

## About the National Mediation Office

Sweden's National Mediation Office is a government agency answerable to the Ministry of Employment. It has three principal tasks:

- To mediate in labour disputes
- To promote an efficient wage formation process.
- To oversee the provision of public statistics on salaries and wages.

**The National Mediation Office appoints mediators** in the event of disputes between the parties in the labour market (the 'social partners') during bargaining over pay and terms of employment.

**The National Mediation Office actively promotes efficient wage formation.** Efficiency in this respect implies boosting both real wages and employment levels and facilitating changes in relative pay, while at the same time recognising both that the competitive sector (the export industry) has a normative role in setting wages and that costs to Swedish industry do not exceed those of competing countries.

**As of 2001, the National Mediation Office is the government body responsible for public statistics** on wages and salaries. The figures are produced by Statistics Sweden. The task of the National Mediation Office – following consultation with other stakeholders – is to requisition statistics that meet the needs of other users.

The National Mediation Office has nine members of staff and began operating in 2000. The task of mediating in labour disputes was previously discharged by the National Conciliator's Office.

**The difference between mediation then and now** is that today's mediators are not allowed to propose pay terms etc that exceed the normative levels established by the agreements in the industrial sector.

In Sweden, state mediation in industrial conflicts has been provided for by law since 1906.

## Summary of the annual report Wage Bargaining and Wage Formation in 2008

### **The Swedish economy**

The economic situation at home worsened dramatically in the autumn of 2008 with the advent of the international financial crisis. As a result, the Swedish economy is now entering one of the deepest recessions the country has experienced since the Second World War. The inflation rate fell substantially in the final months of the year, due to such factors as depressed oil prices and interest rates.

The actual impact of such a downturn on the labour market, however, is significantly delayed. Job losses and closures have multiplied, but the

deterioration in the employment situation is still at an early stage. Instead, it will become fully evident in 2009, when the employment level is expected to decline very considerably and unemployment may climb as high as 8-9 per cent.

### **Competitiveness**

Sweden's competitive position has now declined for two consecutive years, vis-à-vis the US in particular but probably vis-à-vis the EU countries as well. This is primarily because productivity in the Swedish business sector slowed down in both 2007 and 2008 – according to preliminary figures for the first three quarters. Also, the dollar weakened against the krona in both years.

Viewed in a slightly longer historical perspective, however, Swedish competitiveness vis-à-vis the EU countries has improved considerably, due above all to the strong growth in productivity evident in previous years. Competitiveness vis-à-vis American enterprises and in dollar-based markets, however, has declined markedly in recent years as a result of the dollar weakening against the krona.

Slow growth in productivity helped boost inflation in Sweden in 2007 and much of 2008, but the principal factors were rising energy and food prices around the world and higher interest rates, both of which caused price increases to accelerate. The inflation rate in 2008 was again lower in Sweden than elsewhere in the EU zone, but the gap was narrower than in 2004-2007.

Concern about the financial situation in the autumn of 2008 led to substantial cuts in interest rates and a significant decline in inflation, and also caused the exchange rate for the Swedish krona to fall considerably. If the exchange rate that applied at the end of the year were to be maintained in 2009, Sweden would improve its competitive position over the coming year.

### **Pay statistics**

Wage increase in 2008, according to the latest short-term wage statistics, is 4 per cent for the economy as a whole. In 2007, the increase was 3.3 per cent. The largest rise in 2008 – almost 5 per cent – came in the municipal sector and largely reflected when and in what form pay increases were due during the contractual period. As in 2007, the outcome in the business service sector was relatively low.

In 2007, real wages rose by just over 1 per cent, after having increased by an average 2.6 per cent per year during the ten-year period 1997 to 2006. In 2008, too, real wages rose, although once more at a slower pace.

Which indicator of pay change is the most relevant depends on what you wish to focus attention on. If you want to analyse the impact of wage growth on inflation and/or competitiveness, or to analyse wage growth from a company perspective, it is best to use unadjusted series. If, on the other hand, you are interested in measuring wage growth due to wage bargaining, you need to use series that are adjusted for change in the composition of the labour force in terms of age, profession and working hours. Another common indicator is wage growth for what are termed identical individuals. Besides these criteria,

which are all based on pay structure statistics, growth as shown by the short-term wage statistics is also reported.

The various indicators of pay change have been analysed for the period 1997-2007 for both manual and non-manual workers in the private sector, the municipalities, the county councils and the central government sector. The indicator based on identical individuals – except in the county council sector – yielded the highest rate of increase.

Despite deviations in certain years, the various methods of calculation show roughly the same pattern for the contractual period as a whole. The results should, however, be treated with caution. Changes in the selection and reporting of control variables can affect the series. The way collective agreements are designed and whether or not the prescribed increases have been paid out at the time of measurement is of considerable relevance to the outcome of both the short-term wage statistics and the pay structure statistics.

