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Unemployment and Pensions Protection in Europe: the Changing Role of Social Partners

Sweden



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Executive Summary

Introduction

The present report sheds light on Swedish occupational welfare, with a special focus on occupational pension schemes and different forms of occupational unemployment protection and prevention, and what has been and still is the role of various actors, focusing primarily on social partners and the State.

The report shows that occupational welfare has traditionally been a supplement to statutory social welfare. This is still the case, but the progressive retrenchment of statutory benefits has led to a more prominent role for occupational schemes. This is the case for occupational pensions: 90% of the working population is covered and occupational benefits represent about ¼ of pensioners' income. This is also the case for unemployment-related schemes. Occupational unemployment funds top up the Ghent system while the Employment Transitional Agreements supplement statutory active labour market policies. The methodology and the data collection behind the report were broad-based. The results are based on relevant research, reports and essays published in the matter during the last decades, available statistical and administrative data and interviews with representatives from three key stakeholder groups. In Sweden, workers in the retail and automotive industries are all covered by central agreements between the confederation of Trade unions, Landsorganisationen (LO), and the confederation of Swedish employees, Svenskt Näringsliv (SN). White collar employees and professionals working in these sectors are covered by agreements between SN and PTK, a collaborative organisation that makes agreements in the private sector for the Confederation of white collar employees, Tjänstemännens centralorganisation (TCO) and the Confederation of Professional Associations, Sveriges Akademikers Centralorganisation (Saco). We have conducted interviews with these social partners in this report.

Context information

Sweden has been characterized as an archetypical Scandinavian country with a large welfare state. A considerable proportion of the country's welfare regime consists of benefits and services provided by the state. Occupational welfare in Sweden has been relatively less important than in many other European countries, including in the field of unemployment and pension protection. However, the significant involvement of the state in the fabric of the welfare system does not include industrial relations. The state has taken a backseat position regarding wage formation and wage setting during most of the post-war period. Such issues have traditionally been decided through bilateral agreements and collective agreements between social partners. This was however not the case during part of the 1970s and 1980s and during the Swedish crisis of the first

half of the 1990s. In 1997 a new industrial agreement on bargaining principles was established, which re-established a new, modified form of Swedish Model. There is a complex interplay of continuity and change in the relationship between the state and the social partners. Changes in social welfare during the last decades have meant that this division of labour between the state and the social partners has become blurred and occupational welfare has taken on a more prominent role for social partners, including in the area of unemployment and pension protection. This role for occupational welfare is relatively limited compared to the importance of social welfare.

Key findings

The Swedish state still plays a significant role both as the provider of social welfare and as a regulator of occupational welfare. Occupational welfare has mostly taken the form of supplementary systems to top up the benefits and entitlements provided by the state. However, as some parts of the Swedish welfare state has been retrenched since the 1990s, occupational welfare has grown and the social partners have covered up some of this decline. In some cases, as in the case of occupational pensions, this retreat of the state has been orderly and conducted as a response to anticipated demographical changes. Others, as in the case of employment transitional agreements, are more of a response from the social partners, which perceived shortfalls in the established system of unemployment protection. This development has long-standing historical roots, as pensions have been part of state welfare since 1913, and a state statutory pension system that would give most employees a reasonably comfortable retirement income was established in 1960. Unemployment income insurance is on the other hand still, at least nominally, handled by the unemployment income insurance funds, even if the Ghent system that was established in 1935, and several subsequent reforms, have seen the degrees of freedom for the funds diminish. As this system has stopped offering unemployment income protection to a substantial percentage of employees, the social partners have used collective agreements and unilateral trade union insurance schemes to top up. While the right-of-centre government did retrench the quasi-statutory unemployment system, the more recent Red-Green government has proposed to reverse this change and improve protection. In the last few decades, the field of unemployment has also seen the launch of the Employment Transitional Agreements. The latter are funds jointly regulated by trade unions and employers providing both passive and active labour market policies.

Conclusion and Outlook

Sweden still has a universal welfare system. However, many of the provisions have also traditionally been linked to labour market participation and incomes. The state welfare system has reproduced the income differences on the labour market by relating benefits to prior incomes but has at the same time had a distributional effect due to the existence of minimum and maximum

benefits. As the Swedish collective bargaining system has traditionally been centralized, the social partners are well organised and centralized as well, although wage bargaining is now less centralized than before. Occupational welfare in the areas of pensions and unemployment protection and prevention plays a complementary role to the state-provided welfare schemes (*Lag 1982: 80 om anställningsskydd* (Employment Protection Act)). Most schemes for occupational welfare therefore act as top-ups to the existing and uniform state welfare scheme. In the field of unemployment protection and prevention the picture is somewhat more fragmented. Within the area of unemployment protection there is one form of bilateral solution that is quite unique compared to elsewhere: the Swedish employers and the unions have made central agreements regarding the right to benefits during unemployment, called Employment Transitional Agreements. We argue that the reasons why these agreements have become more important in recent years and now cover most of the labour market are linked to welfare state retrenchment, and to the social partners for different reasons wishing to cover up some of the gaps in the system. During the financial crises of 2008-2009, the Swedish partners agreed on various measures to reduce working time during the economic crises. This was a new phenomenon in post -1945 Sweden and could be seen as a last resort when neither the public employment agency nor the transitional foundations have the capacity to handle the situation.

Further reading and contact details

Further reading

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1. Introduction

The present report aims at describing and interpreting how occupational welfare schemes are changing in Sweden, with a special focus on occupational pension schemes and different forms of occupational unemployment protection and prevention, and what has been and still is the role of various actors, focusing primarily on social partners and the State.

The report consists of six sections. The first section focuses on the main characteristics of the Swedish welfare state and its industrial relations system; the so called Swedish model. The second section offers a broad overview of occupational welfare in general in Sweden, whereas the third focuses on supplementary pensions and occupational welfare schemes protecting employees from the risk of unemployment. The fourth section, analytical insights, takes the findings of the other sections and adds the impressions from the key stakeholders and their views on the role of social partners in occupational welfare and the governance of occupational welfare schemes. The report ends with some summary conclusions.

The methodology and the data collection behind the report were broad-based. The results are based on relevant research, reports and essays published in the matter during the last decades, available statistical and administrative data and interviews with representatives from three key stakeholders (see appendix). The report is made within the framework of a project, Prowelfare 2014-2016, with nine different country reports. The guidelines for the reports are that a special focus should be placed on occupational welfare in two sectors, trade and retail and automotive. In this context it is important to point out that the Swedish bargaining system is different compared to other countries within this project. Most occupational welfare schemes for the two areas under scrutiny, pensions and unemployment protection, are comprehensive and regulated through centralized agreements. Workers in the retail and automotive industries are therefore all covered in Sweden by central agreements between the confederation of Trade unions, Landsorganisationen (LO), and the Confederation of Swedish Enterprise confederation of Swedish employees, Svenskt Näringsliv (SN). White collar employees and professionals working in these sectors are covered by agreements between SN and PTK, a collaborative organisation that makes agreements in the private sector for the Confederation of Swedish Enterprise, Tjänstemännens Centralorganisation (TCO) and the Confederation of Professional Associations, Sveriges Akademikers Centralorganisation (Saco). This means that differences in occupational welfare between wage earners in these two sectors are almost identical.

The domination of centralised comprehensive agreements for wage earners in both the private and public sector, and a strong tendency towards uniformity of different agreements and schemes, means that the differences in occupational welfare benefits between groups are comparatively

small in a European, or indeed international context. However, the report also points out that the role of occupational welfare has increased during the last decades and argues that this is a result of welfare state retrenchment. The fact that an increasing part of welfare is provided through bilateral agreements between organisations representing employers and employees means that current developments are more beneficial for labour market insiders than outsiders.

2. Sweden's welfare state and industrial relations ⁽¹⁾

Sweden has been characterized as one of the archetypical Scandinavian countries with a large welfare state, according to Esping-Andersen's welfare state-typology (Esping-Andersen 1990). A considerable proportion of the country's welfare consists of benefits and services provided by the state. This means that occupational welfare in Sweden has been of relatively lesser importance than in many other European countries, including in the field of unemployment and pension protection (Magnusson and Ottosson 2002). However, the significant involvement of the state in the fabric of the welfare system does not include industrial relations. The state has taken a backseat position regarding wage formation and wage setting during most of the post-war period. Such issues have traditionally been decided through bipartisan agreements and collective agreements between organisations representing employers and employees, i.e. social partners. This was however not the case during part of the 1970s and 1980s and during the Swedish crisis of the first half of the 1990s (Murhem 2001; Nycander 2008). In 1997 a new industrial agreement on principles of bargaining was established, which re-established a new, modified form of Swedish Model (Elvander 2002). There are therefore reasons for the complex interplay of continuity and change in the relationship between the state and the social partners (Ebbinghaus 2009; Baccaro and Howell 2011). Some further modification of this traditional picture of the Swedish welfare model with regard to occupational pensions and unemployment protection will be further explored in this report. Changes in social welfare during the last decades have meant that this division of labour between the state and the social partners has become blurred and occupational welfare has taken on a more prominent role for social partners, including in issues of unemployment and pension protection (Murhem 2012; Dufour *et al.* 2007). This role for occupational welfare is however still relatively limited compared to the importance of social welfare (Magnusson 2013).

1. We are grateful to Bo Johansson, who started working on this report, up until September 2015.

2.1 Sweden's welfare state

As a parliamentary democracy, the basic provisions defining governance in Sweden are enshrined in the constitution. These laws are fundamental to the state's role in providing welfare for its citizens, since they set out the relationship between legislative, decision-making and executive power and also define the freedoms and rights enjoyed by its citizens. The basic feature of the Swedish welfare system is that all who reside legally in the country have equal access to public services, regardless of sex, citizenship, socio-economic status or any other discriminating criteria.

According to Gøsta Esping-Andersen's typology of welfare states (Esping-Andersen 1990), Sweden displays a 'social democratic' model, characterized by universalism and equality, redistribution of wealth, high benefits, state organized childcare, and gender equality encouraging women's participation in the labour market and public life. This still holds true, albeit to a modified degree. The financial crisis of the early 1990s and the subsequent strain on public finances had visible repercussions on the welfare system in terms of regulations, qualification criteria, decreased levels of benefits and increased fees for services used, but, at least until the mid- first decade of 2000, the cut-backs reflected the egalitarian principles formulated by Esping-Andersen. Some later modifications of the welfare system can also be associated with the financial crisis of 2008, especially within the unemployment insurance system. Also, the new government after the election in 2006, changed some parts of the welfare system (Magnusson 2013).

Some important milestones for the Swedish welfare system were the introduction of compulsory public schooling in 1842, the establishing of insurance for occupational accidents in 1901, and the first, albeit modest, universal pension system in 1913. The most formative period was in the 1930s, symbolized by the concept 'Folkhemmet' (the People's home), coined by the Social Democratic Prime Minister Per-Albin Hansson, and reinforced by the historically well-known Saltsjöbad-agreement in 1938 (see part II) between the Swedish Trade Union Confederation (Landsorganisationen, LO) and the Swedish Employers' Organization (Svenska Arbetsgivareföreningen, SAF, today Svenskt Näringsliv, SN, The Swedish Confederation of Enterprises). Also, several welfare reforms were initiated during the 1930s and the late 1940s. Sweden has ever since, especially since the 1950s, been characterized by a comparatively high level of social welfare, a well-organized trade union movement with a high membership rate and powerful employer organizations (Magnusson 2014). However, there are signs that industrial relations have changed during the last decades. One such example is the break-down of centralized bargaining, leading to wage drift and high increases in wages in the early 1990s, despite the fact that Sweden was hit by high unemployment (peaking at 13% according to current Swedish statistics, 9% according to present recalculated Eurostat figures). Swedish wages increased in an international perspective to an extent which threatened Swedish international

competitiveness. The government threatened the social partners with legislation, should they not come to an agreement to restore international competitiveness. This led to the new Industrial Agreement (*Industriavtalet*) in 1997, a new way of negotiating and mediating as well as a return to centralization, although at branch level. The Industrial Agreement was concluded between the trade unions and employers' association in the industrial sector, but was soon followed by similar agreements in other sectors (Elvander 2002).

Table 1: Sweden in a comparative perspective (1990-2011). Total public, mandatory private and voluntary private social expenditure: per head, at constant prices (2005) and constant PPPs (2005), in US dollars and as % of GDP

	1990	2000	2007	2011
Sweden				
Per head	7282	8987	10403	10656
% of GDP	29.7	30.8	29.9	30.4
Average 9 countries				
Per head	5731	7343	8410	9105
% of GDP	24.2	25.2	26.1	28.6
Average 8 countries (w/t Poland)				
Per head	6292	7956	9075	9783
% of GDP	25.4	25.8	26.9	29.7
OECD average				
Per head	3963	6112	7256	7969
% of GDP	17.5	21.6	21.9	24.6

Source: OECD (2016), 'Social Expenditure: Aggregated data', OECD Social Expenditure Statistics (database). DOI: <http://dx.doi.org/10.1787/data-00166-en>, (Accessed on 05 April 2016) (*SOCX*), years 1990, 2000, 2007, and 2011.

Total public spending (incl. interest rates, transfers, investments and consumption) increased from the end of the Second World War and peaked in the early 1990s. In 2014 it had decreased to 52% according to OECD aggregated data. In the same year, 2014, 28.1% of GDP was spent on social protection (OECD average 21.6%), of which 8.2% on pensions (OECD average 7.8%) and 0.4% on unemployment (OECD average 1.0%) (SOU 2010: 4).

The Social Insurance Code ensures coherent and comprehensive social insurance legislation. Its scope essentially covers all of the social insurance benefits administered by the Swedish Pensions Agency and the Swedish Tax Agency. Social insurance provides financial security to individuals in the event of illness and disability, to the elderly and to families with children. Social insurance is individually based and compensates for a loss of income when a person is unable to support

themselves by working as a result of illness or caring for a child, for example. It includes both universal benefits and means-tested benefits. Universal benefits are paid to everyone at the same rate. Means-tested allowances include housing allowances and housing supplements for pensioners.

Overall, Swedish economic development since 1945 has been that of a highly successful small export-oriented economy. The Swedish Model, broadly defined, was an important part of this development (Magnusson and Ottosson 2012). Increased affluence in the post-war era gave the state possibilities to implement welfare reforms that gave its citizens social security as well as increased labour productivity and mobility through preventive social policies, education and active labour market programmes (Schön 2014). A key part of Swedish development was also the role of social partners on the labour market. The labour market programme was the result of negotiations between trade unions and the employers' organization. It was labelled 'solidaristic wage policy' and had two elements. One was to achieve equal wages for equal work, regardless of individual companies' ability to pay. The other element was to raise the wage level in low paid areas and thus to compress wage distribution. The aim of the programme was actually to speed up the structural rationalization of industries and to eliminate less productive companies and branches. Labour was expected to be transferred to the most productive export-oriented sectors that benefited from the stability and predictability of a highly centralized system of bargaining. This arrangement worked well until the 1970s and 1980s, when a structural crisis and a breakdown of the wage bargaining system led to a more volatile situation on the labour market (Giertz 2008; Magnusson 2013).

