



TRANSITION-SUPPORT



- an overview



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Historically, agreements on transition have been a special form of collective agreement concluded by the Swedish social partners, providing employees whose employment has been terminated due to redundancy ("shortage of work") with financial support and help to find new employment or some other occupation.

This collectively agreed support that is funded by the employers functions as a supplement to the public social and unemployment insurances as well as to the public labour market policy.

The first agreements on transition were concluded in the early 1970s. Originally, these agreements were intended as a temporary supplement to the services provided by Arbetsförmedlingen (the Swedish Public Employment Service). Today, most of the Swedish labour market is covered by agreements on transition. Around fifteen transition organisations administer these agreements, the five largest are:

- TRR Trygghetsrådet – for private sector white collar workers, on behalf of the Confederation of Swedish Enterprise and the Council of Negotiation and Cooperation (PTK)
- Trygghetsfonden TSL – for private sector blue collar workers, on behalf of the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation (LO)
- Omställningsfonden (The Transition Fund) – for municipal sector workers
- Trygghetsstiftelsen (The Job Security Foundation) – for government sector workers
- Trygghetsrådet TRS – for non-profit sector and cultural area workers

Sweden's export-oriented economy is subject to continuous structural transformation, which is essential to maintaining competitiveness. Both the companies' and the individuals' handling of changing conditions at times of structural transformation and varying business cycles is facilitated when labour market transitions work smoothly. By supporting individuals in their transition from one job to another, transition services promote economic development for both the individual, the company and society.

The most recently concluded transition agreements cover both employees still in employment and individuals whose employment has been terminated. The support provided consists partly of financial compensation, partly of practical measures aimed at improving the individual's opportunities to find a new job or some other occupation (for example education).

Development of transition support – significant historic milestones

1902

Sweden's first employment agency opens: Helsingborgs Stads Arbetskontor.

1940

Statens arbetsmarknads-kommission (The Governmental Labour Market Commission) is established. Employment agencies become state-owned.

1964

The Confederation of Swedish Enterprise (at the time called SAF) and LO establish a fund for severance pay (AGB). Afa Försäkring is commissioned to administer the fund.

1972

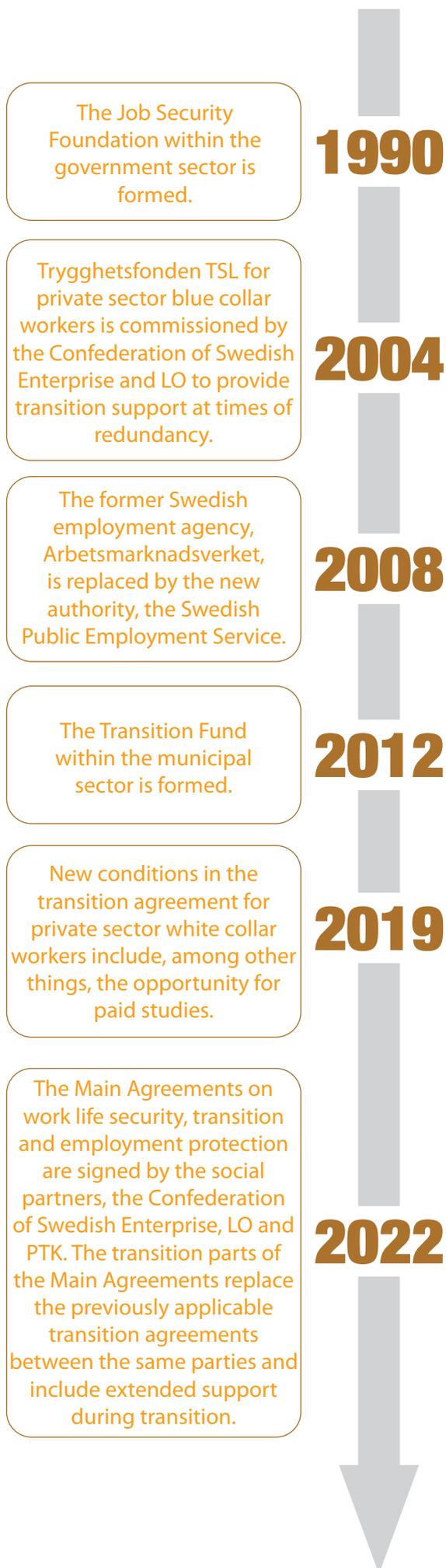
The first transition organisation is formed, Trygghetsrådet TRS.

1974

TRR Trygghetsrådet, for private sector white collar workers, is founded by the social partners that today are the Confederation of Swedish Enterprise and PTK.

