



The Swedish Model





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The Swedish Model means different things for different people

- A large welfare/public sector with generous benefits financed by taxes
- High degree of unionisation among workers (72 percent)
- Strong social partners with a constructive dialogue and compromises
- Nation-wide collective agreements rather than legislation (90 percent coverage) since 1938
- Very few conflicts (strikes) on the labour market
- The Rehn-Meidner Model for full employment



The Rehn-Meidner Model

LO Economists Gösta Rehn and Rudolf Meidner wrote *Trade Union and Full Employment* in 1951

The Background - an overheated labour market caused high inflation in the 1940s

The Goals:

- > Low inflation
- > Low unemployment and full employment
- > High GDP growth
- > Equal income distribution (solidarity wage policy)

The Challenge – these goals are conflicting:

- > Inflation vs Unemployment
- > High GDP growth vs Equal income distribution



Full employment

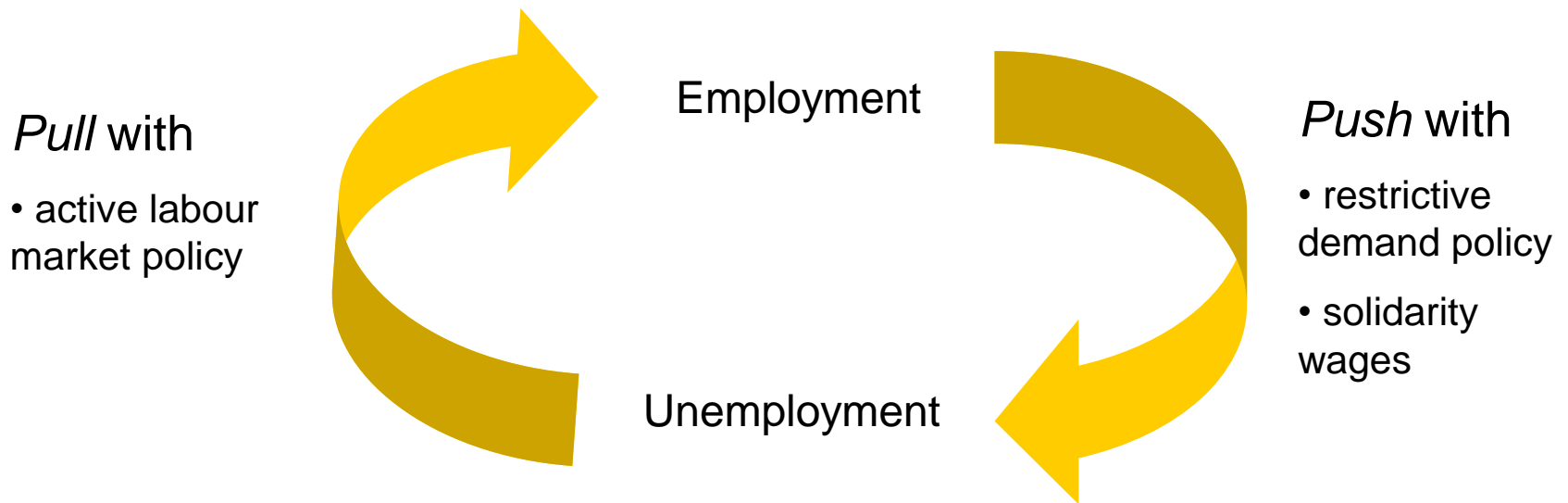
Full employment when all people that can and wants to work also work.

Different ways to reach full employment:

- Expansive demand policy that lead to high prices that exceed production costs
 - Higher labour demand
 - High inflation
- A low wage market that increase labour demand
 - No solidarity wages – no equality
 - No working poor



The Solution – to push and pull





From almost 20% of unemployment

- In the year of 1994-1996 the unemployment figures raised till 20%
- Conservatives run the country
- Tax cuts
- Focus on the enterprises not the people
- Downsizing the public sector
- Worse conditions in the education system to finance the Tax cuts
- Partly liberated labour laws
- The responsible was moved from the company to the person when there was a work related injury



1996 new Government

- Hand shake between the PM, Göran Persson and the President of LO Sweden, Bertil Jonsson, Time to cure the Hang Over from the former Government.
- Cut the unemployment down to 4%!
- Massive reforms
- Investing in people
- Raising some taxes
- Train the people for the new work life
- State funded "Kunskapslyftet" (The knowledge lift) almost 1Bn SEK
- Raised the levels of grants during the study period for adults
- Trade Union Education in social science
- Pointed out tax cuts in different branches and sectors
- Partly funded by State loans on Wall Street, NYC



Sucess Keys to low LTU

- Well designed education system for adult people
- Generous grants when studying
- Vocational training
- Re-Skilling and Up-Skilling the work force
- Employment Transition Funds(Work Security Councils)
- Efficient mapping of peoples skills and competences
- State interest in providing the right education



Swedish National Agency for Higher Vocational Education(HVE)

- Analysing the labour market
- Decide which programmes qualify to be offered as HVE
- Allocate government grants
- Conduct reviews
- Produce statistics and promote quality improvement to the HVE
- Recognition of prior learning - coordinating and supporting a national framework
- 93% of the participants 2017 got a permanent contract after 12 months education
- www.myh.se/In-english/Sweden