### **Labour market legislation etc**

In 2008, the Riksdag (Swedish parliament) approved a new anti-discrimination law, due to enter into force on 1 January 2009. Under this act, the various laws against discrimination are brought together in a single piece of legislation. At the same time, new discrimination grounds are introduced, including age. In relation to the Equal Opportunities Act – one of the laws it replaces – the new law eases the pressure on employers in certain respects, for instance regarding the presentation of wage surveys. In future, these are to be made available every third year instead of annually.

The provision in the Employment Protection Act concerning fixed-term contracts has been revised several times over the years. The latest change took effect on 1 July 2007, when a system of general fixed-term contracts (ALVA) was introduced. The provisions in the act relating to fixed-term employment are optional and may be replaced by collective agreements. The question is to what extent this legislative amendment has had the desired effect on labour market areas regulated by these agreements. A review of public sector agreements, the 45 largest agreements in the private sector during the 2007 bargaining round, and all agreements reached in 2008, provides some insight in this respect. The new legislation had only a limited impact on agreements reached in 2007, since most had already been concluded when the Riksdag approved the amendment. In some of the agreements reached in the autumn of 2007, however, the ALVA provision has been included as a permissible type of fixed-term employment. The provision was in fact little in evidence in agreements reached during the 2008 bargaining round. It should be noted, however, that agreements in the public sector, and also in some parts of the private sector, are constructed in such a way that legislative amendments can be expected to have an immediate impact on the areas concerned.

In 2008, the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation (LO) and the Federation of Salaried Employees in Industry and Services (PTK) began negotiating a new key agreement in the private sector, intended to replace the “Saltsjöbaden Agreement” from 1938. Talks began in August 2008 and were still in progress at the end of the year.

The much-publicised ruling by the European Court of Justice (the Laval ruling) in December 2007 on the blockade of a school building near Stockholm by the Building Workers' Union and the Electricians' Union – aimed at forcing the employer to sign a collective agreement with the Latvian company Laval UN Partneri Ltd – established that in certain respects Swedish law is incompatible with Community law. The Government appointed a committee of inquiry to propose the changes to Swedish law required in light of the Laval ruling. The committee presented its report (SOU 2008:123) in December 2008. Its proposals included a conditional right to take industrial action against employers from other EEA countries who post employees to Sweden.

### **Bargaining in 2008**

The 2008 round of collective bargaining encompassed 90 agreements in the private sector and some 144 000 employees, including ten agreements left over from 2007. The main negotiators were the transport sector and the Church of Sweden.

In addition, bargaining focused on agreements in the municipal and county council sector that were either terminated or expired in 2007 but were not finally completed until 2008. This primarily involved the agreement between on the one hand the Swedish Association of Local Authorities and Regions/Pacta, and on the other the Swedish Association of Health Professionals and the Public Employees' Negotiation Council (regarding teachers), affecting some 350 000 employees.

A dozen agreements due to expire on 31 December 2008, mainly in the banking and insurance sector, were not completed during the year.

### **Agreements in time**

It is in the interests of society as a whole that new agreements are reached before the old ones expire. This makes for more efficient wage formation and helps avert conflicts in the labour market. There is broad agreement among the parties concerned that negotiating new contracts before the old ones expire is an advantage.

In the 2008 bargaining round, agreements in the private sector were negotiated on behalf of about 50 per cent of the employees either before expiry or to coincide with it, and for a further 15 per cent within three weeks of that date. All agreements in the municipal and county council sector and those negotiated with Pacta were concluded more than three weeks after the old ones expired.

### **Length of contract and premature termination**

The majority of private sector agreements in 2008 – affecting 91 per cent of employees – run for 31 to 42 months. Most will expire in the spring of 2011. Of the workforce as a whole, 23 per cent are covered by agreements that can be terminated during the final year. The largest of these is the Health Care Agreement between the Swedish Association of Local Authorities and Regions and the Swedish Association of Health Professionals.

### **Agreement outcomes in 2008**

The outcome for manual workers in the private sector was 12.1 per cent over three years, excluding pensions. The introduction of pensions negotiated

between the Confederation of Swedish Enterprise and LO will cost an estimated average of 0.6 per cent during the period. The partners state that cost savings in the general terms of their agreements leave more scope for pay rises. The agreements for non-manual workers in the private sector yielded rises of 10.4 per cent over the period.

Thus pay rises for both manual and non-manual workers exceeded the 10.2 per cent norm established by the industrial sector in 2007..

The agreement negotiated by the Swedish Association of Health Professionals guarantees an outcome of 9 per cent over 33 months with a guaranteed side outcome of 3.5 per cent for specialist staff. The guaranteed outcome for teachers was 6 per cent for 2008 and 2009. Total pay review outcome for 2007-2009 will be at least 10.2 per cent.

### Agreement models

The following table shows the various agreement models found in each respective sector, divided into seven main groups. Some minor differences are to be found within each group, but these do not affect outcome.