1983

Trygghetsfonden TSL is formed. TSL funds measures aimed at preventing unemployment among private sector blue collar workers.



Transition support

The contents of the different transition agreements in the Swedish labour market are relatively similar in terms of scope and purpose. In this section, an overall description is given of the parts regarding transition in the Main Agreements on work life security, transition and employment protection recently concluded in the private sector (henceforth the Mains Agreements).

The Main Agreement between the Confederation of Swedish Enterprise and PTK is administered by the collective agreement foundation TRR Trygghetsrådet and the Main Agreement between the Confederation of Swedish Enterprise and LO is administered by the collective agreement foundation Trygghetsfonden TSL and the insurance company Afa Försäkring. Historically, the agreements on transition have also included provisions linked to the order of selection for dismissals at time of redundancy. The Main Agreements contain provisions on selection order but also changes to other parts of employment protection law. At the same time as these accords entered into force, changes to the Swedish Employment Protection Act became applicable, as enacted by the Riksdag (the Swedish parliament) through a bill on a reformed labour law (also covering state-funded basic transition and skills support, as well as public transitional study support).

Financial compensation

The Main Agreements include two types of financial compensation that can be paid out when employment is terminated due to redundancy or illness. For blue collar workers, there is severance pay (AGB), the amount of which depends on the individual's period of employment and age. For white collar workers, there is severance compensation (AGE), which is an allowance supplementary to the statutory unemployment insurance scheme.

The severance pay (AGB) is paid as a lump sum. The former employee must have reached the age of 40 years in order to be entitled to this compensation. If the former employee is 60 years old or older, the maximum amount that can be paid is around SEK 56 000.

The severance compensation (AGE) for white collar workers is a supplement to the income-related statutory unemployment benefit. The reference point is to provide an income level, including compensation from the statutory unemployment insurance fund, of 70 percent of the previously earned salary. Severance compensation at that level is paid for up to 130 days. The former employee must have reached the age of 40 years in order to be entitled to the compensation.

Income-related unemployment benefits are available to those who have been a member of an unemployment insurance fund for at least a year and have fulfilled work qualification conditions during this membership period. To be entitled to this

compensation, employees must be able to work and not be prevented to take up a suitable employment and also be registered as a job seeker at the Swedish Public Employment Service.

The public unemployment benefit provides compensation of up to 80 percent of the previous income for the first 200 benefit days. The compensation level after 200 days is 70 percent. There is also a benefit ceiling, meaning that benefits can amount to a maximum of SEK 1,200 per day during the first 100 days and a maximum of SEK 1,000 per day the remaining days.

For individuals who are not members of an unemployment insurance fund, or who do not meet the funds' membership requirements, there is a public basic unemployment insurance administered by Alfa-kassan providing compensation of up to roughly 11,200 SEK per month.

In addition to the publicly funded unemployment benefits and collectively agreed severance compensations, there are also private income insurances that some trade unions provide to their membership.

Private income insurance

A-kasseutfyllnad (Collective supplementary unemployment benefit): 10 %

Unemployment fund: 60 %



Example: A private sector white collar worker who is a member of an unemployment insurance fund and is covered by the TRR transition agreement and has had a monthly salary of SEK 35,000. With supplementary private unemployment insurance, the total financial compensation can be up to 80 percent of the previous salary.

Support for finding a new job

The Main Agreements contain support for individuals whose employment has been terminated due to redundancy or illness, but also for employees who want to strengthen their future position on the labour market. The support includes counselling, guidance, education, and study grants. The active transition support offered in accordance with the Main Agreements means that those who have been dismissed from their job due to redundancy or illness receive counselling and other support aimed at facilitating their transition to a new job, or the starting of a business or to begin studying. The support offered to employees during ongoing employment, i.e. to those wanting to strengthen their future position on the labour market, focuses primarily on guidance, education and study grants.

The counselling to find a new job usually includes a personal, continuous contact with an adviser as well as various courses, lectures and digital tools aiming at facilitating the job search. This involves the mapping of skills, experiences and future plans, labour market orientation, working on formulating resumes and personal application letters, as well as training for job interviews. The support is often described as a program in which the dismissed participate in several phases: first contact, inventory, orientation, realization, and closure. The support is designed according to the individual's needs.

Transitional study support

At the same time as the Main Agreements came into force on October 1st, 2022, a new public transitional study support was launched. By providing financial support, this study support makes it possible for people in employment to start an education and thereby strengthen their position in the labour market. The Main Agreements contain an additional collectively agreed study grant that supplements the grant portion of the public transitional study support.