Employment Transition Fund

- Joint owned by Social Partners
- An insurance within the collective agreements
- Adjustment programme when redundant from the work place
- Shorter and long term programmes
- 2-3 days up till 12- 24 months education
- Up-skilling/Re-skilling and equip the workers with adequate competence
- Covers over 3,5 million people on the Swedish Labour Market
- www.tsl.se/om-tsl/inenglish (blue-collar workers)
- www.trr.se/en/ (white-collar staff)



Labour market policy

Labour market policy is a keystone in the Rehn-Meidner Model

- *Active* labour market policy
 - Employment services
 - Employment training programmes
 - Employment generation programmes (subsidises)
 - Relocation grants
- *Passive* labour market policy
 - Generous unemployment insurance



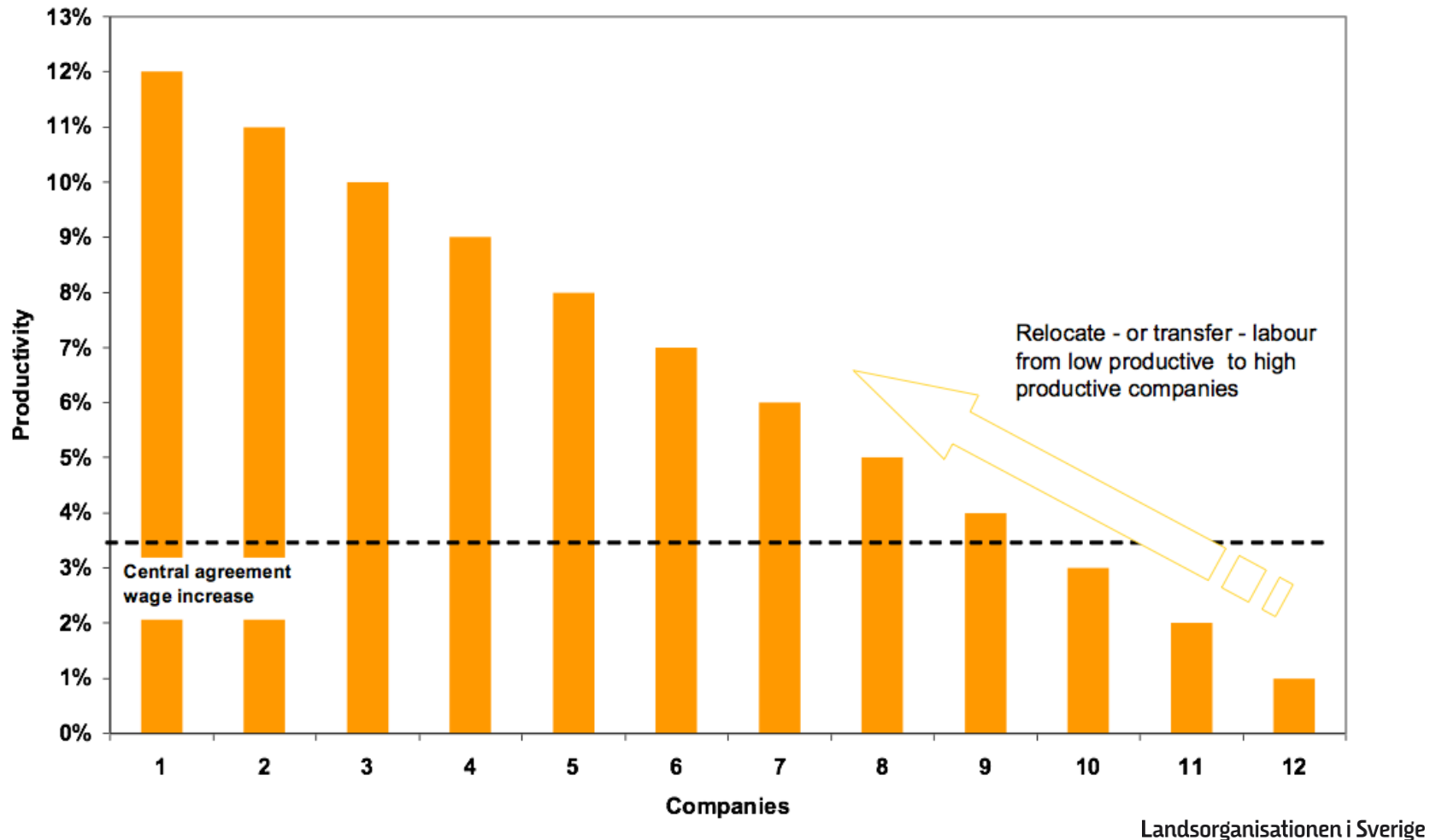
Two central labour market characteristics

Characteristics central for the Rehn-Meidner Model:

- Ongoing structural changes
 - old companies with high production costs are driven out of the market
 - new companies with lower production costs emerge
- Big differences between companies regarding:
 - Efficiency
 - Productivity
 - Capability to pay high wages