As mentioned above the Swedish economy experienced its deepest and longest recession since the 1930s in the 1990s. This resulted in unusually high rates of unemployment (almost 9% in 1993) in a Swedish post-War perspective and a significant increase of the public sector budget deficit. The business cycle turned in 1997 and reached an economic peak in 2006 and the beginning of 2007 (Arbetskraftsundersökningarna AKU, (Labour Force Survey), Statistics Sweden). After that Sweden entered a period of low economic activity. In the autumn of 2008, Sweden was hit by the current global economic crisis, with rising unemployment as a result. However, compared to many other EU and OECD countries, the economy and employment in Sweden have fared quite well, although the crisis has had implications on both economic growth, which declined by 6.5% during the first quarter of 2009, and the unemployment rate, which peaked at almost 10% in 2009. Particularly the engineering industry was hit hard by the economic recession. One response from the trade unions was to accept working time reductions in 2009 as one solution in order to keep their jobs in the industry. This was a new development in Swedish industrial relations (Ahlstrand 2015).

Specific focus on the two risks under scrutiny

Pension system

The Swedish parliament introduced general pension insurance in 1913, covering the whole native population. The actual effect was nevertheless limited, and after several reforms, as late as the 1940s, 30% of those who received a pension still needed poor relief (Edebalk 2003). The public pension system was further developed with the reform of the People's pension in 1948 (AFP), a flat-rate PAYG-system. and, after a long and sometimes heated political debate in the 1950s with a general referendum in 1957, with the establishment of the earnings-related ATP system in 1960. By the early 1990s this system was not considered sustainable and after a series of political decisions and compromises, with the involvement of the social partners, a new public pension system was established in 1999. The most important component of this reform was the switch from a defined-benefit (DB) system to a notional defined-contribution (NDC) system which is sensitive to demographic changes, and the introduction of a funded pension (PPM – premium pension) integrated into the public pillar (Sjögren Lindqvist and Wadensjö 2011a).

Figure 1: The Swedish Pension system at a glance

Income pension (NDC)	Premium pension (DC)	Occupational pension schemes (mostly DC), SAF-LO, PA 03, ITP, KAP-KL	Individual schemes (DC)
Supplementary pension (DB, created 1954 or earlier)			
Guarantee pension (means-tested)			
First pillar (statutory schemes)		Second pillar (Occupational Schemes)	Third pillar (individual schemes)

Source: The authors own illustration.

The current pension system is financially autonomous and completely separate from the central government budget. It is regulated by law, primarily *Lag (2010: 111) om införande av Socialförsäkringsbalken* (Law on the introduction of the Social Code), which states that a person who works and pays taxes in Sweden annually saves into a public pension, which is paid by the employer. The assets are managed by the AP funds (see below), and consist of three parts: the income-based pension, the premium pension and the guarantee pension. Together these three parts represent the so-called first pillar, which covers all Swedish and foreign citizens who have

lived and/or worked in Sweden. In addition, most employees receive an occupational pension (second pillar), negotiated in collective agreements or, less often, individually, and/ or have private pension savings (third pillar). The income-based pension and premium pension is based on total earnings throughout life. As a complement to the income-related old-age pension, basic protection is available in the form of a guarantee pension (Sjögren Lindquist and Wadensjö 2011a). Overall the public pension amounts to 71% of the total average income of a Swedish retiree, while 24% comes from occupational pensions and the rest from private pensions.

There is no fixed retirement age, although 65 is the norm. Income-based and premium pensions can be drawn, wholly or partially, from the age of 61. Occupational pensions can be drawn from the age of 61 for public employees and from the age of 55 for private employees. The employee has the right to continue working while receiving pension benefits up until the age of 67. After the age of 67, an agreement with the employer must be made for the employee to be able to continue working, but after 67, there are no rights for the employee to keep on working.

Table 2: Pension disbursements, premiums paid and funded capital 2013 in billion SEK, and as per cent of each kind.

	<i>Public pension</i>	<i>Occ .pension</i>	<i>Private pension</i>	<i>Total</i>
Disbursements	271	86	19	362
	71%	24%	5%	100
Premiums paid	263	48	18	429
	61%	35%	4%	100
Capital	1 706	1 948	433	4 097
	42%	48%	10%	100

Source: *Orange report 2014*, Annual Report of the Swedish Pension System 2014, Swedish Pensions Agency, *Stockholm, 2015*.

Income-based pension

The contribution to the income-based pension is 18.5% of yearly income up to 7.5 income basic amounts (presently 435 750 SEK ⁽²⁾) (46 855 €). 16% is allocated to the income pension and 2.5% to the premium pension. Other entitlements to an income-based pension are for years spent at home with small children, sickness compensation, activity compensation and higher studies. For the pension entitlements for years spent with one's own children to be included in the future pension, the individual must have at least five income-years from work before turning 70. The *premium pension* is the smaller part of the annual pension savings. This amount is invested in funds chosen by the individual him/herself. If the person declines or decides to make no choice, the money, by default, goes to the AP funds (AP7 SÅfa).

There are no individual accounts for pension savings. The pensions for retired persons are paid directly from the incoming funding from those in the present active work force. This cash flow arrangement is the main problem, due to the gradually changing demography. This was also an important reason behind the pension reform in the 1990s, when the present system was established. The older system was not considered financially sustainable in the future, as the share of elderly people increases during the 21st century. Early reports indicate that pension benefits in the future will be considerably lower compared to the present situation and will probably create demand for further reforms in the future (Orange report 2014).

Guarantee pension

The guaranteed pension can be paid to persons who are resident in an EU member state or EEA country (the EEA includes all EU countries plus Norway, Iceland and Liechtenstein). This compensation is financed by the central government budget. It states that no one shall have less than 2.13 price basic amounts per year if unmarried, and 1.9 price basic amounts per year when married (including registered partners and co-habitants). This equals a sum of 7,880 SEK a month for the unmarried and 7,030 SEK a month for married persons, before taxes.

Another form of guarantee pension is maintenance support for the elderly which can be paid to persons over 65 years. An unmarried person is guaranteed at least 5,365 SEK in disposable income per month after tax, a married person at least 4,417 SEK (as of 2015). This support also includes a subsidy on housing rents above 6,200 for an unmarried person paid by the state, and half this amount to a person who is married. There is no requirement to have lived a certain number of years in Sweden to receive maintenance support for the elderly.

2. SEK, for the Swedish Krona, will be used throughout the report. However in most instances the sum in Euros will also be added. The amount in Euro is calculated at an exchange rate of 9.30 SEK/Euro.

Supplementary pension

The supplementary pension is part of the national retirement pension and is paid to those who were born before 1954, i.e. before the implementation of statutory occupational pensions. It is an earnings-related pension based on the income earned over the years worked. The earnings have been recorded as pension credits and the more and higher pension credits you have, the higher your supplementary pension will be.

Those born between 1938 — 1953 receive part of their pension in the form of income and a premium pension and another part in the form of a supplementary pension. The later during the aforementioned period you were born, the greater will be the portion of the income and premium pension, and the smaller the proportion of the supplementary pension. Persons born before 1938 are entitled to a supplementary pension only.

The number of recipients of public pensions as well as the absolute cost has increased steadily over the last decade, and is expected to continue due to Sweden's demography.

Table 3. Number of recipients and total amount of paid pension benefits in millions of SEK, selected years

	2003	2007	2011	2014
Nr of recipients	1 631 883	1 762 885	1 961 778	2 102 171
Total annual amount	189 048	216 626	251 230	288 257

Source: Sweden Pensions Agency, statistics.

As seen in table 3, the number of recipients has increased by almost 29% in eleven years, while the total cost of state financed disbursements has increased more than 52%.

The *General Pension Funds, AP funds* (Allmänna pensionsfonderna, AP-fonderna) are six governmental authorities, managing national pension assets, i.e. income pension and premium pension assets (*Lag 2000: 192 om allmänna pensionsfonder* (AP-fonder), Law on public pension funds, amended 2014, Stockholm). They were introduced in the 1960s, although they have changed character, numbering, and alignment through the years. The boards are appointed by the government, and should include at least two representatives from the social partners. The AP Funds have the task of evening out fluctuations between pension contributions and pensions and partly helping with the return of the pension system in the longer term. From 2009 and for about 25 years to come, pension payments will exceed contributions. The Swedish Pension

Agency requests money from the AP funds and manages the disbursement to the recipients. It also provides both general and individual information about the pension.

The second pillar, i.e. occupational pensions, and the agreements between social partners will be described in further detail in chapter 3. The private savings, the third pillar, were tax deductible up to 12 000 SEK annually until 2014. In 2015 the amount has been lowered to 1 800 SEK, and in 2016 this tax reduction will be abolished.

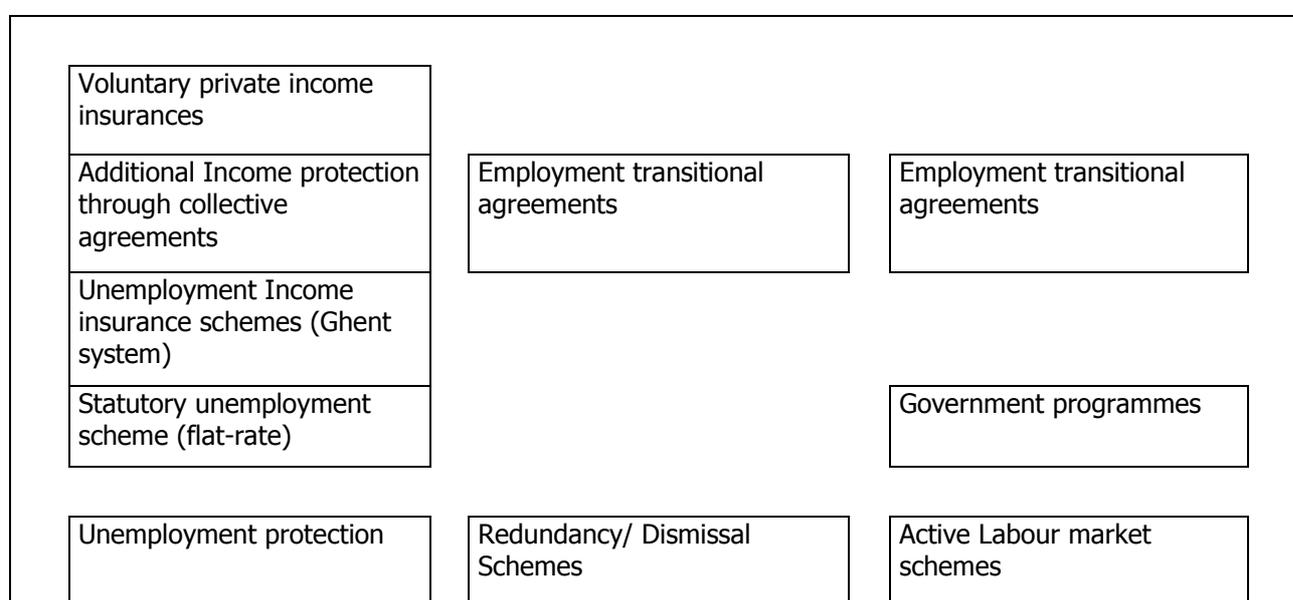
Unemployment protection

Swedish state-supported unemployment insurance consists of two parts. The first part is flat-rate statutory (state) benefit. This basic state-administrated insurance is paid to people who are not members of an unemployment fund or who have not been members long enough to be entitled to income-related compensation (*Lag 1997:239 om arbetslöshetskassor* [Act (1997:239) on Unemployment Insurance Funds], SFS 1997:239, Stockholm). The maximum basic compensation provided by this scheme is at the present time SEK 365 per day. The other part consists of voluntary, income-related insurance to those who pay membership fees to an unemployment insurance fund. The compensation ceiling is SEK 910 per day. These funds are organised in accordance with the Ghent system. Sweden's unemployment protection is therefore mainly de facto statutory, decided and regulated by the state but at the same time voluntary, since administration of the benefits and the collections of fees are handled by 28 different unemployment insurance funds (Regalia and Gasparri 2013).

The unemployment fund board is responsible for fund organization and management of its affairs, and is elected at a meeting of the general association, which is the fund's highest decision-making body. The board's decisions are implemented by a cash manager, responsible for the fund's current administration according to the guidelines and instructions provided by the board. The present unemployment insurance system is regulated by the *Unemployment Insurance Act (Lagen om arbetslöshetsförsäkring, ALF, 1997: 238)*, *Lag (2010: 2030) om ändring i lagen (1997:238) om arbetslöshetsförsäkring* [Act (2010: 2030) amending the Unemployment Insurance Act (1997: 238)], SFS 2010:2030, Stockholm, and the *Regulation on unemployment insurance funds (Förordning om arbetslöshetskassor, SFS 1997:836; Förordning (1996: 1100) om aktivitetsstöd*, Regulation (1996:1100) on activity support, SFS 1996: 1100, Stockholm, *Förordning (2000: 634) om arbetsmarknadspolitiska program*, Regulation (2000: 634) on labour market policy programmes, SFS 2000: 634, Stockholm, *Förordning (2007: 414) om jobb- och utvecklingsgarantin*. Regulation (2007: 414) on job- and development guarantee, SFS 2007:414, Stockholm). The 28 unemployment insurance funds are the institutions responsible for cases relating to EU certificates on unemployment benefits. Sweden is one of only eight countries that have ratified the ILO-convention 'C168 - *Employment Promotion and Protection against*

Unemployment Convention, 1988 (No. 168), which entered into force on 17 Oct. 1991. The unemployment funds are legally organized as business associations. Most of them are linked historically to different trade unions, which are represented on the boards of the funds, but they are controlled by state regulations in accordance with the Ghent system. They are coordinated through the *Unemployment Insurance Union (Arbetslöshetskassornas Samorganisation, SO, 2008)* and are supervised by the Swedish Unemployment Insurance Board (IAF), a state agency subject to the Swedish government. The IAF is also Sweden's liaison body and contact organization for matters concerning unemployment benefits within the EU/EEA Member States and Switzerland in relation to EU Regulations 883/2004, 987/2009, 1408/71 and 574/72.

