



Collective bargaining in Sweden

The Swedish industrial relations model, which is based on a traditionally strong system of collective bargaining, is not found elsewhere in the European Economic Area. Wage rates are, in principle, determined by collective agreements. The focus is on collective agreements negotiated by the organisations concerned. But...

By Zennie Sjölund, branch manager, *Association of Swedish Accounting & Payroll Consultants*

National agreements covering pay and general employment conditions are mainly negotiated centrally in Sweden. There are more than 100 national organisations - some 60 unions and about 50 employer bodies - coming to more than 650 collective agreements each year that affect more than 3.5 million employees.

During the contractual period, both parties are obliged to ensure that industrial relations remain peaceful. By international standards, the Swedish

labour market has historically been subject to few disputes, whether in terms of proposed and actual industrial action, or work days lost.

State mediation in industrial conflict has been catered for in law since 1906. But back in 1980, two of the country's biggest social partners were involved in a lockout and strike situation. A lot of effort was subsequently made to avoid a similar situation taking place again and, in 2000, a central government agency, the National Mediation Office



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g social partnership between employers and trade unions, differs from that set without interference from the political establishment and the regulatory. But interestingly, 2016 is proving to be a big year for collective bargaining.

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(NMO), was set up. It is answerable to the Ministry of Employment.

The NMO has three principal tasks: to mediate in labour disputes; to oversee the formulation of public statistics on wages and salaries, and to promote an efficient wage negotiation process. The aim is generally to settle on longer rather than shorter agreement periods to ensure market stability.

But conflicting stances and Sweden's uncertain

economic situation have made wage settlement more difficult lately. As a result, this year's negotiations have been subject to more disagreement than usual. Although disputes were resolved quickly, the upshot has been the creation of mostly short-term agreements. Details of the collective bargaining deals themselves, their duration and the parties involved are all listed on the [*National Mediation Office's website*](#).

The collective bargaining framework itself, ►

meanwhile, is defined by the Industrial Cooperation and Negotiation Agreement. This Agreement provides “the mark” or target for pay reviews overall. Every national collective agreement then sets a base level for how much employers in their sector are obliged to increase salaries by in general terms, for example, 2.2%. National collective agreements can later be renegotiated locally, but they are not permitted to produce a poorer outcome for employees.

Wage pots

If local negotiations fail, the so-called “stupstock” comes into force, that is, participants fall back on nationally agreed wage rises. Another important concept is the “lönepott” or wage pot. The wage pot is calculated by adding together an individual employer’s total salary and wage bill and multiplying it by the nationally agreed pay increase. This means that all employees receive a minimum rate.

So imagine company A has 12 employees and their salaries come to a total of €360,000. According to the collective bargaining agreement negotiated, company A has to offer them a pay rise of 2.2%. Its wage pot is $E360,000 \times 2.2\% = €7,920$. If each employee is guaranteed a pay increase of €50, about €600 out of the total €7,920 will be assigned to each employee. This gives the employer $€7,920 - €600 = €7,320$ to apportion as they see fit.

But each industry has a different starting point for its wage policy depending on the compromises made during the collective bargaining process. This process itself can be split into seven categories:

- Central bargaining, where the salary increase applies across the board and all employers have to pay the same rates
- Central bargaining, where the wage rise applies across the board, but a wage pot is agreed to

apportion out at a local level

- Central bargaining, where the pay rise applies across the board, a wage pot is agreed to apportion out at a local level, but salary increases are also guaranteed at an individual level
- A wage pot is agreed to apportion out at a local level, but pay rises are also guaranteed at an individual level
- Locally bargained, where each individual is guaranteed a pay increase based on the national collective bargaining agreement
- Locally bargained, with a potential fall-back to the national collective bargaining agreement if necessary
- Locally bargained, with no possible fall-back to the national collective bargaining agreement.

Regardless of which collective bargaining agreement employers are subject to, it is important to get the pay review process right, which can take some time. It can also generate complex back pay processes, so ensuring you have sound routines and policies in place is absolutely vital.

SWEDISH PAYROLL

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