 Euro (June 2014).

The reduction which has taken place in the numbers registered with the unions' unemployment funds can also be seen as detrimental to the matching of people to jobs. Levels of unemployment benefit are not related to loss of earnings and neither does unemployment benefit function as the effective regulator that it has the potential to be. The National Unemployment Agency could place greater demands for active job seeking on those receiving benefit from an unemployment insurance fund than on other job seekers. When this opportunity is no longer available, it inhibits the scope of the National Unemployment Agency to contribute to a smoothly operating job matching process.

## 2. Trade Unions and their Core Tasks

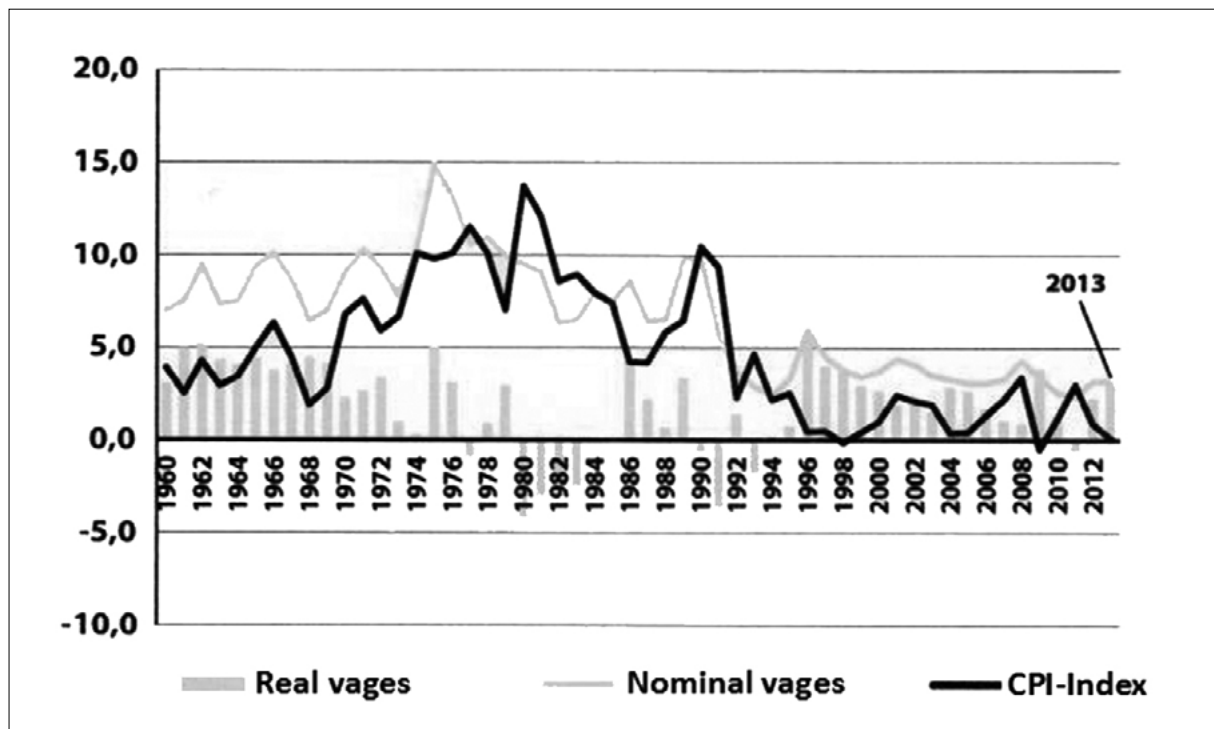
In Sweden, collective bargaining agreements are strong, without being generally required by law. All employer organisations who sign collective agreements, or those non-affiliated employers who have signed a compatible agreement, are required to implement the agreement for all employees, irrespective of whether they are members of the union or not. In 2012 90 per cent of the

workers were covered by collective agreements (including provisional collective agreement).