Figure 2: The Swedish Unemployment protection system at a glance

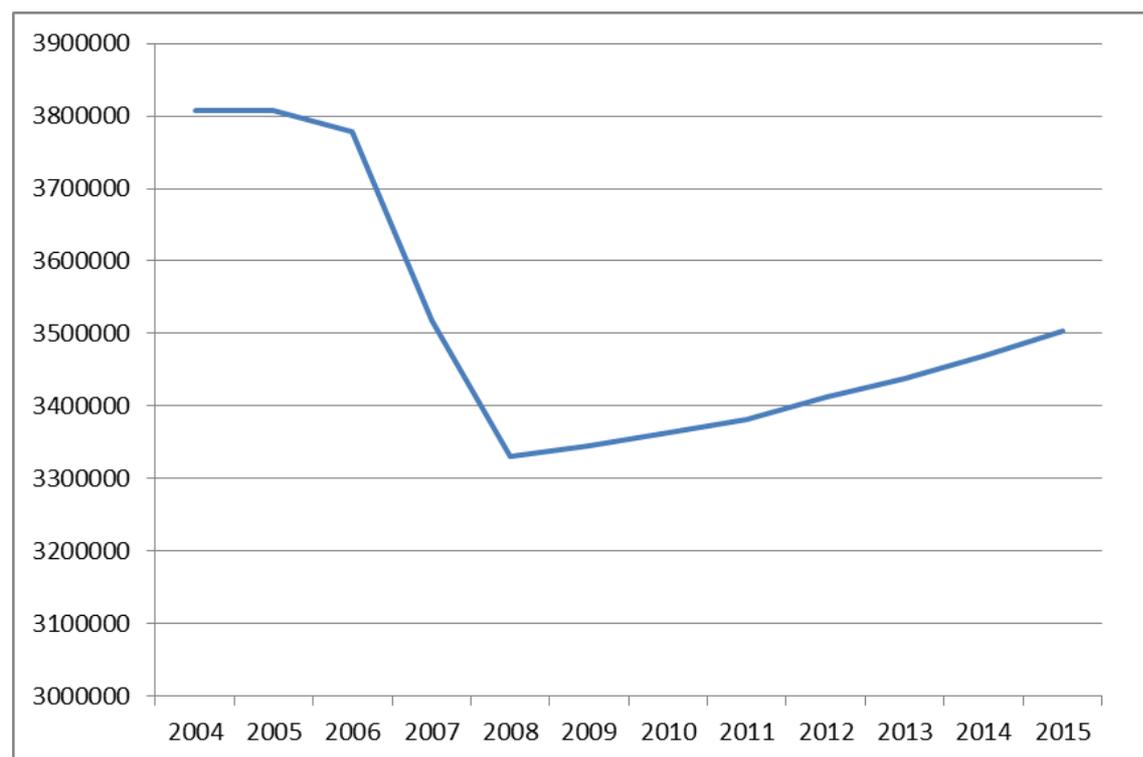


Source: Authors own illustration.

Unemployment insurance is funded by contributions from the unemployment insurance funds and employers' contributions. The funds are financed by individual membership fees, which presently vary between 90 SEK (9€) and 160 SEK (17€) per month. The membership fees for the unemployment insurance funds cover administrative expenses and the fees funds pay to the state, which in turn covers about 45-50 percent of the total cost of unemployment insurance. The employers' contribution is a part of the employers' labour fee. Since 2012 it has amounted to 2.91% of the employees' salaries and is paid by the employer as a part of the employers' fee (a number of different social insurance fees and taxes that at the moment amounts to around 31% of the employees' salaries). Compensation is based on the salary before unemployment, but may not exceed 80% of a monthly income of 25 025 SEK a month (this ceiling was 18 700 SEK/month or 680 SEK per day, which makes around 10 500 SEK (1130€) per month after tax before September 2015). Most, but not all, trade unions offer complementary unemployment insurance which

increases the compensation above the ceiling for unemployment insurance. A further complementary unemployment scheme is the Employment transitional agreements. Both these agreements are examples of occupational welfare schemes and will be discussed further in section 3 of this report.

Figure 3: Membership numbers in unemployment insurance funds, yearly averages, 2004-2015



Source: IAF Statistiskdatabasen.

In December 2013 around 70% of the total work force (i.e. around 3.3 million) were members of an unemployment fund, compared to 83% in Dec. 2006. The Swedish unemployment insurance system has deteriorated in the last decade by international standards, due to a combination of increased unemployment contributions for employees and reduced benefits. From being the second most generous system in the world (after Switzerland) in 2005 it dropped below the average for OECD countries, and in 2014 just one percent of the work force can now expect to get 80% of their salary in unemployment benefits. This has recently been changed by the present Social democratic/Green Party government and the parliament decided to raise the ceiling for unemployment benefits for the first time in thirteen years, beginning in September 2015, from 680 to 910 SEK a day. The former centre-right government also made changes to the fees and introduced differing fees between unemployment funds where the risk of unemployment is considered low or high, with lower fees for the former. Together, the changes have led to a decrease in the number of unemployment fund members, which can be seen in figure 3.

One could argue that the unemployment income protection provided through the Ghent system could be labelled as a quasi-statutory system. While this means that the system is not strictly speaking Occupational Welfare, the system and its development is important, especially since it could be argued that the recent upswing in occupational welfare in the area of employment protection can be partly explained by the erosion of its replacement rates. This issue will be given significant attention in the sections that follows (see section 3.2).

2.2 Industrial relations

Main actors

The three main trade union confederations are: *Landsorganisationen i Sverige*, LO (The Swedish Trade Union Confederation), *Tjänstemännens Centralorganisation*, TCO (Swedish Confederation of Professional Employees), and *Sveriges Akademikers Centralorganisation*, SACO (Swedish Confederation of Professional Associations). A fourth one is *Sveriges Arbetares Centralorganisation*, SAC, (Swedish Workers' Central Organisation), a syndicalist trade union which represents around 7 500 employees in all strands of the labour market. There is also an association for management executives, *Ledarna*, with 90 000 members, who are not part of any of the three aforementioned confederations. The larger trade unions are basically based on the 'industrial principle', i.e. they are organized according to the economic sector in which employees work rather than according to the employees' occupations. LO and TCO consist of 14 sector associations each, and SACO has 22 associations. 25 TCO and SACO associations representing employees in the private sector also have a collaborative organisation for white collar employees and professionals in the private sector, PTK, that includes 17 SACO associations, 8 TCO associations as well as Ledarna (26 associations in total). In the public sector 14 trade unions collaborate in the OFR. These collaborative associations are important in the context of this report, as they make agreements concerning both occupational pensions as well as Employment transitional agreements (Kullander 2009; Eurofound 2015).

Table 4: Industrial relations system in Sweden

	2000	2007	2013
Union density, %	80.1	71	67.4
Employers' density, %	83	83	82
Collective bargaining coverage, private sector	90	87	85
Collective bargaining coverage, public sector	100	100	100
Dominant bargaining level	Bargaining predominantly at sector or industry level, pattern bargaining		
Type of representation at the enterprise level	Works councils with union representatives mandated by codetermination law (MBL), Lag (1976:580) om medbestämmande i arbetslivet (Codetermination Act)		
Main trade union organisations	LO, TCO, Saco		
Main Employers' organisations	SN, SKL, Arbetsgivarverket		

Source: Visser (2015).

The approximate membership numbers as of the end of 2013 were 1 470 000 in LO associations, 1 285 000 in TCO associations and 646 000 in SACO associations, all of which add up to (incl. SAC and Ledarna) a total number of around 3.5 million organized employees. The total work force 15-74 years was at the same time 5 million (increasing to 5.2 million in March 2015), which gives a 68% union density. Trade union density decreased by 8% between 2006 and 2008, mainly due to the government's changes in January 2007 to the fees to the unemployment funds, and the abolition of the individual tax reduction for unemployment fund and trade union membership fees (Kjellberg 2009; 2014; 2015). The decline was broad-based and equally distributed between white collar and blue collar workers, men and women. (Furåker 2015a).

Table 5: Percentage of trade union members by confederation, selected years 2000-2012

	LO	TCO	SACO	Others	Total
2000	54	32	11	2	100
2005	51	33	13	3	100
2010	47	34	16	3	100
2012	45	35	16	3	100

Source: Furåker (2015a: table 3 : 203).

There are three employer confederations: *Svenskt Näringsliv*, SN (Confederation of Swedish Enterprise), with 49 private sectoral business associations as members, *Sveriges Kommuner och Landsting*, SKL (Swedish Association of Local Authorities and Regions), of which all 290 municipalities and 20 county councils/regions are members, and *Arbetsgivarverket* (Swedish Agency for Government Employers), the members of which are 250 government agencies, enterprises and other employers related to the government sector.

Main laws and regulations

Although the government has traditionally played a secondary role in industrial relations in Sweden, there are two labour laws, both from the 1970s, that affect these relations. The *Codetermination Act (Lag om medbestämmande, 1976: 580, MBL)* regulates employee consultation and participation in working life. The MBL is the main law for the system of collective regulations; it is a framework law that must be implemented through collective agreements. It gives trade unions, as collective agents for their members, the right to elect their representatives, receive information or be consulted about management decisions.

The *Employment Protection Act (Lag om anställningsskydd, LAS)* is a fundamental law in the Swedish labour market regulating when and how an employee can and cannot be dismissed. The law protects employees from being given notice or dismissed without objective reasons, such as shortage of work or serious misdemeanours. It also gives the employer considerable responsibility for finding suitable replacement employment for the worker before the person can be fired. At times of large-scale dismissals there are regularly intense negotiations between the enterprise and the trade unions involved about exceptions from the rules of LAS, when one or both parties claim priorities other than stipulated by the law.

Agreements and negotiations

The main agreement (*Saltsjöbadsavtalet*) between the social partners was negotiated in 1938 between LO and *Svenska Arbetsgivarförbundet*, SAF (the Swedish Employers' Association), the predecessor of SN. The agreement established the framework for industrial relations for a long time to come. It expressed a mutual recognition by all parties - government, employers and trade unions - of industrial development and growth as the basis for a welfare society, as well as the consent of the state to assign wage developments and other labour issues to the social partners without any governmental interference. Self-regulation through collective bargaining is strong, and therefore tripartite negotiations are rare. However, the social partners are often represented in advisory bodies or reference groups related to government committees or enquiries, even if the level of corporatism in Swedish policy-making has declined since the 1980s (Thörnqvist 1999; Johansson and Magnusson 2012).

The Swedish labour market model means that legislation acts together with collective agreements. The legislation lays down the framework but is semi-optional in large parts, which means that the social partners can sign a collective agreement with a different content. This semi-optional framework concerns issues of Industrial relations that have traditionally been decided through bipartisan agreement but where the state has taken an increased role, such as LAS, not statutory welfare schemes. The industrial relations system is reinforced by The National Mediation Office (Medlingsinstitutet 2015), which is a central government agency under 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.

Table 6: Collective agreement coverage, employees aged 16-64, selected years

	1995	2005	2008	2010	2012
All Employees	94%	93%	90%	89%	90%
Private sector Employees	90%	89%	84%	84%	85%
Public sector employees	100%	100%	100%	100%	100%

Source: Furåker (2015a: table 1: 202).

There are more than one hundred parties in the Swedish labour market, 50 trade unions and 49 employers' organizations. Together they draw up more than 650 collective agreements on wages and general conditions of employment. Collective wage bargaining used to be highly centralized, but social partners have increasingly delegated negotiations, primarily on wages and working time, to the company level. At the sector, or even cross-sector level, social partner confederations still bargain on pension and work environment issues. Collective agreements on issues other than pay have increased, as part of a decentralization trend. Bargaining also takes place between the individual employee and employer, particularly among white-collar workers. The decline in centralised bargaining has reduced the power of the confederations, and individual unions now have greater influence. In 2012 less than half of all private enterprises (45%, 131 000) had collective agreements, but these employed 84% of the active workforce (2 338 100 employees). Most companies without a collective agreement are small and in the service sector. There is no statutory extension of collective agreements, as is the case in many other countries. 451 000 employees were not covered by collective agreements (Medlingsinstitutet 2015). In the areas of Occupational Welfare under scrutiny, such as occupational pensions, the level of centralisation is however still comparatively high. A handful of agreements, administrative bodies and funds controlled by the social partners cover most employees on the Swedish labour market (Försäkringar på arbetsmarknaden enligt lag och kollektivavtal 2015 (Insurances on the labour market according to law and collective agreement 2015), 2015, Svenskt Näringsliv, Stockholm).

3. Sweden's occupational welfare

3.1 General overview

Origin and importance

As a Social democratic welfare state (in accordance with the typology of Esping-Andersen) much of the welfare for employees is provided by or through the state in the form of social welfare. Most of today's social welfare benefits were introduced during the 'golden years' after the end of the Second World War, in the 1950s and 1960s, such as the introduction of paid maternity leave, pension reforms, and prolonged holidays. The present schemes cover, to varying degrees due to the specific collective agreement, sickness/disability/accidents, parental leave, old age, survivors' compensation and unemployment. Most social welfare insurance benefits are income based with a replacement rate of 80% up to a cap. The general view is that occupational welfare provisions are supplementary to the public welfare programmes. However, since the 1990s the tensions relating to social welfare schemes have increased the need and interest for supplementary benefits and services. In the fields of pensions, health insurance and work-life balance the benefit levels provided are generally regarded as sufficient by the social partners, but among trade unionists unemployment insurance and its framework, which is determined by political decisions, are definitely not regarded as such.

Occupational welfare in Sweden shares several of the characteristics of the statutory, or quasi-statutory in the case of the Ghent system for unemployment income protection, schemes of the country's welfare state. Most employees, up to around 90%, in both the private and public sector are covered by a couple of agreements made between the top organisations on the Swedish labour market. While differences between these agreements exist, they are quite similar to each other compared with the differences between different occupational groups in several other countries that are investigated in other country reports within this project. This homogeneity over much of the labour market means that there are few differences between occupational welfare schemes for employees in the automotive industry or in retail or trade. The differences that do exist depend on whether the employees are workers and covered by the agreements between SN and LO or if they are white collar employees and professionals who are covered by agreements between SN and PTK. However, as the conditions and risks that face the export-dependent automotive sector are quite different to the conditions and risks that affect both employers and employees in the retail and trade sector, which depends on domestic markets, there are some tensions within the organisations that made the agreements. For the time being, and the foreseeable future, there seems to be greater interest, on both sides, in comprehensive solutions. Conflicts are more focused on implementation and generosity of occupational welfare rather than on a systemic change towards a more fragmented landscape.