Active support from Kammarkollegiet (the Legal, Financial and Public Procurement Agency)

Furthermore, the government has created a transition organisation which is managed by the Legal, Financial and Public Procurement Agency. This Agency offers counselling and guidance to individuals who are not covered by collective agreements and whose employment has ended due to redundancy or illness, as well as to employees who want to strengthen their future position on the labour market.



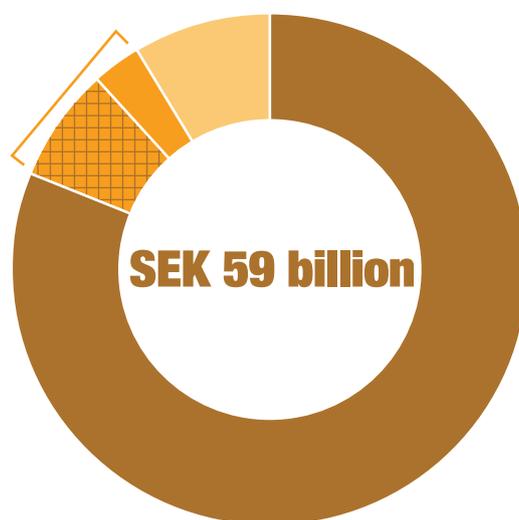
Funding of support during transition

Funding: SEK 59 billion per year

Membership fees for unemployment insurance funds: **approx. SEK 6 billion**

(Out of this, and following deductions for administrative costs, the unemployment insurance funds contribute to the funding of the public unemployment benefit with): **SEK 4,2 billion**

Employer's contribution for transition: **approx. SEK 5 billion**



Statutory labour market contribution (paid by the employer):

SEK 48 billion

(2,64 % of the wage sum – part of the employer's contribution)

The unemployment benefit is partly funded by the labour market contribution, which is a component of the contribution that employers pay to the state (payroll tax), and partly by a fee that the unemployment insurance funds pay to the state. In turn, the membership of the unemployment insurance funds pay fees that cover the fees these funds pay to the state as well as the funds' administrative costs.

The collective agreements on transition are administered by the transition organisations and insurance companies. Their services and administration are funded by employers, the fee being charged as a percentage of the wage sum. For example, according to the Main Agreement between the Confederation of Swedish Enterprise and PTK, the fee paid by employers is 0.55 percent of their wage sums.

Due to the fact that the state, through the Legal, Financial and Public Procurement Agency, funds support to individuals who are not covered by collective agreements, the state also compensates, in part, those companies funding private transition organisations. This payment amounts to 0.15 percent of the companies' wage sums.

The transition organisations' result

The transition organisations report that usually 80-90 percent of those who are offered support find a solution within the contract period. A solution does not only mean a new permanent employment, but also fixed-term employment, long-term studies or starting a business.

In 2022, the percentage of completed transitions resulting in a solution was as follows:

TRR Trygghetsrådet 90%

Trygghetsfonden TSL 90%



Variations in the need for support

The operations of TRR Trygghetsrådet and Trygghetsfonden TSL are affected by cyclical economic changes in the world of trade and industry. In the event of an international recession, the number of redundancies may increase, and certain local communities may be particularly affected. Two examples where many people lost their jobs at the same time in one place are the Saab Automobile bankruptcy in Trollhättan in 2011 and the closure of certain parts of Ericsson's operations in Kumla in 2017.

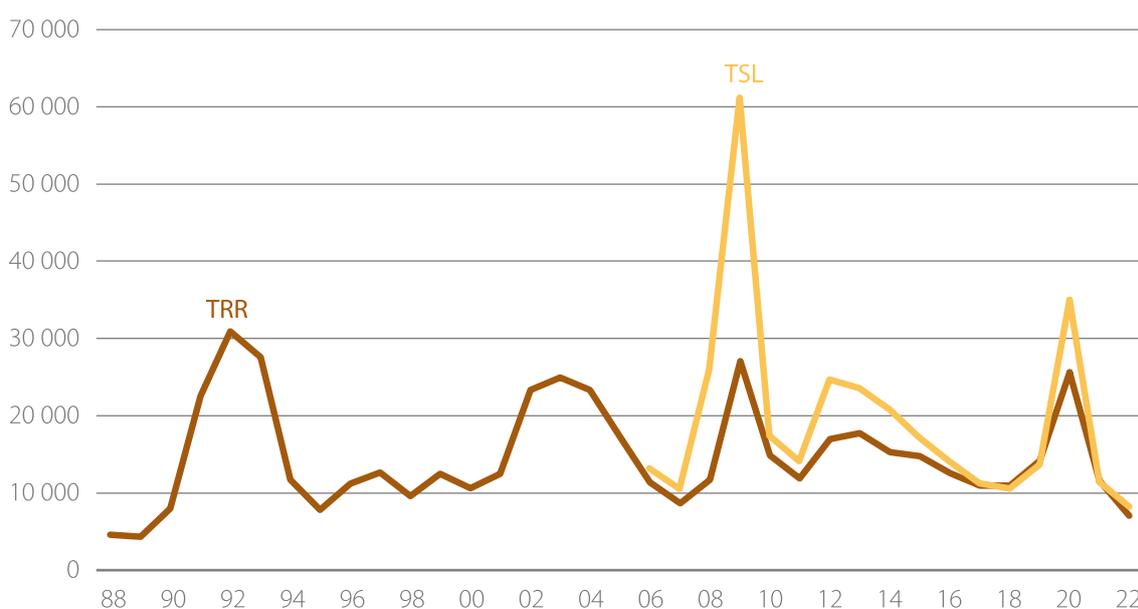
Since the early 1970s, economic fluctuations have affected TRR Trygghetsrådet's operations. During the crisis in the 1990s, roughly 30,000 redundant people received support from the organisation in one year alone. In connection with the financial crisis at the end of the 2000s, approximately 25,000 people were made redundant annually over a four-year period.