Collective bargaining coverage on the labour market has been relatively stable in Sweden in recent decades and has been unaffected by fluctuations in the business cycle. Even though there has been a slight decline since the mid-2000s, still 90 per cent of employees are covered by collective agreements, including compatible agreements between non-affiliated organisations. All employees in the public sector are covered by collective bargaining agreements, but the degree of coverage will probably be reduced as the number of companies in the private sector increases.

The income gap in Sweden narrowed over a substantial period. Strong trade unions contributed to achieving this end. Real income rises improved following the introduction and maintenance of inflation targets by the Central Bank of Sweden, as these have given greater potential for trade unions to demand salary increases well within the range of productivity gains. However, the income gap is widening as a result of the current centre-right oriented policy of income distribution.

Figure 4: Nominal wages, real wages and CPI-Index in Sweden 1960–2013 in per cent



Source: The National Mediation Office (Medlingsinstitutet). Preliminary figures for 2013.



With increased internationalisation comes a greater pressure for competitiveness and labour becomes more replaceable. Along with a worsening of the political climate for union activity, negotiating strength of the employers has increased and, thereby, in contrast to previous periods, the scope for salary increases above the central agreements has diminished. Showing less possibilities for coordination and more local room for manoeuvre, wage and salary negotiations have to an increasing extent shifted from central to de-centralised level.

Historically, there has been a long tradition of industrial unions being at the forefront of wage and salary increases. This position has been defended on the grounds that the export sector is highly competitive and that in this sector a clear, measurable improvement in productivity is visible. The re-distribution of productivity gains in order to equalise differences between the private and public sectors has been achieved by a policy of solidarity in terms of incomes. The union argument, apart from the issue of fairness, is that limited differences in income between similar occupations in different sectors of the economy will facilitate structural change.

Since 1997, there has been one industrial agreement between trade unions and employers, which, to a large extent, affects the wage and salary negotiations of other sectors. The industrial agreement involves clear regulations about conducting negotiations for an agreement and about following-up the implementation of agreements. Within this framework of cooperation, the par-

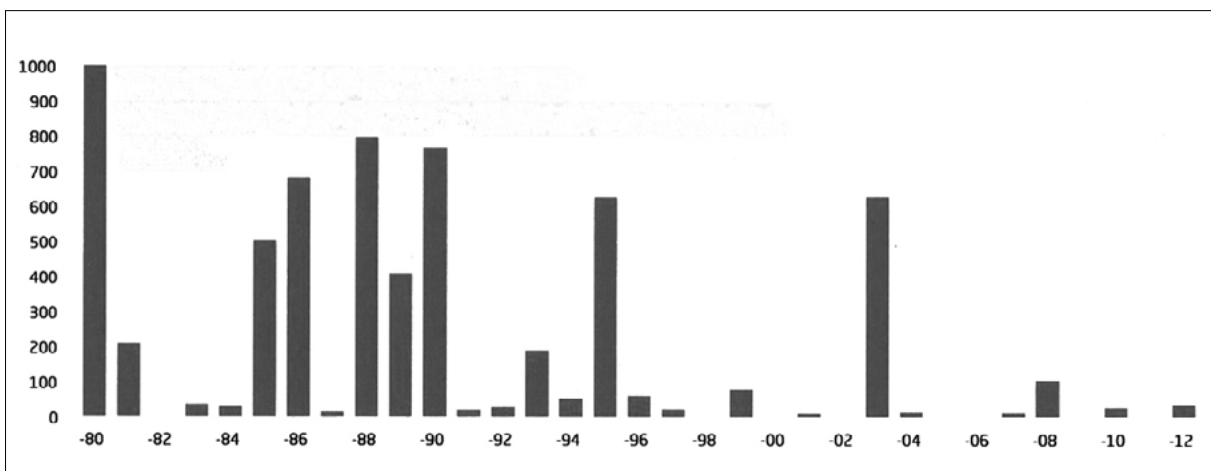
ties jointly make an assessment of the climate for industrial activity in Sweden. The agreement cuts across union lines and all unions in the industrial sector, LO, TCO and Saco, are included.