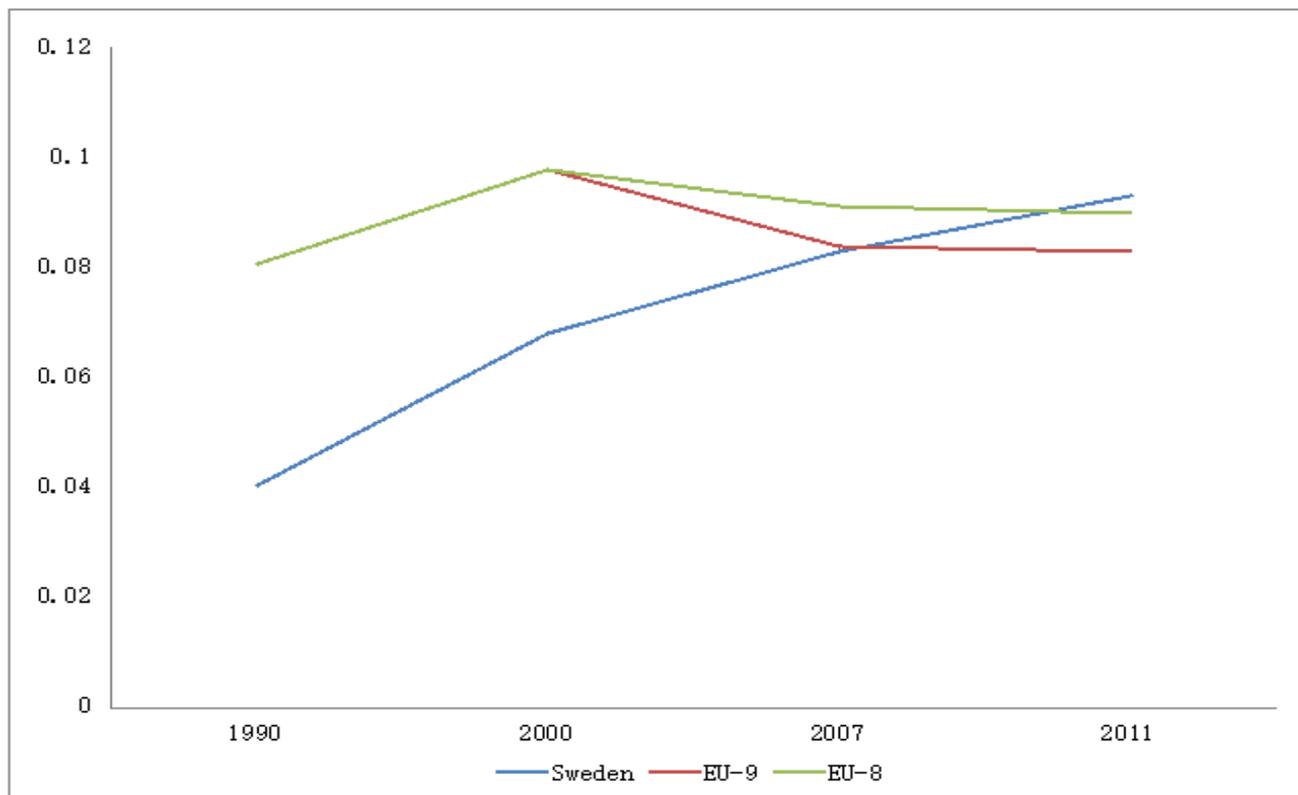
Table 7: Social Expenditures as % of GDP, different years.

Source	Branch	1990	2000	2007	2011	Dif. 2011-1990	% Dif. 2011-1990
Public	Old age	8.4	9.1	9	9.4	1.0	12%
	Survivors	0.6	0.6	0.5	0.4	-0.2	-33%
	Incapacity related	5.5	5.1	5.1	4.3	-1.2	-22%
	Health	6.0	6	6.3	6.7	0.7	12%
	Family	4.3		3.4	3.6	-0.7	-16%
	Active labour market programmes	1.6	1.7	1.0	1.2	-0.4	-25%
	Unemployment	0.8	1.4	0.7	0.4	-0.4	-50%
	Other social policy areas	0.5	0.7	0.6	0.7	0.2	40%
	Total	28.5	28.2	27	27.2	-1.3	-5%
	OECD Total	17.5	18.6	18.9	21.4	3.9	22%
Mandatory private	Incapacity related	..	0.5	0.4	0.4		
	Total	..	0.5	0.4	0.4		
	OECD Total	..	1.0	0.9	1.0		
Voluntary private	Old age	1.2	1.8	2.1	2.6	1.4	117%
	Incapacity related	..	0.3	0.3	0.2		
	Health	0.0	0.0		
	Other social policy areas	..	0.1	0.1	0.0		
	Total	1.2	2.1	2.5	2.8	1.6	133%
	OECD Total	..	2	2.1	2.2		

Source: OECD (2016), Social Expenditure: Aggregated data', OECD Social Expenditure Statistics (database). DOI: <http://dx.doi.org/10.1787/data-00166-en>, (Accessed on 05 April 2016) (SOCX), years 1990, 2000, 2007, 2011.

As table 7 shows, there have been some changes in the overall expenditure on old age and pensions as well as for unemployment over the period from the early 1990s. The most significant change for the issues under scrutiny is the increased importance of voluntary private pensions. This is quite visible in figure 4, which shows a considerable increase in private voluntary expenditure in the last decade or so. As a result of this, the percentage of social expenditure that comes from voluntary private schemes is now at around the same level as in other countries under scrutiny in this project (Austria, Belgium, Germany, the Netherlands, Italy, Spain, UK and Sweden for EU-8 and also Poland for EU-9). This is almost exclusively the result of increased pension expenditure.

Figure 4: Indices of voluntary private social expenditure as a percentage of total social expenditure



Source: OECD (2016), 'Social Expenditure: Aggregated data', OECD Social Expenditure Statistics (database). DOI: <http://dx.doi.org/10.1787/data-00166-en>, (Accessed on 05 April 2016) OECD, Social Expenditure database (SOCX), years 1990, 2000, 2007, 2011.

Institutional traits

Most occupational welfare benefits are negotiated in the collective agreements at confederation level and the coverage rate is at least 90% of all employees for occupational pension schemes as well as schemes for employment protection. Employees are covered by a collective agreement, regardless of contract terms and whether they are union members or not, that covers sickness, work injury, shortage of work, death and parental leave. The insurance is transferable between employers who have signed a collective agreement. The basic benefits are universal, such as sick leave/disability/parental leave insurance and occupational pension, regardless of type of contract, position, education and other discriminating criteria. Differences may nevertheless occur in practice, since some issues are negotiated at the local level. The basic benefits are also transferable to any other sector, while others are generally transferable within the sector, but not necessarily between sectors if a person changes job from one sector to another.

Voluntary work-related insurance programmes are in most cases signed with *AFA Försäkring*, which is a non-profit organization owned by Sweden's social partners, established in 1963 (AFA Försäkringar 2014). The agreements are negotiated and signed at the confederation level. The assets of AFA come from employers' contributions. Most collective agreements include clauses on affiliation to the AFA insurance package in some way. AFA insures employees within the private sector, municipalities and county councils. The insurance plans are administered through *AFA Sjukförsäkring* (AFA Sickness Insurance), *AFA Trygghetsförsäkring* (AFA Work Injury Insurance) and *AFA Livförsäkring* (AFA Life Insurance). Each of these companies is the largest insurance provider in its particular field. AFA also supports preventive health through education, training and information, and research on work environment issues. In December 2014 AFA insurance covered 4.1 million employees (approx. 90% of the total workforce). The organization handled more than 860,000 cases and paid SEK 9.7 billion (1.05 billion €) in compensation to those insured. AFA is also funding research on work environment and occupational health issues (SEK 150 million, 16 million €).

The employers' organizations and trade union confederations also conclude certain types of cross-industry agreements, such as pensions and collective insurances (see chapter 3). One such agreement, the *Employment transitional agreements*, have become important during the start of the 21st century, especially in times of financial crisis (Sebardt 2006). Through this agreement, a percentage of the wage sum is paid into a fund – the largest are the *Employment Security Council* (Trygghetsrådet, TRR) for the private sector, and the *Employment Security Fund* (Trygghetsfonden) for the public sector –which finances measures to help redundant workers to get a new job or education. In the event of redundancy or dismissal, the funds are able to offer support and advice from both employers and trade union representatives. More than 3 million employees, whether trade union members or not, are now covered by these agreements. In addition to this support, many are also covered by AFA insurance on work termination due to shortage of work.

Evolution

Sweden experienced changes in its occupational welfare schemes after the general election in 2006, when the four party liberal/centre/right-wing *Alliansen* (the Alliance) formed a government that also won the 2010 elections. Their politics especially had repercussions on unemployment insurance, and as a consequence, also on trade union membership. This had declined for ten years, but the decline was further accelerated after 2006. The insurance fees were raised and compensation decreased in real terms, as the cap for benefits did not increase with inflation or with wage increases. At the same time, stricter rules on general health insurance were introduced. The government also introduced income tax deductions in five steps, at a cost of 140 billion SEK (15 billion €). The common argument for these reforms was that they would reinforce incentives

to work. As of the national elections of 2014, a new government, consisting of the Social democratic party and the Green Party (Miljöpartiet), has been established. The new government has announced reforms that would reverse some of the steps taken by the previous government. Such reforms have however been hampered by the fact that it is a minority government with a comparatively well-coordinated opposition in parliament. As of September they have however implemented changes regarding the levels of benefits from unemployment insurance. More details will be given on these in chapter 3.

Another prominent issue under discussion is the adjustment of the pension system to increasing life expectancy, and whether the regulations on retirement age should be revised. The debate tends to focus mostly on increasing the retirement age to delay exit. In April 2011, the government ordered an investigation of the pension system which aimed to review patterns of work, health and retirement among older workers, so as to inform the government on whether a revision of the pension age should be considered. The investigation report was delivered in April 2013 and proposed:

- the 61 year limit for the earliest retirement pensions will be raised to 62 years from 2015 and according to current forecasts, to 63 years from 2019;
- the 65 year age limit for the guaranteed pension, sick pay etc. benefits will be raised to 66 years from 2019, according to current projections;
- the 55 year limit to begin taking out occupational and private pensions will be raised to 62 years from 2017.

The debate regarding pension age is ongoing and no definitive decision has yet been made.

Other highly debated welfare topics related to employment and working life during the past decade have been the high youth and immigrant unemployment, the increasing long-term sick-leave, and the measures proposed and taken to deal with these issues.

4. Occupational Welfare in the field of Pensions and Unemployment

4.1 Occupational Welfare in the Pension field

Importance

Occupational pensions are an important part of the occupational welfare scheme, since they make up 24% of total pension disbursement. Mostly due to the new pension system established in 2000 (see 1.1.1) the share of occupational pensions has gradually increased since the 1990s. In 1996, occupational pensions as a share of total pensions for people aged 65-69 were 20.3% for men and 15.6% for women. While an occupational pension scheme is not mandatory, most employees are covered by one scheme or another through collective agreements. The coverage is at the present time around 90% of the workforce. Individuals are basically covered by four central agreements between the confederations active on the Swedish labour market, two for the private sector (ITP; Avtalspension SAF-LO), which are described in additional detail below, and two for the public sector (PA03; KAP-KL). People lacking an occupational pension are either employed without a collective agreement, self-employed or have not entered the labour market. Employees not covered by a collective agreement may nevertheless have an individually negotiated occupational pension (Sjögren Lindquist and Wadensjö 2011a; SOU 2015: 68; SOU 2013: 25).

Occupational pensions can be paid at the age of 55 at the earliest, and for at least five years. Usually the amount paid out is higher at 65-70 years of age, and is then reduced for the rest of the person's life. The amount differs according to which agreement(s) is/are applicable. The fees paid are tax-deductible for the employer, and the payments are taxed as a salary for the recipient. An occupational pension plan generally includes the following financial protection/security:

- On retirement:
 - Supplementary retirement pension.
- On death before age 65:
 - Survivor's benefits (may vary depending on the plan);
 - Group Life Insurance (TGL).
- In the case of illness:
 - Disability pension (after 90 days of sick leave);
 - Waiver of premium (also for parental leave).

The four occupational pension schemes in place are mostly set up as defined contribution (DC) schemes. However, the schemes for government and for other Public employees (county councils/municipalities) do include elements of defined benefits (DB).

Future incomes from DC are more difficult to calculate for the employees since the retirement benefits are determined at the time of retirement and earned continuously during the term of employment, which means that the employee bears all the risk. As this model has become the standard system during the last decade, both in the statutory pension system and for occupational pensions, while the older systems were often based on the principle of defined benefit pensions, it is very hard, or even impossible, to calculate future net replacement rates. Variations in age and where the premiums have been placed can lead to significant differences between different individuals with the same number of working years in similar occupations. A suggested rule of thumb is that the net replacement rate will be 75% of wages, of which 15-20% would come from occupational pension benefits. However, the occupational pension is more important for individuals with a higher income, as the premium paid towards the fund is often considerably higher for incomes above 7.5 income basic amounts (435 750 SEK per year in 2015). Age of retirement is also of importance, especially for individuals with mid- or high incomes. Persons with a low income (see comments to table 8. for definitions) born in 1949 increased their net income by around 5% if they kept on working after the age of 65, regardless of occupational pension scheme or age of final retirement. Mid- and high income earners could increase their net incomes by between 13 and almost 50% with a few extra years of work (Pensionsåldersutredningen 2011: 05).

Table 8 presents the importance of the occupational pension as a gross income for different years of retirement for individuals born in 1949 with different occupational pension agreements, persons affected by both the old and new public statutory pension systems. The occupational pension agreements are more important, seen as a share of gross income after retirement, for high income earners in most occupations. Workers in the private sector (Avtalspension SAF-LO) do not benefit as much as others from their occupational pension.

Table 8: Occupational pension as share of total gross income after retirement at 61, 65 or 70 years of age. Low-, middle and high-income earners born in 1949.

	<i>ITP2</i>	<i>PA 03</i>	<i>AVTALSPENSION SAF-LO</i>	<i>KAP-KL</i>
Low income				
61	25	24	12	21
65	21	19	10	16
70	21	19	11	18
Middle income				
61	22	20	12	19
65	21	19	12	18
70	19	16	11	16
High income				
61	50	50	18	45
65	48	47	17	45
70	43	40	17	44

Comments: Low income means individuals with income in the 25th percentile of the income distribution (around SEK 200 000 a year at the age of 60), middle income at the 50th (around SEK 300 000), and high at the 90th (SEK 600 000).

Source: *Pensionsåldersutredningen*, SOU 2011:05, table 8: 37.