Agreement models as distributed in the Swedish labour market

Model	Proportion of all employees in the labour market			All sectors
	Private	State	Municipal sector	
1. Local wage formation without nationally determined margin (agreements without figures)	4	3	2	9
2. Local wage formation with a fall-back regulating the size of the margin	4			4
3. Local wage formation with a fall-back regulating the size of the margin, plus some form of individual guarantee	6	5		11
4. Local wage frame without an individual guarantee	6		17	23
5. Local wage frame with an individual guarantee or alternatively a fall-back regulating the individual guarantee	20		18	37
6. General pay increase and local wage frame	10			10
7. General pay increase	6			6

### Gender equality

Ever since its first annual report in 2002, the National Mediation Office has described how Sweden's official pay statistics are constructed and shown what conclusions may be drawn from them in terms of pay differential between women and men (the gender pay gap). The 2008 report completes the in-depth analysis presented in the 2006 and 2007 reports. According to the findings, the gender pay gap for the labour market as a whole amounted to approximately 5 per cent in 2007, if comparison is made (through standard weighting) between women and men with the same employer and the same occupation, and who are closely similar in age, education and length of employment.

The gap after standard weighting narrowed in 2006-2007 in the central government and private sectors. In the county councils, there was no change,

while in the municipal sector the gap widened. The outcome in the latter is attributable to the agreement model used in this case, featuring one-off sums for groups affiliated to the Municipal Workers' Union. One-off sums are not included in pay structure statistics.

A comparison of women's and men's pay as a whole during the period 2005-2007 shows that the gender gap tended to narrow slightly.

As noted above, the 2008 bargaining round in Sweden was limited in scope. Most of the agreements that were renegotiated in the private sector contain models that preclude local wage formation. For obvious reasons, therefore, there are no provisions describing how gender equality aspects are to be given consideration when local pay scales are reviewed. Other agreements reached during the year largely reflect those of most national contracts in the labour market. The basic concept is local wage formation with individual and differentiated wage-setting. The agreements include provisions requiring wage setting to be objective and non-discriminatory, and also incorporating both the principles of equal pay for women and men and the rules establishing which pay surveys and analyses are to precede local reviews of pay scales. The agreements concluded in the municipal and county council sectors on behalf of teachers and health care staff are constructed along roughly the same lines.

## **Mediation and industrial action**

### **National disputes**

There are two systems in the Swedish labour market for resolving disputes in connection with the negotiation of agreements at central level (national bargaining). Mediators can be appointed either by the National Mediation Office, under the Employment (Co-Determination in the Workplace) Act (known as special mediators), or by the parties themselves on the basis of a collective agreement on bargaining procedure registered with the Office.

In 2008, the National Mediation Office appointed special mediators in nine cases. The corresponding figure in 2007 was 30. The difference is due to the fact that the 2008 bargaining round involved some 90 agreements while the 2007 round involved as many as 500.

Talks between the Swedish Association of Local Authorities and Regions and the Swedish Association of Health Professionals are governed by the Municipal Agreement on Bargaining Procedure registered with the National Mediation Office. For the negotiations on a new collective agreement covering pay and general terms and conditions of employment, the parties themselves appointed what are referred to as bargaining mediators, in accordance with the above Municipal Agreement.

Notice of industrial action was served in connection with eight disputes during the year, and action was taken in seven of them. In each case, the initial notices were served by the union organisations concerned. The employers responded by serving notice of counter-action in three cases. These involved lockouts of a limited nature.

In three of the disputes, industrial action took the form of strikes. The most extensive among them was the strike in the health care sector, which lasted for over a month. Over 10 000 members of the Swedish Association of Health Professionals were out on strike at some time during the period, and the number of working days lost as a result of the conflict has been estimated at 95 000.

Disagreement over the size of pay increases was the main point at issue in the mediation processes. Mediators appointed by the National Mediation Office are not allowed to be party to agreements providing for higher costs than the normative agreements in the industrial sector. As a result, mediators in half of the disputes felt unable to present proposals on a final agreement, since it was clear that an offer on the level of industrial sector contracts would not be acceptable by the trade unions concerned.

#### **Local disputes**

For mediation in local disputes, the National Mediation Office has at its disposal five permanent mediators, each of whom is responsible for a particular geographical area. These mediators are appointed for 12 months at a time and concern themselves primarily with disputes between a union and an individual employer in connection with the signing of collective agreements known as application agreements. Such disputes declined sharply in number in 2007 and 2008. In 2006, the permanent mediators dealt with 100 contractual disputes. In 2008, the figure was 13. But although the number of disputes has fallen dramatically, the number of employers who signed collective agreements was no less in 2008 than in previous years. Rather, the opposite would appear to be the case: several thousand new employers were bound to collective agreements during the year. Notice of industrial action was served in a dozen cases to ensure compliance on the part of employers, and action was taken in four cases. In other words, disputes are the exception. The Swedish labour market could be described as virtually conflict-free in this respect.

While traditional disputes have declined in number, disagreement has increased where the Central Organisation of Sweden's Workers (SAC) has been one of the parties involved. During the year, SAC members served notice of industrial action on 55 occasions. None of the disputes concerned the signing of collective agreements. Instead they concerned the recovery of wages and salaries or disputes of another type that could best be described as a combination of legal disputes and conflicts of interest. Normally, such cases do not necessitate mediation efforts.