The industrial sector's right to set the benchmark for wages and salaries in other sectors has, however, been questioned, as structural changes in the economy take place. The National Mediation Office<sup>3</sup> uses the industrial agreement as a standard when calculating the scope for all wage and salary increases, something that trade unions in the female dominated sectors, above all, have been critical of.

The relationship of the national confederations to their affiliated unions has varied. Within the TCO, it is apparent that two unions Unionen och Vision are clearly interested in playing a more independent role. Also the previous weight of the LO in relation to its affiliated unions has changed over time. The more independent attitude of If Metall (the metal and industrial workers union) has been most noticeable in wage and salary negotiations, but another obvious example is when Byggnads (the construction workers union), Seko (the service and telecommunications workers union), Målarna (the painters union), Elektrikerna (the electricians union), Fastighets (the building maintenance workers union) and

3. »The National Mediation Office in Sweden is a central government agency answerable to the Ministry of Employment. It has three principal tasks: to mediate in labour disputes, to promote an efficient wage formation process and to oversee the provision of public statistics on wages and salaries.« <http://www.mi.se/other-languages/in-english/>

Figure 5: Strikes and Lockouts in Sweden 1980–2012 – Number of days in thousands



The 1980 column is not illustrated completely; the value for this year was 4,479,000 days. The value for 2011 was 0.3 and thus is not visible in the chart. Source: The National Mediation Office (Medlingsinstitutet) and Confederation of Swedish Enterprise.

Transport(the transport workers union), cooperated in forming the 6F group in 2009. Relations between the three central confederations on union matters are good with a strong sense of solidarity among them.

### 3. Trade Unions and their Political Clout

When there is a downward pressure on wages and salaries, and on working conditions, then there is also greater pressure on the negotiating position of the unions. But reductions in disposable incomes and a decline in purchasing power generate negative effects in terms of socio-economic matters and economic growth. During a recession, but also during periods of centre-right governments, employees face an increasingly uncertain labour market. An insecure labour market, combined with an erosion of the social security system is in danger of inhibiting the capacity for change in the economy. Therefore, the greatest challenges facing the trade union movement are to ensure that increases in salaries and wage are compatible with increases in productivity, to achieve an equal distribution of income and to influence the nature of the social security system.

Studies indicate that trade union efforts to achieve equality of wages and salaries with small differences in income have public support. A study carried out in 2011 by the LO into the general attitude of people to the wage negotiations under way showed strong support for the demands made by the unions. However, current trends indicate that there will be an increase in the income gap and growing insecurity. Even though the Swedish government has argued specifically for the advantages of the »Swedish Model« and the independence of the various actors on the labour market, there is a considerable distance between words and actions. In addition to following a policy that has undermined the ability of trade unions to work for a more equal and just labour market, it has also helped to ensure that the influence of trade unions on the development of the welfare state and social legislation has been lessened considerably.

Both locally and nationally, the unions interact with the political system through non-formal channels. But with the accession to power of the centre-right government, this has become increasingly difficult. This is noticeable

with regard to both informal and formal contacts. As an example, one can point to the deterioration of the social dialogue to the extent that is currently virtually non-existent.

The chairperson of LO is a member of the Executive Committee of the Social Democratic Party (as is the chairperson of IF Metall). This means that the members of the LO are in a strong position to influence party policy. This close cooperation has been important, not least, in formulating the »Swedish Model«. On occasions, the issue of the LO's support of the Social Democratic Party is raised publicly. Some argue that members who do not vote for the Social Democratic Party in elections need not be forced to support them indirectly. This issue of the union-party political alliance has been raised at various LO congresses and so far there has been a majority in favour for the alliance.

At the European level, the European Trade Union Confederation (ETUC) is the most important forum for all three Swedish national confederations and is where they can influence European policy. This is achieved through having representatives on the ETUC Executive Committee as well as in working parties. The three confederations alternate positions such as delegate and substitute among themselves.

The LO, TCO and Saco run a joint trade union office in Brussels. This acts as a hub for contacts with the European Parliament, the Commission and the Directorates-General. In addition to being a lead into EU politics, the office also acts as a source of information for the national confederations. Both international and national points of contact and networks are created through the Brussels office.