Origin

The first occupational pension fund (Sveriges Privatanställdas Pensionskassa) was introduced by the influential capitalist families Wallenberg and Söderberg in 1917, and covered the white-collar employees in their financial conglomerate. It was nevertheless not until the 1960s that the public pension was extended to include occupational pensions, as the general supplementary pension (*Allmän Tilläggspension*, ATP) was introduced after a general referendum in 1957 and a final deciding vote in the Swedish parliament in 1959. All citizens were given, as a supplement to the national pension scheme (Folkpensionen, or People's Pension), an additional pension that was in proportion to the income they had earned during their working lives. In the 1990s the ATP system was revised and the system with premiums described in 1.1.1 was established. Since 2003 the remaining part of ATP in the public pension scheme has been labelled 'supplementary pension'.

Institutional traits

With the establishment of an income-based statutory pension system the need for occupational pension agreements for low- and middle-income employees decreased. However, there was still some interest from the social partners in also agreeing on occupational pensions to supplement the statutory pension system. The employers' organization were overall more interested in

regulating social protection through agreements and to a certain degree the trade unions shared this interest, while they at the same time gained some goodwill towards their own members (Trampusch 2013; Olofsson 2015; Barr 2013). From 1960 onwards the social partners included occupational pensions in collective agreements, for example the *ITP* in 1960 and *SAF-LO* (also known as *STP*) in 1974 (see examples below).

Table 9: Central Occupational Pension agreements between the social partners

Agreement	Covers	Social partners	Number of employees	Service company
Avtalspension SAF-LO	Private sector workers	SN, LO	1,200,000	Fora
ITP	Private sector white collar employees	SN, PTK	900,000	Collectum
KAP-KL, AKAP-KL	employees in municipalities and county councils	SKL, Pacta and numerous associations	1,200,000	KPA
PA 03	Government employees	Arbetsgivarverket and numerous associations	250,000	Kåpan

Source: SOU (2015:68).

There are four major occupational pension agreements in Sweden, summarized in table 9. These agreements cover workers in the private sector, white collar workers and professionals in the private sector, employees in municipalities and county councils, and government employees. Supplementary pension agreements at company level are rare and only exist in exceptional cases. One such case is Volvo, which, through an agreement with the union associations that represent its employees, also has complementary company-level pension insurance (Furåker 2015b).

Regulation, administration and funding

Occupational pensions are not regulated by law or governmental regulations *per se*. They are negotiated by the social partners and are formulated in binding collective agreements at a confederation/inter-sectoral level, while having civil legal status. The occupational pension is related to employment and funded entirely by the employer. In most cases the payments consist of 4.5% of wages up to an income of 7.5 income basic amounts (435 750 SEK a year in 2015) and 30% of wages above this income.

Pensions are secured mainly in two ways: through insurance and provisions in the employer's balance sheet. Each agreement is financially managed by a fund managing company, an insurance company or a bank. The flow of collective insurance premiums and fees coming from the collective agreements is handled by different service companies (Fora, Collectum, KPA, and Kåpan), which are owned jointly by the social partners. The employee then chooses which company/companies should manage the funds from a list of choices established by the service company, deciding whether these should be managed as traditional insurance or as a unit-linked insurance scheme. If the employee does not make a choice, the money is dealt with as stipulated in the collective agreement. Most of the taxes paid from pensions occur when they are collected as an income after retirement. The pension account yields are also taxed. This tax is calculated as 15% of the sum on the account at the end of the year multiplied by the government loan rate during the following year (0.58% for 2015).

Examples of occupational pension schemes

The pension schemes described below relate to the sectors under scrutiny in this study, the avtalspension SAF-LO agreement to workers in the private sector and the ITP for white collar employees and professionals in the private sector. Employees in the automotive industry as well as in the retail and trade sectors are covered by these two schemes, or rather three, as ITP is divided into ITP1 and ITP'. While there are some differences between the Avtalspension SAF-LO scheme for blue collar workers in the private sector and the ITP schemes for white collar employees, the most significant difference is between older and younger individuals in the ITP schemes. ITP1 is a DC system while ITP2 is a DB system.

The Avtalspension SAF-LO agreement

In the avtalspension SAF-LO, an occupational pension is earned between the ages of 25 and 65, i.e. it is a defined contribution pension. The retirement age is generally 65 but it is possible to draw the pension earlier or later by agreement with the employer. The employer pays the premium, which is 4.5% of the salary, to the non-profit service company Fora, owned in equal parts by SN and LO, which takes out a charge of 1.5% of the premiums collected. The company administers occupational pensions for 210 000 companies employing 2.9 million workers. The assets are invested in a number of insurance companies, funds and foundations. For traditional insurance the individual can choose between three different companies (Alecta, AMF and Folksam Liv), For a unit-linked insurance they can choose between around ten different fund managing companies, insurance companies or banks. The premium paid is 4.5% of salary up to 7.5 income basic amounts (435 750 SEK a year in 2015) for employees who are at least 25 years old. For salaries above 7.5 income basic amounts, the premium is 30%. The individual can start to collect the pension from the age of 55. From this age an employee can choose to reduce his working hours

and supplement lost income with the occupational pension up to the sum that is forfeited due to a shorter working week.

ITP

Employers who are party to a collective agreement, either through membership of the Confederation of Swedish Enterprise, or through a contingent agreement with the PTK, which represents TCO and SACO associations in the private sector, must offer the occupational pension ITP as well as occupational group life insurance (TGL) to all their salaried employees from the age of 18. Collectum, a service company owned by SN and PTK, procures insurance from other insurance companies, from which the beneficiaries can choose.

The ITP plan was introduced in 1960 and has been confirmed in collective agreements since 1974. ITP contains two sections since it was reformed in 2007. The new plan is called ITP 1 and the previous plan with some changes is called ITP 2. ITP 1 is an occupational pension that covers salaried employees born in 1979 or later. The retirement pension within ITP 1 is premium based, which means that the premium is determined in advance, but not the size of the pension, i.e. defined contribution. The premium is set at 4.5% of salary up to 7.5 income basic amounts (435 750 SEK a year in 2015) and pension entitlements can be earned between the age of 25 and 65 (or longer, if the employer and employee agree to do this). The individual can choose between four different companies for traditional pension insurance (Alecta, Folksam, AMF, Skandia Liv) and five different providers of a unit-linked insurance (AMF, Danica, SEB, SPP and Swedbank). The default choice is Alecta.

The general rule is that employees who were born in 1978 or earlier and work at least 8 hours a week are covered by ITP 2. However, if the company has applied for and granted ITP 1 for all salaried employees ITP 1 can apply to everyone, regardless of age. ITP 2 is a defined benefits scheme. Pension benefits are calculated based on the wage before retirement and an average of commission and production bonus payments during the last three years before retirement. ITP 2 is 10% on wage portions up to 7.5 income basic amounts, 9.65% on wage portions between 7.5 and 20 income basic amounts, and 32.5% on wage portions between 20 and 30 income basic amounts. The retirement age is 65, although benefits can be drawn from the age of 55 with a deduction of approximately 0.6% for each early month taken. It is also possible to postpone the withdrawal of pension benefits up to the age of 70. The value of the pension then increases by approximately 0.5% for each month postponed.

The occupational pension in ITP 2 is administered by the service company Alecta. Any employee with ITP 2 also has ITPK, a complementary age pension from the age of 28. The premium in this complementary defined contribution scheme is equivalent to 2% of an employee's salary.

Evolution

Occupational Welfare pension schemes, as well as individual savings in the third pillar of the pension system, have become more important during recent decades. Table 10 shows how the share of income from different sources for retired persons between the ages of 65 to 69 has evolved over the years. The share of pension incomes from state pensions has dropped significantly for the newly retired since the end of the 1990s. This is a direct result of the pension agreements at the end of the millennia as it became apparent that the older ATP system was not sustainable in the long run. While the interviewees for this report agreed on the need for such agreements, they had mixed opinions on the effects and developments of these during the last decade or so.

Table 10: Share of pension incomes, different sources, person 65-69 years old

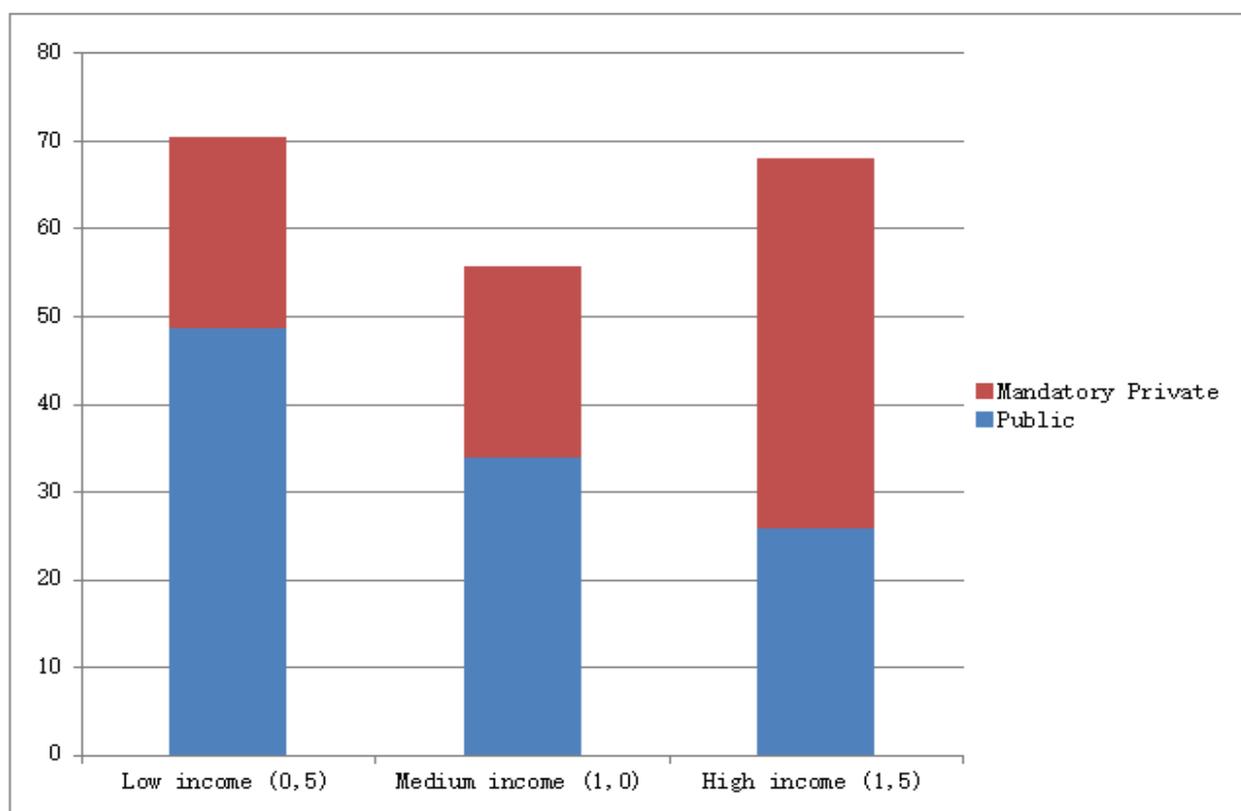
<i>Year</i>	<i>Public, men</i>	<i>Public, women</i>	<i>Occupational, men</i>	<i>Occupational, women</i>	<i>Private, men</i>	<i>Private, women</i>
1996	74.4	80.6	20.3	15.6	5.3	3.8
2002	67.9	76.2	24.2	16.4	8.0	7.4
2006	64.0	72.1	27.7	19.0	8.1	8.9
2007	62.2	70.3	29.4	20.3	8.4	9.4
2009	54.5	62.0	29.6	21.6	15.9	16.4
2010	53.3	60.7	31.2	23.0	15.5	16.3

Source: *Pensionsåldersutredningen*, SOU 2011:05, table 2 : 13.

As occupational pensions become more important as a source of income, any differences between schemes can create distributional effects. The differences in pension incomes have increased but this has more to do with the differences on the labour market than the pension schemes per se. While for example the avtalspension SAF-LO agreement on pensions and the ITP 1 are not identical, they do show the same basic characteristics. It was, according to the interviewees at SN, the premium-based complementary ITPK scheme that worked as a model for the development for the ITP 1, and the representative from LO called the current Avtalspension SAF-LO agreement from 2008 a 'copy/paste' of the ITP. This was something that SN approved of, as they strive for similar or identical agreements for all their employees. The differences between occupational groups in future pensions has possibly decreased because of this agreement, as premiums in the Avtalspension SAF-LO agreement were increased from 3.5 to 4.5% of wages, thus ending up at the same premium level as the ITP 1 scheme. On the other hand, the premium levels for incomes above 7.5 income basic amounts are an aspect of both the Avtalspension SAF-LO and ITP that the interviewees at LO found somewhat problematic. This increased premium is there to compensate

for the fact that the public pension system does not cover higher incomes. This solution does however overcompensate, giving high income earners, mostly Saco and TCO members but a few LO members, a better replacement rate than middle income earners. This is shown in figure 5, giving the gross replacement rates for low-, medium-, and high-income earners. This U-shaped replacement rate is quite unique to Sweden.

Figure 5 : Gross replacement rate



Source: OECD (2013), Pensions at a glance 2013: Country profiles – Sweden, OECD.

An issue that will contribute to more significant differences for individuals retiring from working life in the future is that different occupational pension agreements have shifted from defined benefits to defined contribution in different ways. For private workers affected by the Avtalspension SAF-LO-agreement, defined benefits were discontinued in 1995 with transitional rules for individuals born 1935-1967. For white collar employees in the private sector, individuals born in 1978 or earlier have occupational pensions based on defined benefits in the ITP 2 scheme while younger employees will receive benefits in accordance with defined contributions.

According to the interviews, SN is generally positive as to the level of marketization in occupational pensions and the pension system overall, and would like to see even more choices for the employee. While the predominance of DC over DB means that the individual carries most of the

risks, this does not mean that SN finds the end-results unimportant. If the current system does not deliver, they fear that LO and PTK and their members will demand higher premiums in their occupational pension agreements. The fundamental idea on how to solve this is that more markets and choice will lead to increased efficiency in the administration of the pension funds. However, SN's positive view of the market does not mean that they are against the current situation, with occupational pension schemes based on broad coalitions and with broad coverage. They also find it beneficial that the schemes for blue collar workers and other employees are similar and would like them to be even more so. Representatives from PTK are somewhat more concerned about the risks of marketization of pension funds, the importance of not putting all one's eggs in one basket, and the need for clear information to the individual. While the LO agreed with some aspects of the pension reform, they are more sceptical about the evolution of both public and occupational pensions in the 2000s. They agreed, for example, with the shift to calculating public pensions over the course of an entire working life, not just the best 30 years, as before. The previous system benefited individuals with longer education and no or a low income in their 2000s but a high income from their mid-1930s, while it was not as beneficial for workers with a more evenly distributed income over their working lives. On the other hand, LO recognises that the system with lower public pensions and higher occupational pension contributions places a strong focus on a longer working life. Many of their members struggle to work into their 1960s, as the work environment is not as beneficial as it is for the Saco and TCO-members covered by PTK agreements. It was also pointed out that the current system, with public, occupational and private pensions, also tends to increase gender differences in total pension income, as well as disadvantaging many outsiders on the labour market, while benefiting men with stable employment conditions more than the previous system. They would rather see a stronger public pension system that also caters for groups with periodic spells of unemployment during their working lives or who are not able to work until 65 or longer.