Trygghetsfonden TSL started its current operations in 2004 and had to provide support to a particularly large number of jobseekers during the financial crisis in 2008 and 2009.

Unlike TRR Trygghetsrådet, which has its own in-house staff, Trygghetsfonden TSL procures service contracts from around 25 external transition (outplacement) companies delivering advice and guidance to jobseekers and employees.

During the recessions of the 2000s, both TRR and TSL, delivered results on par with before, despite far more cases and a far worse job market for jobseekers. However, it took somewhat longer for the unemployed to complete their transitions during this period.

The number of people seeking support varies



The number of individuals who sought support from the two transition organisations Trygghetsrådet TRR (private sector white collar workers) and Trygghetsfonden TSL (private sector blue collar workers).

Interaction between public and collectively agreed solutions

From the beginning, the idea behind the transition agreement for private sector white collar workers was to create a temporary support which was supplementary to that provided by the Swedish Public Employment Service. However, as the social partners have come to consider the publicly funded support inadequate, their transition organisations have become a permanent fixture in the Swedish labour market.

In practice, the Swedish Public Employment Service is responsible for support to those who have the weakest links to the labour market, normally those who do not qualify for the support provided by the transition organisations.

The social partners' organisations have come to take responsibility for the support to those who either have a job or have had a job that has been terminated due to redundancy or illness.

Those who have a job or have had a job that has ended due to redundancy or illness but who are not covered by a collective agreement on transition can apply for support from the Legal, Financial and Public Procurement Agency.

Some transition organisations have reached cooperation agreements with the Swedish Public Employment Service and in some municipalities, these good working relations have taken the form of tripartite talks with those individuals who are furthest from the labour market and who are in need of extensive support from both the transition organisation as well as the Swedish Public Employment Service or the Swedish Social Insurance Agency.

The Swedish Public Employment Service is currently undergoing an overhaul. In a public inquiry report, Arbetsmarknadsutredningen SOU 2019:3, it is emphasized that the Swedish Public Employment Service and supplementary actors should be put on equal footing when it comes to running their operations and be allowed to compete on equal terms.



The growth of the transition industry

Since 2004, Trygghetsfonden TSL has procured services from private transition companies delivering counselling and guidance. For instance, the first step in the transition process for workers, whose employments ends due to redundancy or illness, is to meet and discuss individual needs and opportunities with a transition advisor from Trygghetsfonden TSL. Subsequently, Trygghetsfonden TSL contacts the transition company that will coach the individual. The company's job coach will then work with the participant towards finding a new job and, if necessary, this may also include access to education and a study grant.

In the same way as Trygghetsfonden TSL, the Legal, Financial and Public Procurement Agency procures services from private transition companies that deliver counselling and guidance to individuals who are not covered by collective agreements on transition. In fact, Trygghetsfonden TSL has served as a role model for the Agency in their procurement.

Following the recessions in the 2000s, as well as Trygghetsfonden TSL's procurement of services from transition companies beginning in 2004, the Swedish industry for delivery of transition and outplacement related services has grown significantly.

In 2022, the 900 member companies of the employer and trade federation Kompetensföretagen (the Competence Agencies of Sweden), offering services such as recruitment, outplacement and staffing, had a total turnover of SEK 49,9 billion. The number of employees in this industry has constantly increased from 5 000 in 1994 to 106 000 in 2022.