Relocation of labour through central collective agreements – an illustration

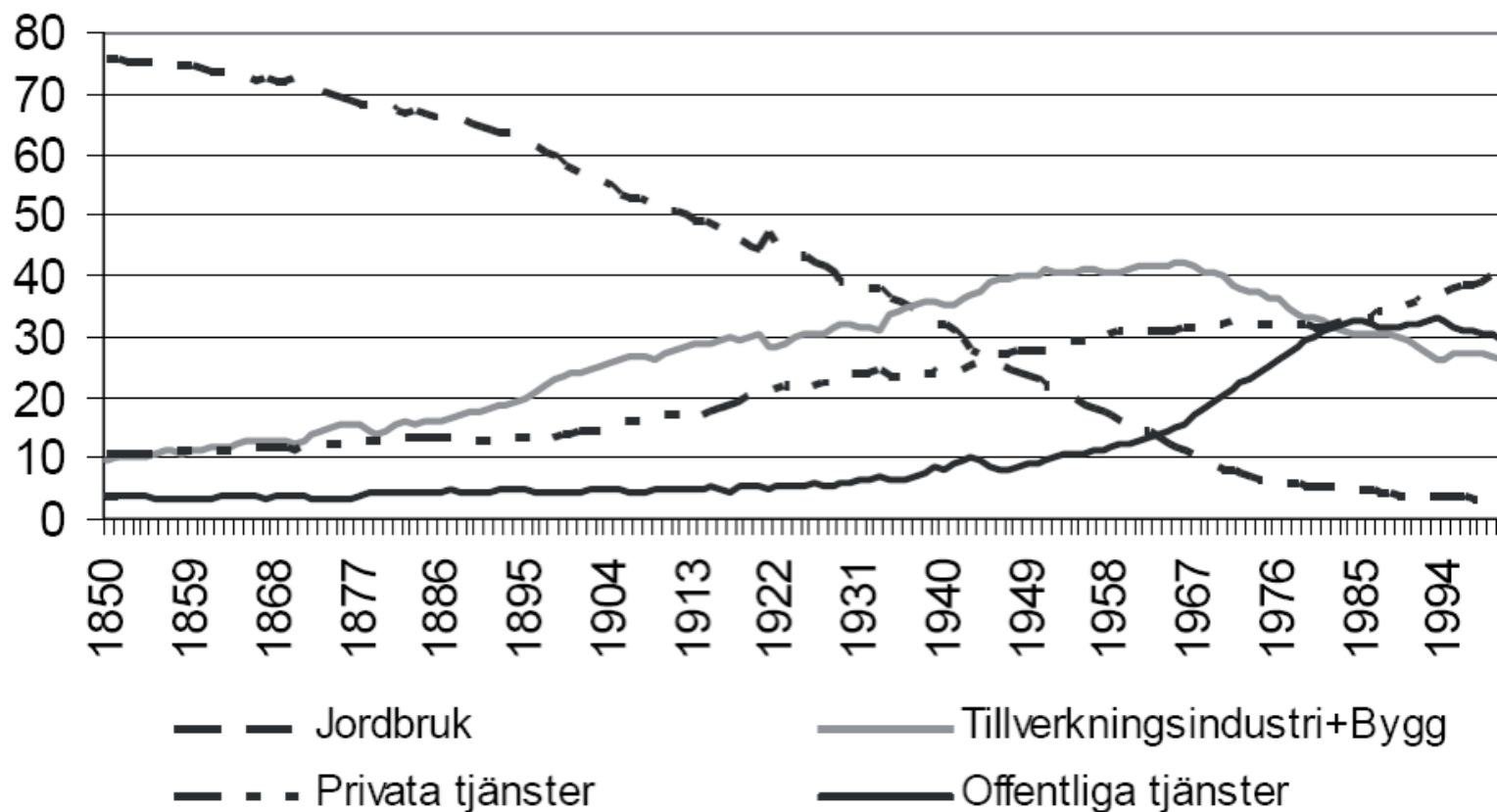




From agriculture to manufacturing to services

Percent of total employment

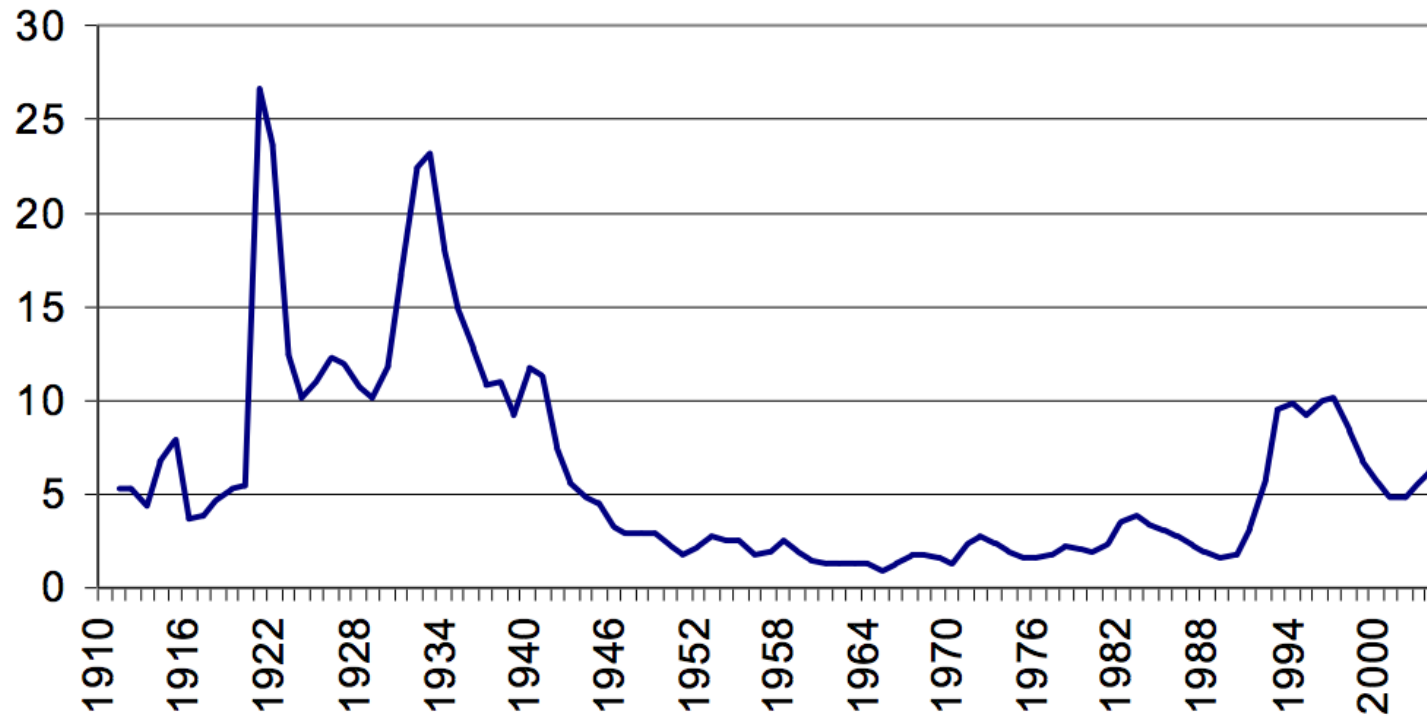
1850-2000





Historically low unemployment in Sweden

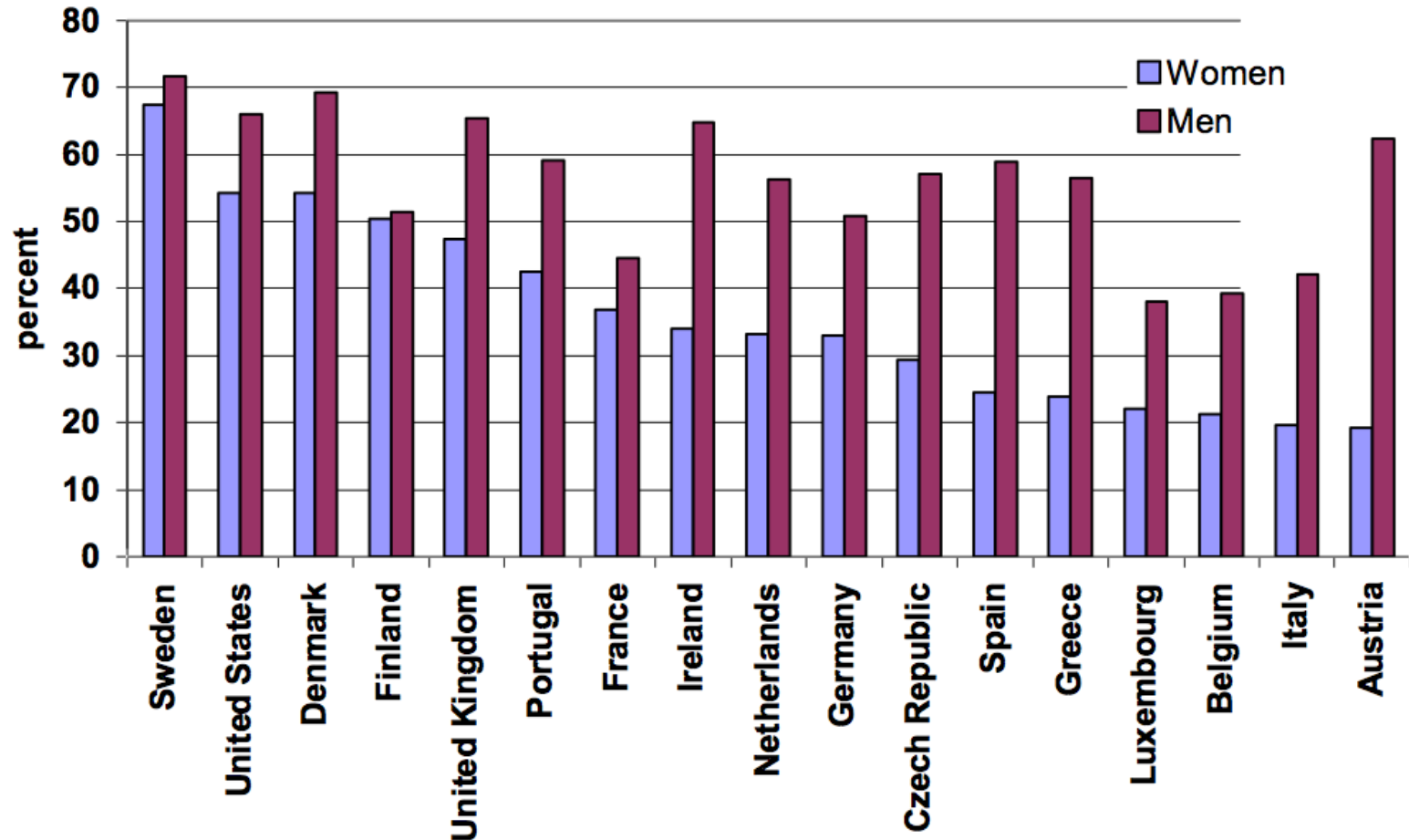
1910-2005





High employment among 55-64 years

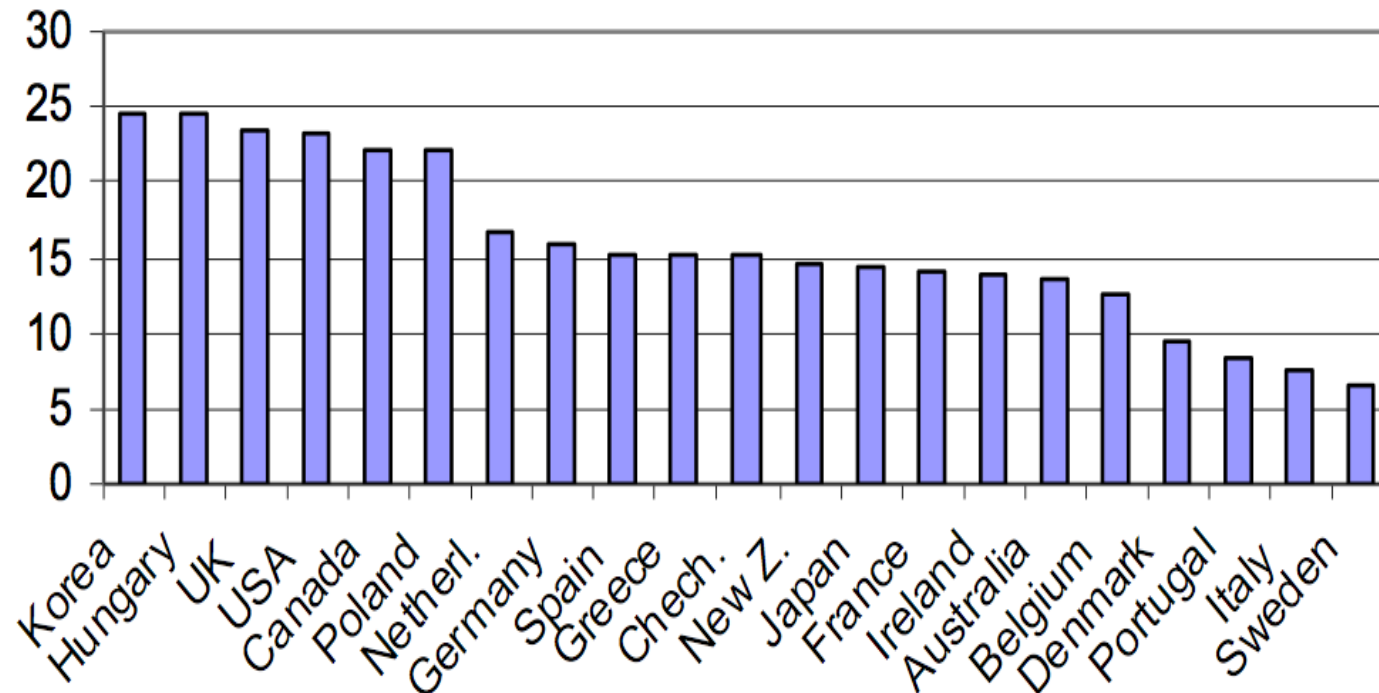
Average 2005





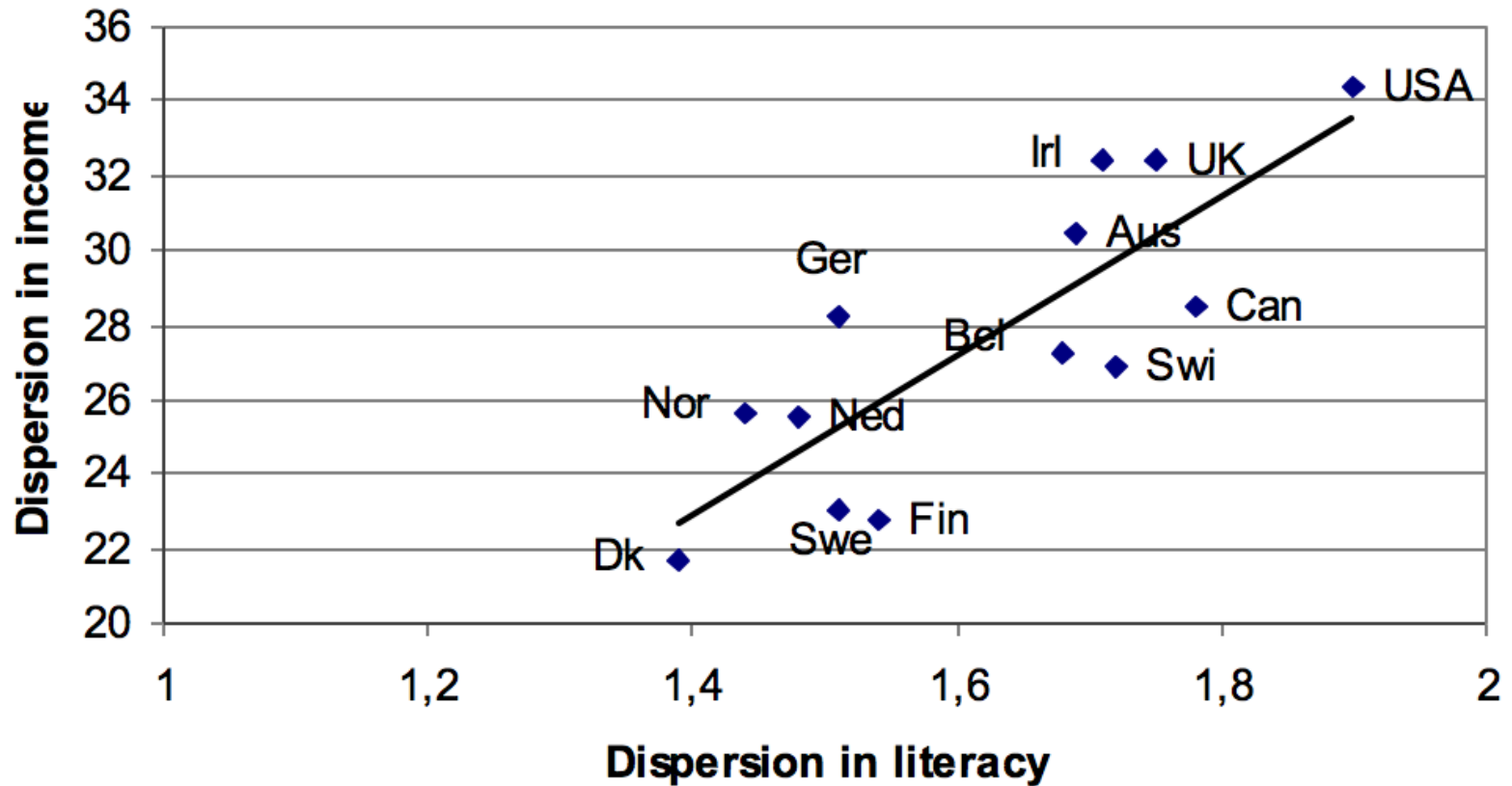
Few with low wages in Sweden

Percent of employers with low wages