Some other threats to occupational pension schemes have surfaced during recent years. In 2010 a report from the Expert Group for Public Economics (Expertgruppen för studier i offentlig ekonomi, ESO, 2011), a group working under the Ministry of Finance, proposed taxing premiums as well as doubling the current tax on returns from pension savings. If the idea had been implemented, pensions would have been severely reduced and the occupational pension system, which was an important part of the pension agreement and reforms in the 1990s, would have been put at risk. Another concern voiced was that the social partners' right to agree on issues such as occupational pensions without the interference of the state would be deemed to be in conflict with the EU rules on free market competition (Natali 2011; Sarfati and Ghellab 2012; Settergren 2010).

4.2 Occupational welfare for unemployment protection

Most employees in Sweden are covered by an income based unemployment insurance system organised in accordance with the Ghent model. This means that most employees have the same statutory unemployment protection. However, most employees, around 90%, also have additional protection through collective agreements that are not regulated by the state. These agreements top up statutory social insurance in case of unemployment, sickness, occupational accidents, early retirement and/or during parental leave. In 2005 payouts from such complementary insurance schemes amounted to 16% of payouts from the social insurance system, and were highest for sickness or occupational accidents. Furthermore, as state regulation of unemployment insurance has become less generous, and there have been criticisms of the lack of active labour market policies, social partners have seen an increased need for collective agreements (Olofsson 2015; Kullander and Broman 2013).

This part of the paper will cover both the Ghent system of unemployment insurance, as a quasi-statutory scheme, the additional income insurance schemes available through trade union membership and the role of Employment transitional agreements between the social partners, providing additional income protection in the case of employment, severance packages and/or coaching and help in retraining or finding new employment. For the two sectors under scrutiny, the automotive and the retail and trade sectors, employees are covered by two Employment transitional agreements for blue collar workers (TSL) and white collar employees (TRR). For the Ghent system the schemes are more or less identical for all employees, even if these belong to different funds. Compared to the first two forms of unemployment protection, and the occupational pension system, the complementary unemployment income insurance schemes are more fragmented and have been handled at union level. Unions with members subject to a high risk of unemployment have had difficulties in establishing such solutions for their members due to the costs involved. They are also, unlike the Employment transitional agreements, examples of unilateral occupational welfare. In most cases these benefits to union members can be seen as a response to declining replacement rates in the Ghent-based unemployment insurance schemes (Bandau 2014).

Importance

The cornerstone of unemployment protection in Sweden is the unemployment funds organised in accordance with the Ghent system. Somewhat paradoxically, access to unemployment benefit has decreased dramatically since 2007, due to political reforms in the unemployment insurance regime. There were almost twice as many outside the unemployment insurance system in 2014 compared to 2006 (see figure 3 in section 1.1 above). At the same time as the coverage of unemployment insurance has decreased, many unions have started to offer their members further

unemployment income insurance beyond the state-supported unemployment insurance scheme. This development, and the driving forces behind it, will be examined further below.

Another significant development in occupational welfare and unemployment protection during the last decade or so has been the increased role of Employment transitional agreements in easing the transition from one position to another. These agreements include both extra benefits, in the form of better income insurance compared to unemployment insurance, and services, in the form of assistance in gaining employment. Today almost all employees are covered by an Employment transitional agreement, although the benefits and services that are included vary somewhat from one agreement to the next. Similarly to occupational pension schemes, most employees are covered by four different agreements, for workers in the private sector (between LO and SN), white collar workers and professionals in the private sector (TCO, SACO and SN), municipal and county council employees, and state employees (Olofsson 2015).

Additional supplementary unemployment income insurance is sometimes funded directly through voluntary payments from members or included in the union membership fee. This is a unilateral form of occupational welfare that does not include employers or other social partners. Also, the Employment transitional schemes that may include complementary income protection (such as AGE). As unions become large customers for the insurance company selling such insurance, they can acquire their insurance at a better rate than any individual could. However, unions representing employees in occupations and sectors where the risk of unemployment is considered to be high have had problems in reaching favourable deals with any insurance company. As a result of this the largest union for private sector workers, *IF Metall*, has not been able to offer their members any additional income insurance. During the crisis of 2008 the same fate befell the union for construction workers, *Byggnads*, which no longer thought they could afford supplementary insurance for their members. On the other hand, *Handels*, the union for workers in retail, does have supplementary income insurance for those that have been members of both the union and their unemployment fund for the last 12 months. Due to this, LO, according to the interviews, would prefer broader solutions to spread the risk and reduce the levels of inequality between different sectors and occupations. For this reason they applauded the current government's step of increasing the cap on ordinary unemployment insurance in September 2015.

54% of members of LO unions (workers) can pay for such additional insurance. While this is a high level of coverage compared with other countries, it is low compared to the 81% coverage for TCO unions (white collar workers) and 94% for SACO unions (professionals). The number of unemployed people collecting unemployment fund benefits and also collecting additional pay-out from such insurance schemes varies but is comparatively low. In 2011, the percentage of unemployed members of LO funds was 7%, 13% in AEA, the Unemployment insurance fund for professionals and academics, and 27% of members in TCO funds (TCO 2014).

Origins

The Typographic Association was Sweden's first trade union, founded in 1846. It evolved into the Typographic Confederation, which established the first unemployment fund in Sweden in 1885, followed by several trade union-based unemployment funds.

The first state-sponsored unemployment insurance was introduced in 1935 in line with the Ghent system, according to which insurance is administered by a trade union, while the state is responsible for regulation and a portion of the insurance funding. The number of members in that year was approx. 41 000. The number of members as well as the generosity of the insurance scheme increased gradually until 2007, and presently there are 29 unemployment insurance funds with approx. 3.5 million members. Sweden also has a long but erratic history of unemployment insurance. The first scheme was established by the local Machinist Association in Stockholm as early as 1857; it lasted till 1935 when state-supported voluntary unemployment insurance was introduced. Initially the trade unions were skeptical about establishing funds, because of the strict formal regulations required and the governmental influence, but gradually an increasing number of funds were established, reaching a peak of 69 in 1998. Since then many funds have merged, and the total number is now 28, representing persons in a particular profession or industry, or related industries.

Compared to the unemployment insurance funds, employment transitional agreements are of a later date. They are also, unlike the Ghent system of unemployment insurance, a result of bipartisan agreements between the social partners, most of them dating from the 1970s or thereafter but with an increased role and scope since the crisis of the 1990s (Ottosson and Bäckström 2006; Bäckström 2006; Bergström and Diedrich 2008; Edström and Sabel 2005). Both the origins and the proliferation of these agreements are linked to the development of the Swedish employment agency and its active labour market policies. The first transition fund was established in 1972 as a reaction to increased unemployment amongst public white collar employees. There was a perception at the time that the public unemployment agency and its active labour market policies was aimed at workers and did not cater to the needs of unemployed white collar employees, and the first transitional employment fund was a way to make up for this. This pattern repeated itself during the crisis of the early 1990s when layoffs and redundancies became commonplace and unemployment figures rose to levels unheard of since the 1930s. Even more funds and foundations were established in the 2000s with TSL for private sector workers in 2004 and Omställningsfonden for employees in the healthcare sector in 2012. The last two agreements almost tripled the number of employees covered (SOU 2002:59; Walter 2015).

As in most other areas a few large agreements and schemes established by key social partners and administrated though bipartisan collaborations cover a significant part of all employees. TRR Trygghetsrådet, the agreement between the Confederation of Employers and the PTK dating from

1974, covers around 850 000 employees while Trygghetsfonden TSL, created through an agreement between LO and Svenskt Näringsliv, covers 900 000 workers. The largest agreement is Omställningsfonden KOM-KL for private and public employees in, for example, health services and care and covers 1.1 million employees. Table 11 lists the largest foundations for Employment transitional agreements.

Table 11: Largest foundations for Employment transitional agreements

<i>Foundation</i>	<i>Social partners</i>	<i>Employees covered</i>	<i>Recipients in 2014</i>
TRR Trygghetsrådet	SN, PTK	850,000	15,308
Omställningsfonden	OFR, SKL, Pacta	1,100,000	c. 1000
Trygghetsfonden TSL	SN, LO	900,000	c. 22,000

Source: TCO (2015).

Beyond the Unemployment insurance funds and the Employment transitional agreements there are also supplementary forms of income insurance that are included in the union fee or can be signed up to and paid for individually through the union.

Institutional traits

Regulation and administration

The Swedish Ghent-based unemployment insurance system is based on voluntary membership of unemployment insurance regimes subsidized by state funds. The present unemployment insurance system is regulated by the *Unemployment Insurance Act (Lagen om arbetslöshetsförsäkring, ALF, 1997: 238, amended 2010)*, and the *Regulation on unemployment insurance funds (Förordning om arbetslöshetskassor, SFS 1997: 836)*. The 28 unemployment insurance funds are the competent institutions for cases relating to EU certificates on unemployment benefits. For persons above the age of 20 who are not members of an unemployment fund, or are members of an unemployment fund but do not meet the eligibility criteria for entitlement to an income-related benefit, there is a basic statutory insurance with flat rate benefits, administrated by *Alfa-kassan*, an unemployment insurance fund created for this specific purpose.

The unemployment funds are legally organized as business associations administrated by the social partners, and supervised by the *Swedish Unemployment Insurance Board (Inspektionen för arbetslöshetsföräkringen, IAF)*, a public authority subject to the Swedish government. The IAF is also Sweden's liaison body and contact organization for matters concerning unemployment

benefits within the EU/EEA Member States and Switzerland in relation to EU Regulations 883/2004, 987/2009, 1408/71 and 574/72.

The unemployment fund board is responsible for fund organization and management of its affairs, and is elected at a meeting of the general association, which is the fund's highest decision-making body. The board's decisions are implemented by a cash manager, responsible for the fund's current administration according to the guidelines and instructions provided by the board. The income insurance covers specific sectors, but one of them – Alfa-kassan - is separate from trade unions and specific interest groups and open to all regardless of sector. It was created in 1998 by SO in order to cater for employees not covered by any of the more specialized funds, and was also assigned to handle the transfer of benefits for those who were not members of any unemployment insurance fund.

The unemployment funds only cover workers made redundant due to scarcity of work, and usually workers have to have worked in Sweden at some point in order to be covered by unemployment insurance funds. In addition to the unemployment insurance funds, and in order to secure an income level in case of unemployment, individuals sign up to and pay an additional income insurance which is financed only by membership fees. This is voluntary as well, and is commonly administered by the trade unions. These schemes were largely established because the state did not raise the ceiling for unemployment insurance benefits between 2002 and 2015. Unions offering such additional insurance schemes buy them from different private insurance companies.

Employment transition schemes are administered by bipartisan non-profit foundations. For example *TRR Trygghetsrådet*, which gives benefits and services for white collar workers in the private sector, has a staff of 250 with 40 offices in different parts of the country. The administration for Trygghetsfonden TSL, for blue collar workers in the private sector works differently. It only has a small number of staff administering the fund while the services for employment transition are handled by a number of private companies from which the unemployed can choose. (Walter, 2015). As the schemes are administered by foundations, they are exempt from taxation in accordance with the Law on Income tax (*Inkomstskattelagen*, IL).

Funding

Ghent-based unemployment income insurance is funded by membership fees and employers' tax. The trade unions collect the membership fees and forward them to the state, where they are added to the employers' taxes. Since 2009 the membership fees have covered around 35-40% of the disbursements. The bulk of unemployment benefits are funded through employers' taxes, based on the salaries of the employees, regardless of whether the employees are members of an unemployment insurance fund or not. The employer's general payroll tax, regulated by Act (2000: 980) on social fees, has changed in the past decade, but is presently (2015) 31.42% of salaries. 2.64% (2015) of the tax is labelled 'labour fee', and part of these funds are directed to unemployment insurance (other parts are destined for activity support, wage guarantees and some governmental retirement pension contributions). The funding ratio fees:taxes was gradually altered in 2007 as the fees increased substantially and the labour fee was reduced (2015), so a higher percentage of the disbursements is now covered by membership fees.

According to TCO (Essemyr, 2014) the state gained 93 billion SEK (100 million €) in 2007-2013 in paid-in funds earmarked for unemployment (figures are based on official governmental financial accounting), which is illustrated in table 12. The surplus has been used for other governmental expenses, while 140 000 unemployed persons lack financial protection.

Table 12: Funded and paid unemployment income insurance (UI) amount in million SEK 2006-2012

	<i>UI funds' fees</i>	<i>Employers' tax</i>	<i>Total fees</i>	<i>Disbursements</i>
2006	3 132	n.a.	n.a.	26 918
2009	7 449	28 323	35 772	19 561
2012	5 193	37 810	43 003	13 710

Source: Skatteverket, Swedish Tax Agency.

Employment transition schemes are funded by the retention of wages through collective agreements. For most of them, including the largest three, TRR Trygghetsrådet, Omställningsfonden and Trygghetsfonden TSL, the sum that an employer pays to the Employment transitional schemes is equal to 0.3% of total salaries and wages.

Access

Access to and compensation from unemployment insurance funds are equal to all those under 65 years of age, regardless of working contract, occupational group or gender, but the fees differ. To have access to unemployment benefits the applicant has to have been a paying member of the

unemployment insurance fund for twelve months or more, and have worked an average of 80 hours/month for the last twelve months. A common requirement is also to be registered as unemployed and to be actively seeking work at the Swedish Public Employment Service. A common trait of additional benefits from collective agreements between the social partners not regulated by the state, is that they are based on the same conditions for access as the unemployment insurance.

