

Sweden – Labour market reform promotes skills, security, transition and employment protection

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Two new, historical, Main Agreements on security, transition and employment protection were concluded in 2022 by the social partners as a result of national cross-sectoral negotiations. The scope of the negotiations, which were conducted between the Swedish Confederation of Enterprise and the council for negotiation and cooperation (PTK), and The Swedish Trade Union Confederation (LO) respectively, was much broader than that of employment protection. A strong emphasis was put on skills development as a means to increase job security.

The two Main Agreements will be complemented by new public reforms which will be in force from October 1st, 2022. The new Main Agreements were signed June 22 and new legislation underpinning the public reforms was adopted by the Swedish Parliament June 8. The legislation and the agreements form an integrated whole. A condition for the application of the new Main Agreements is that they are adopted at national sectoral level. This procedure is now in process.

The new Main Agreements will bring about substantively strengthened support for job-to-job transitions and lifelong learning. There are also rules regarding more flexibility for employers in redundancy situations and better predictability when, in certain situations, dismissing for personal reasons. The new public reforms and legislation addresses employment protection, transition support and a new form of public financial study aid, so called transition study aid.

The main benefits for the employees are significantly improved opportunities for skills development and improved working conditions for employees with precarious work. The transition study aid is put in place with very generous conditions. On top of that, a new collectively agreed financial study aid is established which will give the individual the right to financial support for both shorter and longer courses to develop their skills, both while in employment and in between jobs. This will bring an important benefit for the job security of the employees as it will improve their possibilities to up- or re-skill in the labour market. It will also benefit the companies in terms of a more productive and skilled work force.

The main benefits for the employers are more flexibility in redundancy situations, greater predictability as well as reduced costs when dismissing for personal reasons.

Rules in the new Main Agreements regarding improved help with job-to-job transitions and support from transition organisations also during your employment

The social partners in the private sector have non profit organizations that helps with job-to-job transitions. TRR helps redundant white-collar employees and TSL helps blue-collar workers with support and guidance so that they can take the next step in their career as soon as possible. This can be a new job, studies or starting their own business. TRR was founded in 1974 and TSL was founded in 2004. With the new Main Agreements, the support will be greatly improved with new study aids. Previously the support was only for employees who had had open-ended contracts but now also employees with fixed term contracts will be able to go to TRR or TSL. The support will now also be available during your employment. There

will therefore be a greater focus on counselling regarding courses and the new study aids will be very important factors in terms of lifelong learning.

The new public transition study aid and the complementary study aid in the Main Agreement

The new public transition study aid is aimed at employees who are established in the labour market, individuals who have worked for at least eight years over the course of the last 14 years. It will be a parallel system to the current study aid system.

The transition study aid consists of a grant and a loan. The grant will replace 80 percent of the reduced income up to a ceiling of approximately 2500 euros, which gives a maximum compensation of approximately 2000 euros per month. An additional loan can be given up to approximately 1170 euros per month.

The transition study aid is given for full time studies up to 44 weeks (two semesters), with the possibility of requalifying for an additional 22 weeks (one semester). In total you can get it for full time studies up to 66 weeks (three semesters). If you study part-time it will last longer.

On top of the public transition study aid there is the complementary study aid in the Main Agreement. The complementary study aid provides compensation for the same amount of time as the public one. On top of the public transition study aid it will replace 80 percent of the reduced income up to approximately 3000 euros a month and 65 % of the reduced income up to approximately 6600 euros a month.

Company-specific training and skills development in the company where the individual is employed will continue to be funded by the company. These new study aids are based on what the individual wants to study.

The new public transition organization and public co-funding of the social partners transition organisations

Employees not covered by collective agreements have previously not been able to get the same help with job to job transition as employees covered by a collective agreement. Now that fundamental support to find a new employment and counselling regarding courses will be available to this group as well through a new public transition organization that will be in place from October 1. This support will also be available while you're employed. The state will also fund part of the fee that employers with collective agreements pay to the so called "registered transition organizations", which TRR and TSL soon will be.

Secured employment protection while maintaining union influence

That no one should be dismissed arbitrarily and that redundancies should be handled in negotiations at the company are two important principles on which the changes in employment protection are based.

The proposal for a reformed labour law means, among other things, that the rules for selection of employees in redundancy dismissals have been revised in the Employment Protection Act. All employers may now exclude three employees from the order of precedence in the event

of redundancy, previously only employers with a maximum of ten employees have been able to exclude two employees. The possibilities of derogating from the Employment Protection Act by means of collective agreements are increased and there are complimentary and more flexible rules in the Main Agreement. If an agreement on the selection cannot be concluded by negotiation between the social partners on local level, employers may exclude a certain number of employees, depending on the circumstances.

The rules for when an employer has the right to dismiss someone for personal reasons are clarified to make it more predictable, for both employers and employees, what is required for dismissal, such as what measures an employer should have taken before objective reasons for dismissal can be considered to exist. The rules for such objective reasons for dismissal will now be semi-dispositive.

In the event of a dispute between employer and employee over a dismissal for personal reasons or redundancy, the employee will now be entitled to financial protection through a collective insurance that complements the Unemployment Insurance Fund, instead of the employer paying the salary during the dispute as it is today.

The employment form “general fixed-term contract” will be replaced by a new “special fixed-term contract” in the Employment Protection Act. It will be transformed into an open-ended contract after twelve months (within a five-year period), compared to today when two years of employment are required.

Temporary agency workers who have worked for at least two years in the same undertaking shall either be offered an open-ended employment at the client company or given a compensation of two months’ salary.

In the case of a reorganisation in which one or more employees in the same establishment, whose duties are equal, shall be given a lower level of employment, those offers shall be given to those with the least employment time first. Employees who accept a lower level of employment are entitled to a conversion period with unchanged working time and salary, corresponding to the employees notice period, but not more than three months.

There will also be a new rule in the Employment Protection Act stating that the main rule for an employment contract is full-time employment, unless otherwise is agreed.

Concluding remarks

The new Main Agreements are a show of strength for social dialogue and it shows that great reforms can be achieved through collective bargaining. The changes brought about by the agreements and the public policy reforms entail benefits for both employees and employers while increasing the incentives for collective bargaining. The changes in the Swedish labour market will positively contribute to lifelong learning and job security. The social partners in the private sector were the first to conclude new Main Agreements and now the social partners in the public sector have concluded similar agreements resulting in a broad coverage of collectively agreed reforms on security, transition and employment protection in the Swedish labour market.