2003/2004





Low dispersion in human capital (education) enables low dispersion in income





Future challenges

Every model needs to be adjust to the present – or future – development.

- Globalisation
- EU
- Lower union participation rate
- The wage formation system with central (sector) agreements is under attack
- A less active labour market policy from the present government
- A less generous unemployment insurance
- Demographic development – shortage of (skilled) labour
- Is full employment an unrealistic goal in the modern labour market?



Globalisation, relocation and offshoring

High wages relocate labour from low productive companies/sectors to high productive companies/sectors

- The original plan was relocations within Sweden

Does globalisation change the preconditions?

- Surveys show that 5 percent of lay-offs depend on offshoring
 - 50 percent of offshoring companies move to other "high cost" countries
- Companies that grow in foreign countries usually also grow in their home country
- Foreign companies move to Sweden
 - Netto effect?



Swedish trade unions and globalisation

Swedish trade unions are positive to globalisation

- Sweden is a small open economy very depended on export
- Workers are also consumers

Swedish trade unions works to boost productivity and competitiveness

- Innovation policy
- Research and development
- Investment policy
- Education
- Organizational development, management and working environment
- Employer influence and involvement in business and production development
- Wage formation

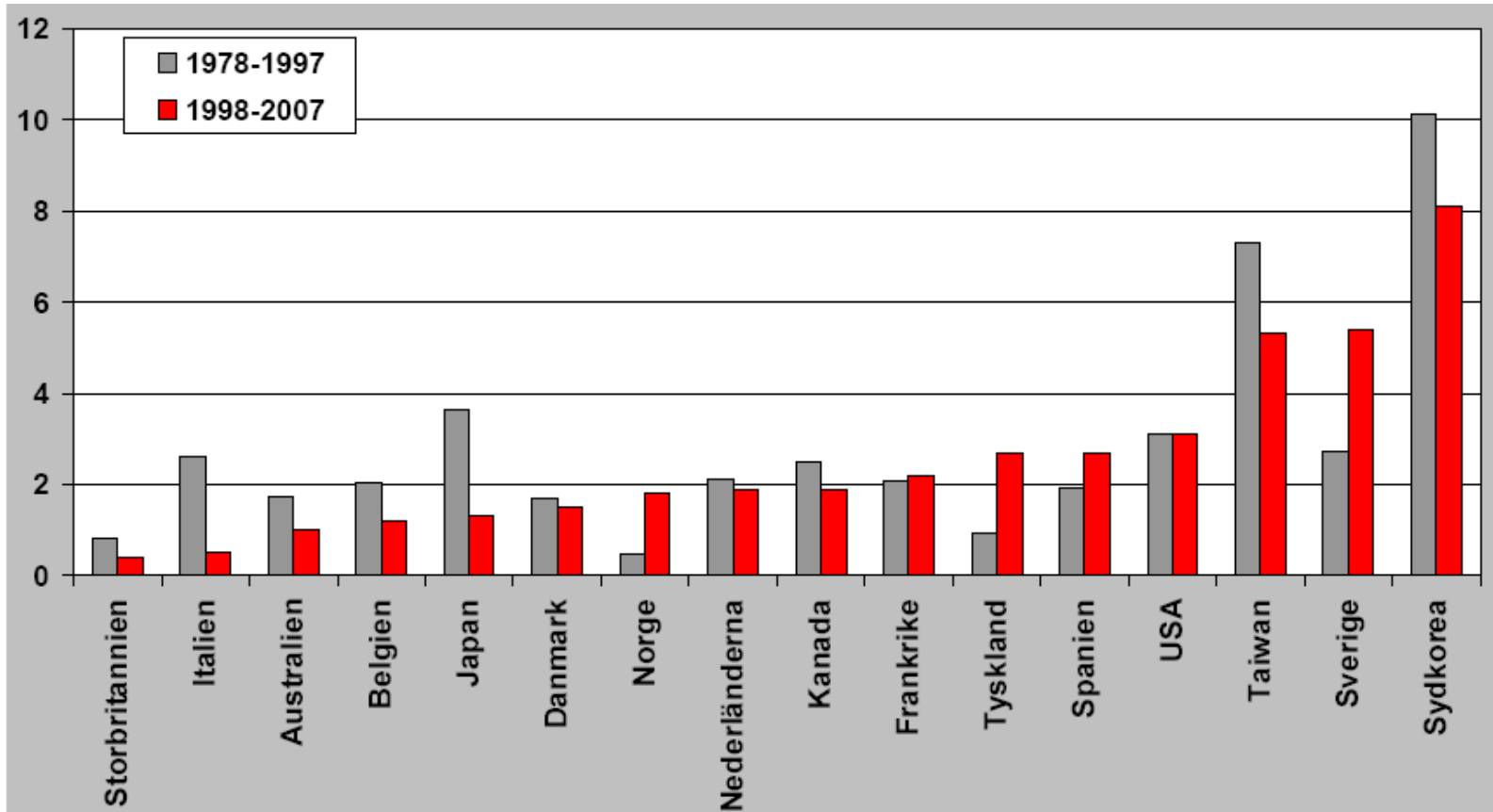
No race to the bottom! Compete with high wages!