Access to additional unemployment insurance and to employment transitional schemes differs from union to union. The following example is from *Unionen*, the largest union for white collar workers in the private sector with 600 000 members. In order to receive the additional unemployment insurance the person has to have been a member of the union during the last 12 months as well as being a member of the unemployment insurance fund (union membership is separate from membership of an unemployment insurance fund), to have worked at least 80 hours per month for 12 months during the last 18 months prior to unemployment, have collected unemployment benefits and be under the age of 65. As a result of differing agreements for different unions, some of which do not even offer additional unemployment income insurance, as well as strict criteria for access, the percentage of unemployed people benefiting from such schemes varies significantly between different groups and is quite low. In 2011 the percentage of unemployed people receiving such additional benefits varied from around 7% of unemployed workers as members of a LO-affiliated unemployment insurance fund to 27% of unemployed white collar workers who were members of a TCO-affiliated unemployment insurance fund. Another issue of some importance is whether the individual him or herself needs to apply for additional income protection benefits or if this is handled by the (former) employers reporting to the Transitional foundation. As not everyone is aware of these agreements, it has been argued that schemes to which individuals have to apply themselves are disadvantageous to people not aware or informed of their entitlements. This is the case for employees in the private sector, while such issues are handled automatically in the public sector.

Replacement

The benefits from an unemployment insurance fund are paid for a maximum of 300 days (450 days if the unemployed person has children under 18), five days a week. The level of compensation depends on whether the employee worked full or part time during the qualifying period. The income-related benefits from the unemployment insurance funds have a replacement rate of up to 80 percent of the previous salary, but not more than SEK 910/day (five days per week) based on a monthly salary of max 250 250 SEK (2010 €). As of July 2007 the benefit level is 80 % from day one until day 200. Since March 2007 the unemployment benefit level is 70 % from day 201 and 65 % from day 301 for UI members with children under 18. As has been stated previously, these benefit levels were revised upwards by the current government in

September 2015. Before the raising of the benefit ceiling, only a few per cent of the unemployed received benefits replacing 80% of their lost.

The replacement rate was under discussion before the government announced the changes that were implemented in September 2015. The main argument for the reform is that the income ceiling has been at the same level for more than a decade. The median wage was 26 300 SEK in 2014. The replacement rates before and after the recent reform can be seen in table 13.

Table 13: Unemployment benefits before and after the reform in September 2015.

Day	Daily benefit	Benefit level	Wage ceiling	Monthly benefit, before tax
1-100	680/910	80%/80%	18 700 / 25 025	14 960 / 20 020
101-200	680/760	80%/80%	18 700 / 20 900	14 960 / 16 720
201-300	680/760	70%/70%	21 271 / 23 886	14 960 / 16 720

Source: <http://www.iaf.se/Nyheter/>, 2015.

The additional unemployment insurance that some unions have for their members is explicitly designed to top up the quasi-statutory unemployment income insurance. For the sectors being examined within this project, the automotive and retail and trade sectors, there are some differences between different unions. Workers within the automotive industry, represented by IF Metall, do not have such a scheme, besides the AGB resulting from the bilateral agreement with SN in TSL (see below). Handels, for workers in retail, on the other hand, does. Their complementary income insurance tops up to an 80% replacement rate, and since the beginning of 2016 there is no cap on this replacement rate. Before, the cap for complementary income insurance was 35000 SEK a month for the first 100 days, or roughly five months, of unemployment. The insurance for white collar workers in the private sector who are members of *Unionen* results in an 80% replacement rate for incomes up to 60 000 SEK a month for the first 150 days, or roughly 7 months of unemployment. Overall the unions that do have complementary income insurance for their members, 39 in all, provide somewhere between 100 and 200 days of top up of unemployment insurance and a further cap on this insurance for incomes below 35 000 SEK a month or none at all.

Examples of Employment transitional agreements

TRR Trygghetsrådet

TRR Trygghetsrådet is a foundation, originally founded in 1974, that offers assistance to redundant white collar employees and professionals in the private sector. It is owned jointly by SN and the trade unions in PTK. A number of blue collar workers are also covered by special agreements with a number of state owned or controlled companies, such as the Postnord (Postal services), Telia (telephone company) and Vattenfall (energy company). Agreements cover 850,000 employees employed in 32,000 companies which are either members of SN or have signed an associative agreement with a PTK union. Member employers pay a fee of 0.3% of the company's payroll. Companies that are not members of SN pay a fee of 0.7%. It is possible for companies and unions to waive the agreement at the local level. In that case the fees are reduced to 0.18% (0.58 for affiliated non-member companies). The assistance provided by TRR in line with the collective agreements is twofold, to promote transition to other work, or possibly self-employment, and to give additional financial support in case of dismissal.

Transitional support is provided by TRR Trygghetsrådet and consists of personal advice and assistance to find a new job, take part in training programmes, or start a business. In order to gain access to this support the individual should have been employed for at least one year, 16 hours per week, at a company that pays fees to TRR.

Financial support, in the form of severance pay (AGE), is paid to employees made redundant over the age of 40 and who have worked for a company whose employees are covered by the TRR agreement for at least five years. AGE tops up the income insurance benefits to 70% of prior income if this is above the cap on benefits from the employment insurance fund for the first 6 months. If the individual is between the ages of 45-59 the agreement guarantees at least 50% of previous wages for a further six months and for individuals aged 60-65 a further twelve months (Sjögren Lindquist and Wadensjö 2011b; Furåker 2015a).

Trygghetsfonden TSL

Trygghetsfonden TSL is a foundation created by a more recent agreement between SN and LO in 2004. It covers 900,000 employees in 100,000 different companies. As with the TRR-agreement the foundation's funds come from fees from SN member companies as well as companies with affiliated collective agreements with LO. The fee is calculated as 0.3% of the company's payroll for SN-members, 0.6% for companies with an affiliated collective agreement and 0.32 for companies that are members of any employee organization other than SN.

Transitional support is considerably less generous in TSL than in TRR. It gives dismissed workers who have been employed for at least a year and worked a minimum of 16 hours per week a possibility of a lump sum (SEK 22,000) in order to help them in finding another job. It also includes transitional programmes providing guidance, design of an action plan and support in job hunting. Instead of AGE, dismissed employees who are covered by the TSL agreement, are at least 40 years old and have been employed for at least 50 months during the last five years are paid a severance wage called AGB from AFA Livförsäkringsaktiebolag. This is a lump sum of at least 32,825 SEK with a further 1,400 for each year of age between 50 and 60, with a maximum of SEK 49,250 (Sjögren Lindquist and Wadensjö 2011b; Furåker 2015a).

Evolution

Union density has been increasing gradually since 1912, with the exception of the early 1920s, and reached a historical peak in 1986, when almost 85% of all employees were union members. After a slight decline in the late 1980s and early 1990s it again reached 85%, when unemployment had risen from friction level to 13% in 1993 (revised to 9% in present Eurostat figures). In January 2007, fees to unemployment insurance funds rose sharply, partly to finance the income tax credit. This meant that the fee for members of the hotel and restaurant workers' unemployment insurance fund was 390 SEK /month, while members of the Finance and Insurance industry unemployment insurance only paid 85 SEK/month. From July 2008 there was a clear connection between the fee and unemployment among members of an unemployment insurance fund. The reason given was that unemployment was expected to have an impact on wage formation, i.e. that the trade unions linked to sectors with high unemployment would present moderate wage demands. The deep recession that hit Sweden in 2009 meant that several unemployment insurance funds were instead forced to raise rates sharply. This increased the fee differences between sectors even more, e.g. in May 2010 the payment required to one of the academic unemployment insurance funds was 90 SEK/month, while the hotel and restaurant unemployment insurance fee was 430 SEK/month. In January 2014 the fees were restored to almost the same level as before 2007.

The raising of the cap of unemployment insurance in 2015 was, not surprisingly, considered an important reform according to our interviewees at LO, who thought that the unemployment scheme was slowly but surely becoming essentially a flat-rate benefit that had to be supplemented through other means. Alternative solutions, through bilateral or unilateral occupational welfare schemes, were considered by LO to be a second best solution. Without a general system providing similar benefits to all, alternative solutions tend to favour white collar employees and be less beneficial for low income workers or groups of employees running a higher risk of unemployment due to sectoral or business cycle related insecurities. Because of this, they consider a stronger

state-supported unemployment insurance system with income replacement to be of paramount importance, and generally favour government-sponsored or run solutions with broad coverage.

The policies of the previous government, as well as the pressures on welfare systems and the low cap in the Ghent-based unemployment insurance system during the last decade, have led to an increased role and importance for different solutions agreed between the social partners. For example TCO, the confederation for white collar employees, argues that Employment transitional agreements and AGE had become more important due to a lack of active labour market policies and income protection catering to the needs of white collar employees. This conclusion is supported by both the interviews (see section 4) and reviewed literature (TCO 2014, see also Davidsson and Marx 2013; Davisson and Emmenegger 2013).

As has been stated earlier in this chapter, the 2000s have seen an increased role for both union managed complementary unemployment insurance and the spread of employment transitional agreements. Both these could be seen as an effect of welfare state retrenchment. Deteriorating replacement rates from the quasi-statutory Ghent insurance schemes have put pressure on the unions to come up with alternative solutions for their members. The increased role of Employment transitional schemes could be seen as an effect of both increased interest in flexibility from the employers' side but also as an effect of the deteriorating functionality of Swedish active labour market policies. As faith fails in the ability of the public unemployment agencies to support the individual in finding a new job as well as catering to the need of the employers, the social partners are creating their alternative systems.

Another example of the deterioration of welfare state provision in unemployment protection and prevention is the introduction of short time work-schemes (or STW: s) to handle some of the effects of the financial crisis in 2008/2009. STW: s have been a very rare solution for handling periods of economic downturn within the Swedish model. Labour market policies in Sweden, especially from the late 1950s and onwards, have tried to handle the risks of unemployment through active labour market policies and support in finding new employment. The stated aim was to save the wage earner, not the work, and the social partners supported such policies. STW:s run counter to such a policy, as their role is to save the job by reducing costs for the employer. A significant moment for this policy was in 2008/2009 as layoffs in Swedish industry reached levels unheard of since the 1930s. As a result, the Swedish Association of Engineering Employers (Teknikförtagarna) signed a one-year agreement with the blue-collar union IF Metall and other employer associations in March 2009. This historic 'Crisis Agreement' led to local negotiations on proposals to reduce working hours by up to 20% as well as a corresponding reduction of the monthly wage, which resulted in local crisis agreements in about 400 companies (Ahlstrand 2015). It is still too early to say whether this introduction of STW: s as a form of occupational unemployment protection and prevention was a one-off incident or is the start of something new.

5. Analytical insights

The Swedish state still plays a significant role both as the provider of social welfare and as a regulator of occupational welfare. Occupational welfare has mostly taken the form of supplementary systems to top up the benefits and entitlements provided by the state. However, as some parts of the Swedish welfare state have been restructured and declined as a result of retrenchment since the 1990s, occupational welfare has grown and the social partners have offset some of this decline. In some cases, as in the case of occupational pensions, this retreat of the state has been orderly and conducted as a response to anticipated demographical changes. In others, as in the case of employment transitional agreements, it is more of a response from the social partners, which perceived shortfalls in the established system of unemployment protection. This development has long-standing historical roots, as pensions have been part of state welfare since 1913, and a state statutory pension system that would give most employees a reasonably comfortable retirement income though the state was established in 1960. Unemployment income insurance is on the other hand still, at least nominally, handled by the unemployment income insurance funds, although the Ghent system that was established in 1935 and several subsequent reforms have seen the degrees of freedom for the funds diminish. As this system has stopped offering income protection in the case of unemployment for a substantial share of employees, the social partners have used collective agreements as a top-up.

5.1 Social, Occupational and Fiscal Welfare

Occupational pensions are an important but supplementary part of the Swedish pension system. They cover nearly 90% of all employees and make up 24% of total pension disbursement. With the pension reform in 1999 the occupational pension has become much more important. It also now includes the element of choice for the individual, as systems of defined benefits have been replaced with defined contributions and the possibility to place some of the premiums in different funds. This has created a number of different distributional effects that have created and increased differences in retirement benefits for different groups. The first difference is between the old and the young. During a transitional period older individuals will get a mix of both systems. Since projected future pensions are expected to be lower for younger individuals, although this is not certain due to the nature of defined contributions this also means, that specific occupational pension schemes will have a considerable effect on the size of the pension. Some pension schemes, such as ITP for private and PA 03 for state-employed white collar employees and professionals, still have elements of defined benefits as part of the agreement, at least for older employees, unlike the Avtalspension SAF-LO agreement. A third issue of importance concerns the changes in conditions from the early statutory ATP system. This system was designed in such a way that the level of benefits was calculated on the basis of the years of highest income, while the

new defined contribution systems, for both statutory and the occupational pensions, are based on contributions during the entire working life. This means that individuals who finish their education comparatively late, or take parental leave, or work part time when their children are small, or experience a period of unemployment, will get a smaller pension than under the older system. The winners in the new system seem to be white collar and professional men with high incomes who take little or no parental leave.

The development of occupational unemployment protection is a somewhat different story. Unemployment protection welfare historically largely consists of a Ghent-based unemployment income insurance scheme involving 28 funds covering 90% of all employees and with an active labour market policy. The funds are regulated by the state and supervised by IAF, a government agency. The state regulates the access to and replacement rates of the funds. Occupational welfare schemes for unemployment protection had only a residual role for a few occupational groups (workers in culture and entertainment) until the 1990s. Since the dismissals of the crisis in the 1990s, particularly amongst public sector employees, a less active labour market policy and a public employment agency, together with a declining level of income protection from the unemployment income insurance funds during the last decade, has meant that agreements amongst the social partners have become more important. Employment transitional schemes established by the social partners function both as a way for individuals to find and retrain for a new job, and as income security during unemployment. In the early 2000s such arrangements covered 43% of employees, mainly white collar and professionals in both the private and public sector. After LO and SN established a transitional foundation for workers, TSL, in the private sector, the coverage rose to around 90%. Considerable differences have however been created by the schemes. Firstly, the AGE (for white collar employees and professionals) and AGB (for blue collar workers) are directed at older employees over the age of 40 and with comparatively long tenures at the company from which they have been dismissed. Younger employees and individuals with a shorter employment history do not get any additional unemployment income protection from the schemes. Secondly, there is a substantial difference between the AGE and AGB. AGE tops up the benefits from the unemployment income insurance fund to 70% of previous income for six months. AGB is a lump sum that is roughly the equivalent of one month's wages for a mid-income worker. As with developments regarding occupational pensions, the winner seems to be the white collar or professional man.