The Swedish unions are also involved internationally with a number of other organisations and networks. Among these are the Trade Union Advisory Committee to the OECD (TUAC), the International Trade Union Confederation (ITUC) the Council of Nordic Trade Unions, international sector organisations and European economic and social committees.

The LO and TCO jointly run the LO-TCO Secretariat of International Trade Union Development Co-operation, a body for the development of international trade union cooperation. Its activities support international trade

union development projects in over 60 countries and it runs information projects in Sweden. Operations are funded by grants from a government agency (Sida), grants from the European Union and by funds from the Swedish trade union movement. The Secretariat is responsible for applications and reports, whereas the trade unions are responsible for individual projects.<sup>4</sup>

#### 4. Prospects for the Immediate Future

Generally, there is a great interest in trade union matters. Most members read their union journal, the percentage of union members who would consider acting as a representative has increased in recent years and growing numbers would accept being a union representative (according to one survey more than a quarter of the LO's members). According to an LO report from 2011, more than half of all employees have contacted their union with requests for information or help. Eight in ten were pleased with the help they received. This reflects the changes in membership in recent years.

Historically speaking, the interest in joining a union increases during recessions when there is a greater chance of becoming unemployed. During the years of the recent crisis, we have seen a unique situation in which the reverse is true. It is possible to interpret this as demonstrating that it is a dissatisfaction with union policies which has driven members away from the union, rather than a lack of sympathy with actual trade union idea.

If this perception is true, then there is an interest among workers for union issues and a willingness to be active in propagating for them, which the unions should take advantage of. The greatest challenge in the years ahead is to arrest the fall in membership and to successfully recruit new members. Without a large membership the negotiating position of the unions will be weakened, as will their potential for acting as a strong force in the drive to achieve better working conditions and a more equal society.

The most important task of the unions is to sign collective bargaining agreements and to work towards a greater degree of organised labour. To succeed in this requires an active membership where the members are

involved in both formulating and executing trade union policy and action. The greater knowledge and responsibility members have, the easier it is to be an active unionist at the workplace. This is why access to union training is vital. It is also important that legislation and agreements facilitate trade union activity, including an undisputed right to paid leave for trade union activity, for example. The conditions for trade union membership recently worsened dramatically in just a few years, which makes it highly important that knowledge of trade unions and their ideas is spread among workers and potential workers, and that the willingness to be involved in union action is truly nurtured.

In this context, young people are important and unions should seek to provide them with a positive view of trade union activity in order to prepare them for joining a union when they begin their working lives. All three Swedish national confederations have implemented special initiatives aimed at young people. Among other things, the LO has an activity specially designed to provide young people with immediate advice and information about working life. The TCO publishes a newspaper aimed at a student readership and designed to provide a guide to universities and university colleges and also as a link between life as a student and working life. 19 of 22 Saco unions and associations have undergraduate members who are brought together in a student council the aim of which is to influence policies concerning education and the labour market in order to improve the situation for students and recent graduates.

4. <http://www.lotcobistand.org/om-oss>



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### About the author

**Monika Arvidsson** is analytical director of the Swedish working movement's think tank »Tiden«. She is an economist with special focus on international macroeconomics, economic policy and migration. Amongst other things, she has worked with questions concerning the EU's macroeconomic policy framework, growth models and labour migration.

### Imprint

Friedrich-Ebert-Stiftung | Dept. for Central and Eastern Europe  
Hiroshimastr. 28 | 10785 Berlin | Germany

Responsible:  
Jörg Bergstermann, Coordinator for Trade Union Programs in Europe and North America

Phone: ++49-30-269-35-7744 | Fax: ++49-30-269-35-9250  
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Project leader: Jörg Bergstermann ([joerg.bergstermann@fes.de](mailto:joerg.bergstermann@fes.de)),  
Project management: Cindy Espig ([cindy.espig@fes.de](mailto:cindy.espig@fes.de))

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung.

This publication is printed on paper from sustainable forestry.



ISBN  
978-3-95861-005-7