So far – the outcome has been relatively good for Sweden



Industrial production growth has been very high

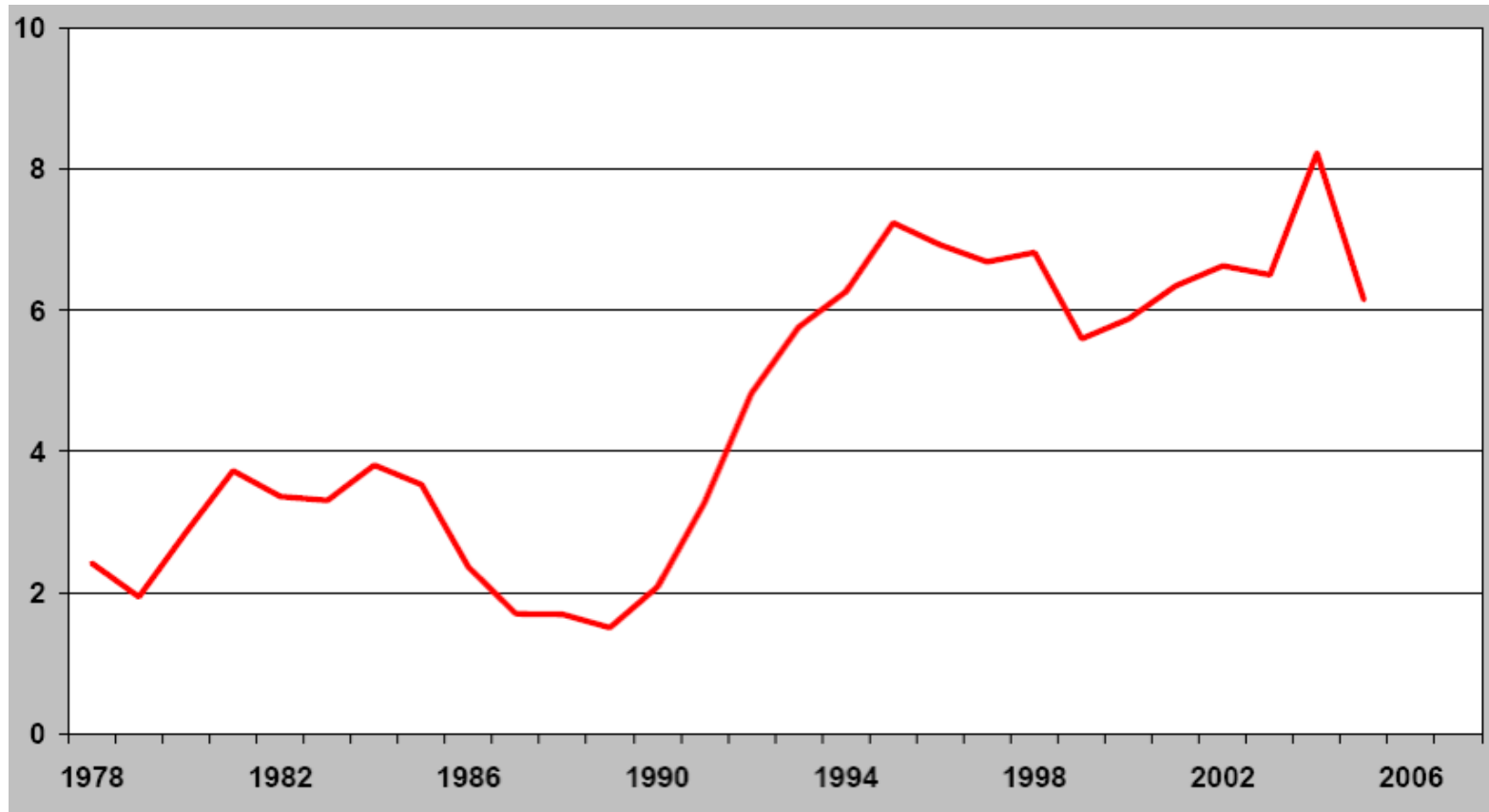
Percent, year average





Swedish industrial productivity in world class

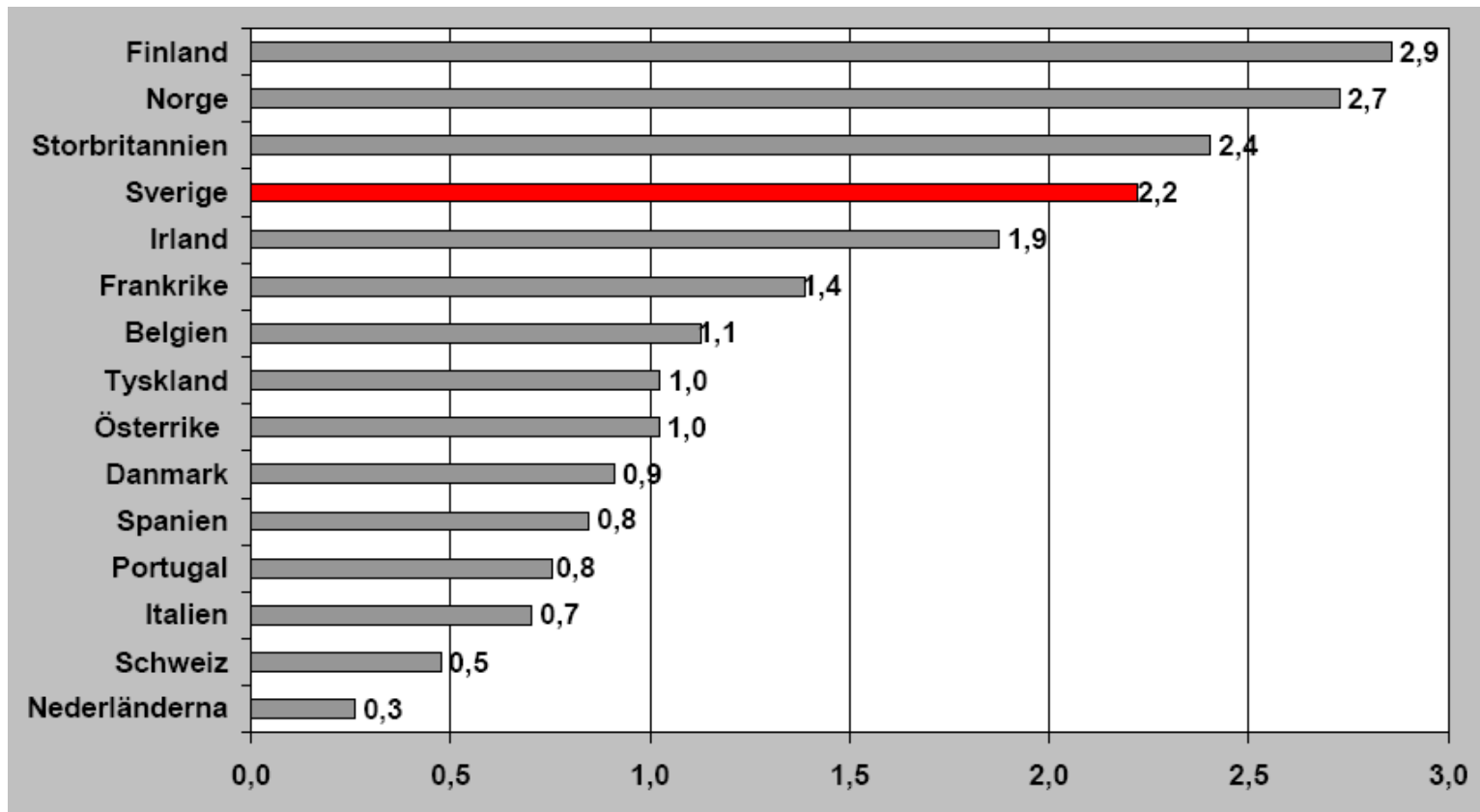
Percent, year to year growth





Real wages for Swedish industrial workers

Percent, year average, 1998-2007





To meet globalisation

It is very important that everybody share the profits/benefits and losses from structural changes and globalisation

- > Workers
- > Companies and shareholders
- > Welfare sector

Requirements for this:

- > Generous unemployment insurance
- > Generous welfare services available for all
- > Well functioning and generous education system
- > Active labour market policy
- > Real wage increases

The Swedish Model can work very well together with globalisation in the future!



OECD Jobs Strategy

”Good performance can also come from a system based on coordinated collective bargaining and social dialogue, with generous welfare benefits and serious activation services for jobseekers as well as employment protection legislation which helps labour market dynamism while also providing security to workers.”



Thanks for your time!
All the best,

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