According to the interviewees, the representatives from LO are mostly negative about recent developments and would prefer a return to a more active welfare state in the fields under scrutiny. From their point of view the development is mostly beneficial to insiders and stronger groups on the labour market: they find that many of their members who are subject to greater risks than most other groups on the labour market are losing out. The U-shaped replacement rate of pensions due to the beneficial contributions for wage earners with an income above 7.5 basic

income amounts, which overcompensates for the cap in the public pension system, is an important case in point. The representatives of white collar employees at PTK are less negative but do find that SN strives for ever increased flexibility while showing, according to PTK, limited interest in long term investment in the work force, an approach which is problematic and ultimately not beneficial for either side. Finally SN is, on the one hand, very positive as to the increase in individual choice and market solutions for both pensions and unemployment protection brought about by the decreased role for the welfare state, as, in their view, markets function better than bureaucracy, but are less positive about the costs for these agreements incurred by their members.

Most of the occupational welfare schemes benefit by being almost exempt from taxes, although taxed when withdrawn by the beneficiary. The Employment transitional agreements are managed as foundations that do not have to pay taxes. The yields from occupational pensions are taxed at 15% of the sum on the account at the end of the year, multiplied by the government loan rate for the following year (0.58% for 2015). Pensions and unemployment insurance are then taxed as income on receipt, as are most forms of social welfare in Sweden. The difference between pensions and (direct) incomes from work is that pensioners do not benefit from a number of tax reductions on income from work (*jobbskatteavdraget*) introduced by the former centre-right government with the aim of giving incentives for regular employment.

5.2 Occupational Welfare and Industrial relations

Occupational welfare schemes in Sweden are made of up of a limited number of schemes based on bilateral agreements that are complementary to state welfare schemes, i.e. they top up the state pension and the quasi-statutory unemployment insurance. As the state welfare schemes in Sweden are based on income protection, it could be argued up to a point that the traditional role of occupational welfare is to give some added benefits to labour market insiders with income somewhat above the median income, dampening down some of the distributional effects of government schemes. It could also be argued that the increased importance of Employment transitional agreements is a result of both the comprehensive nature of bargaining on the Swedish labour market and changes in active labour market policies and welfare state retrenchment.

The Swedish tradition of coordinated agreements does make it easier to find comprehensive solutions. Although the so-called Swedish model has been proclaimed dead a number of times during the last quarter of a century, it still plays a role in finding solutions to common problems. For example, while the employer organisations such as SN have a somewhat negative attitude to high levels of replacement rates in employment protection schemes, as these might give disincentives to the unemployed to seek and take jobs, they do as a group care about matching and re-training on the labour market. Traditionally SAF, the predecessor to SN, was very positive

about the active labour market policies of the 1960s and thereafter. Both they and the interviewees from PTK and LO are also explicitly interested in increased flexibility. Employees on the other hand, seldom have the funds or incentives to pay for their own re-training. If this is handled and funded by a third party, such as the government, it is beneficial for the employer as well as the employee. As the social partners perceive that the state is no longer delivering, they step in and create an alternative and complementary solution. This solution would have been near impossible or scarcely imaginable in a country without strong peak organisations with a long tradition of constructive bargaining on a number of issues.

This does not mean that the organisations are in agreement on what is preferable or that recent developments are beneficial. LO is the least comfortable with recent trends and sees the increased role of occupational welfare as the second best solution to government solutions. Occupational welfare schemes tend to reward insiders and groups employed in occupations or sectors of the economy where risks are already comparatively low. White collar employees and academics are less likely to face dismissal due to redundancies, the unemployment levels are lower. This means that more funds per recipients are collected for the Transitional foundations that assist groups facing few risks, while the unions representing groups that face more significant risks of unemployment, such as workers in the automotive and retail sectors, have to pay larger premiums to insurance companies for complementary unemployment income insurance. The more beneficial work environment means that employees represented by the Saco and TCO unions are less likely to be forced into early retirement due to health reasons and are able to work a few extra years to top up their occupational pensions to a decent income replacement rate in their old age.

Compared to LO, PTK, which handles both occupational pension schemes as well as Employment transitional agreements for white collar employees and academics in the private sector, has a somewhat more ambiguous position. While their members are losing out due to recent trends and evolutions in the fields of occupational pensions or in occupational unemployment protection, they do feel that welfare state retrenchment is a problem and are hoping that outside pressures will revitalise the welfare state. They are also concerned that the employers, ie SN, in the pursuit of increased flexibility have dropped issues concerning long time training and development as well as the welfare and health of the work force. They therefore wish to see more efforts to resolve these issues and would prefer an expansion of the coverage and scope of the transitional agreements.

Unlike LO, SN has a much more positive stance to individual choices on both the market for pensions and with regard to different Employment transitional agreements giving the individual possibilities for lifelong learning. Their ideal model for occupational welfare would be schemes covering all of their employees, as this makes the costs of the systems simpler and easier to calculate. They have therefore argued for the creation of an Employment transitional agreement for all employees in the private sector with even more benefits. But they also want to have

possibilities for individual choice within a uniform framework, for both occupational pensions and unemployment protection. Employer organisations in Sweden have a long tradition of promoting uniform solutions for occupational welfare as this limits the level of competition on the labour market (Swenson 2002).

SN is also overall in favour of more flexibility, and the transitional agreements are a way to achieve this goal. What stands in the way of such a solution is the LO's unwillingness to give up on LAS. LAS, or the Employment Protection Act, give the employer considerable responsibility for finding suitable replacement employment for the worker before the person can be fired. At times of large-scale dismissals there are regular intense negotiations between the enterprise and the trade unions involved about exceptions from the rules of LAS, when one or both parties claim other priorities than those stipulated by the law. As SN strives for increased flexibility and this law is semi-optional, they would like to replace it with a collective agreement. At the moment, however, the LO and its unions do not want to give up the influence this law gives them and the security it gives to its members and other workers on the Swedish labour market, and to see it replaced by an expanded Employment transitional agreement.

5.3 The Governance of Occupational Welfare

The increased role for occupational welfare has also brought with it increased marketisation. One important part of the negotiated solutions is the right to individual solutions, and the active role of private companies providing financial services, e.g. the portfolios of pension funds. This is also evident in the public pension system, where a level of choice for the individual has been introduced. In the field of occupational pensions, the collective insurance premiums and fees coming from the collective agreements are handled by different service companies (Fora, Collectum, KPA, and Kåpan) that are owned jointly by the social partners. The individual is then able to make a choice as to where to place the funds, from a list of a number of insurance companies, funds and foundations. While this system gives the individual some choice about where to place his or her money, the freedom is not total, as the choice is limited to those organisations which have an agreement with the service companies. According to the website of Collectum, the service company for ITP, they choose only insurance companies with the lowest fees, reduced, they claim, by an average of 65% due to their agency, and with the highest historical yield.

In the field of unemployment protection and prevention there are also some tendencies towards increased marketisation of Employment transitional agreements. Akin to the service companies for occupational pensions, the governance of the Employment transitional agreement funds is in the hands of jointly controlled foundations. There are however some differences between the old and the new foundations with regard to who performs the services. The older foundations tend to

provide most of their services to unemployed members in-house, while TSL, the new foundation for LO workers, is a small organisation and lets the individual choose from a number of private service providers. This is something that SN strived for, as they find such a market within a given, uniform framework, to be the most efficient. Efficiency through markets is a key concept for the employer representatives interviewed for this report, and they would like to see further possibilities for choice, for example the possibility for a wage earner to choose his or her unemployment insurance fund.

LO, and to a lesser extent PTK, are less positive about market solutions. LO generally prefers uniform solutions overall while PTK stresses the need to not put all eggs in one basket. Individual choice needs increased information so that individuals can make informed choices. While the occupational pension funds for Swedish employees handled the financial crisis quite well, the situation of occupational pensions in other countries did affect the discussions between the social partners in Sweden. The representatives for PTK felt that the SN was much less prone to propose increased freedom of choice and marketization now than before. While the interviews with SN show that they still hold such views, it could be argued that they could no longer easily express such views during negotiations. The representatives from PTK argued for the need for sustainability. While financial sustainability of pension systems was something referred to by all interviewees, PTK was the only social partner to address the issue of sustainability in where the funds should be invested and the need to take account of both ethical and environmental concerns.

These different stances on market solutions in the governance of occupational welfare, evident from the interviews with representatives from the social partners, were also reflected in their views on IORPs. SN has expressed concern regarding the levels of regulation proposed in IORP 2, as they see risks that institutes for occupational pensions would become too expensive and complex to handle. Such a course might lead to fewer institutions, therefore less choice and competition, and more expensive solutions, costs that would inevitably affect pensions.

European structural funds have little to do with occupational welfare in Sweden. Funds from the European Social Fund were applied for during the one-year crisis agreement that saw the introduction of STW: s in the context of Swedish industrial relations (see 3.2, Evolution). The social partners, or rather the interviewees from LO, were sceptical about any future role for such funds in the area of Swedish occupational welfare. They argued that the regional or local focus of the European funds ran counter to the comprehensive national schemes agreed upon for the Swedish labour market.

6. Conclusions

As has been noted earlier in this report, Sweden still has a universal welfare system. However, many of its provisions, perhaps especially in the two areas under scrutiny, have also traditionally been linked to labour market participation and income. The state welfare system has reproduced the income differences on the labour market by linking benefits to prior income, but has at the same time had a distributional effect due to the existence of minimum and maximum benefits. As a result of welfare state retrenchment since the crisis of the 1990s, and an ensuing increased and more pronounced role for occupational welfare, the redistributional effects have lessened and the differences between insiders and outsiders have increased. However, unlike many other countries, welfare state retrenchment has led to a more active role being taken by the social partners. As the Swedish bargaining system has traditionally been centralised, the social partners are also well organised and centralized, although wage bargaining is now less centralized than before. With a limited number of organisations covering most of the labour market, it is both easier and more efficient to handle common problems. In the welfare areas under scrutiny, most deals are made between a handful of organisations, SN for the private sector employers, Arbetsgivarverket and SKL for most public sector employers and LO, TCO and Saco for almost all employees (in the private sector TCO and Saco act together through PTK).

Occupational welfare in the areas of pensions and unemployment protection and prevention acts as a supplement to the state-provided welfare schemes. Most schemes for occupational welfare therefore top up an existing and uniform state welfare scheme.

Disbursements of occupational pensions amount to 20% or more of total pensions. Occupational pensions are especially important for high income earners, for whom the replacement rate from the public pension system is limited due to a cap in contributions in the current public NDC scheme. While occupational pension schemes have had a long history in Sweden, their role has increased as a result of a significant pension reform implemented at the beginning of the millennium. The previous public DB system, ATP, was not considered sustainable, a fact that was acknowledged by all the key stakeholders. With a new system came a distinctive shift from DB to DC in both public and occupational pensions. As future benefits from the new public pension system will be significantly lower, the second and third pillar should provide added support. Due to the high level of centralization of both employee and employer organisations in Sweden, most employees are covered by one of just four different occupational pension schemes. ITPK, an occupational pension scheme for white collar employees on the private market, became the blueprint for most of the occupational pension schemes that followed the pension reform. With the exception of state employees (Pa03) and older white collar employees (ITP 2) schemes are essentially DC schemes where the premium is set at 4.5% of the salary up to 7.5 income basic

amounts, and 30% above that. This means that pension benefits for wage earners in Sweden are quite similar, regardless of which sector a person works in or what occupation he or she has. The contributions for incomes over 7.5 income basic amounts do however mean that the current mix of schemes is highly beneficial for high income earners. The lowering of public pensions compared to the older system, and a possibly limited and less secure future supplementary pension income, might give many low income workers a future equality in poverty.

In the field of unemployment protection and prevention the picture is somewhat more fragmented. The traditional income protection provided by the unions, *a-kassorna*, has been regulated in a quasi-statutory Ghent system since the 1930s. As the former governments did not increase the cap on benefits for several years during the 2000s, not primarily for budgetary reasons but to incentivize the unemployed, unions started to look for alternatives. This included unilateral complementary unemployment insurance funds provided through insurance companies. However, not all unions have managed to find solutions that they feel they can afford. This has especially been the case for those unions representing workers at greatest risk of unemployment due to higher risk premiums. Within the area of unemployment protection, there is one form of bilateral solution that is quite unique to Sweden. The Swedish employers and the unions have made central agreements regarding the right to benefits during unemployment, called Employment Transitional Agreements. These entitle individuals to both cash and various matching support measures. This development has long-standing historical roots, as we have emphasized earlier in the report. We argue that the reasons why these agreements have become more important in recent years and now cover most of the labour market are linked to welfare state retrenchment, as the social partners are choosing, for different reasons, to fill some of the gaps in the system. The deteriorating rates of the quasi-statutory unemployment insurance is one part of the story, the apparent failure and dismantling of active labour market policies is another, perhaps more important part.

As in most other areas, a few large agreements and schemes established by key social partners and administrated through bipartisan collaborations cover a significant percentage of employees. TRR Trygghetsrådet, a 1974 agreement between the Swedish Employers' Confederation (SAF) and the PTK, covers around 850 000 employees, while Trygghetsfonden TSL, created through an agreement between LO and Svenskt Näringsliv, covers 900 000 workers. The largest agreement is Omställningsfonden KOM-KL for private and public employees in, for example, health services and care, which covers 1.1 million employees. While most of these agreements share some characteristics, there are also some differences. With regard to financial provision, workers in the private sector are entitled to AGB, a lump sum for workers made redundant over a certain age, while white collar employees and professionals of a certain age receive AGE, a complementary unemployment insurance topping up the normal unemployment insurance. A perhaps more important difference between the schemes is however not the cash disbursements, but the

support provided by the foundations to the individual who has been made redundant. The fees paid to the schemes by the employers are quite similar, but the number of potential recipients is not. For unemployed people covered by the agreement in sectors and occupations where the risks of unemployment are low, the foundations have the resources to give significant support and job-seeking help, essentially working as a premium employment agency for labour market insiders. For workers in the private sector, the service benefits are hardly the same, as the foundations have fewer resources per recipient. This is especially the case for industrial workers, many of whom tend to be made redundant at the same time. During the financial crises of 2008/2009, the Swedish partners agreed on various measures to reduce working time during economic crises. This was a new phenomenon in post-1945 Sweden and could be seen as a last resort, when neither the public employment agency nor the transitional foundations have the capacity to handle the situation.

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Appendix: Interviews conducted with key stakeholders

Renée Andersson, LO, occupational pensions, interviewed 25/11/2015.

Ulrika Vedin, LO, unemployment protection and prevention, interviewed 25/11/2015.

Hans Gidhagen, SN, occupational pensions, interviewed 2/12/2015.

Pär Andersson, SN, unemployment protection and prevention, interviewed 2/12/2015.

Tomas Bern, PTK, occupational pensions, interviewed 15/12/2015.

Ann Lundberg Westermark, unemployment protection and prevention, interviewed 15/12/2015.