

Agreement on work life security, transition, and employment protection in the Swedish labour market

In December 2020, key social partners in the Swedish labour market reached agreements on work life security, transition, and employment protection. A precondition for the parties to the agreement to finally adopt the agreement is that certain changes in existing legislation are implemented. The parties have therefore jointly requested that the state implement such changes. On 11 January 2021, the government appointed three parallel inquiries to look into proceeding with the implementation of the parties' agreements. These changes are expected to take effect before the midyear of 2022.

The agreements on work life security, transition, and employment protection have been concluded between Svenskt Näringsliv, the Confederation of Swedish Enterprise, and PTK, the Council for Negotiation and Cooperation (joint organization for salaried employees in the private sector), IF Metall (a Swedish metal workers' trade union) and Kommunal, the Swedish Municipal Workers' Association (the municipal workers' trade union).

The basic premises for the agreements are that the individual – in addition to having employment protection – is given a greatly increased right to skills development. At the same time, the employer is provided with increased flexibility in situations of redundancy and greater predictability and reduced costs in the event of termination of employment contract due to personal reasons.

The conditions negotiated for skills development and employment protection are a sensible response to the challenges and problems that currently exist in today's labour market. They will also help equip companies and employees for the future. The conditions will give employers increased flexibility and predictability, as well as enhancing employees' employability and security in the labour market.

The agreements reached to date cover all salaried employees and half of those workers in the private sector covered by collective agreements. The agreements are designed in such a way that it is possible for further unions representing workers to join them.

Background

The Swedish labour market model is based on the concept of social partners taking responsibility for seeking to agree the rules of the labour market by negotiations.

Negotiations have been underway between Svenskt Näringsliv and LO, the Swedish Trade Union Confederation, since 2017. The aim of these was to revise sections of the existing regulations covering security, transition, and employment protection. PTK joined these negotiations in 2019.

On 16 October 2020, Svenskt Näringsliv and PTK agreed on a proposal for an overarching main agreement on security, transition, and employment protection. The same parties also met an agreement in principle on the parties' joint demands to the state for changes in existing legislation as a precondition for adopting the main agreement.

On the same day, LO announced that it had declined these agreements. Thereafter, the trade unions IF Metall and Kommunal (unions within LO) have joined the agreements.

Content

In simple terms, the agreements on work life security, transition and employment protection are made up of two parts; changes in employment protection and the right to greatly increased skills development and increased adjustment and financial support in the transition to a new job in case of redundancy. It is important to note that these rules will not enter into force until the main agreement has been adopted. As previously mentioned, this will take place when there have been changes to the legislation.

The changes that the parties have as requirements for the state include amendments to the Employment Protection Act; that the state introduces a new and parallel public student support system, and that the state introduces a new public transition support for those employees in companies not covered by collective agreements.

1. Changes in employment protection.

The changes in employment protection consist mainly of the following points:

Objective reasons for termination of employment in the event of a dispute

- Termination must be based on objective criteria. For those employers who are bound by the main agreement on security, transition, and employment protection, there are further clarifications and position changes that make it more predictable when employers terminate a contract due to personal reasons. (Among other things, introducing a lower negligence threshold than is currently the case.)
- Even when an employee claim to cancelling a termination of employment, the employment normally ends at the end of the notice period (currently, employment lasts until the dispute is finally settled). Thus, the employer does not have to pay salary during the entire dispute period. Instead, the dismissed employee may support himself/herself via the unemployment insurance fund and – if the employer is bound by the main agreement – a supplementary, collectively agreed unemployment insurance fund. Together this is equivalent to 80 percent of the employee's salary.

Exceptions from the order of senior priority in connection with termination of employment

- Order of precedence is still the main rule that applies in the event of a shortage of work. However, if the parties cannot agree on an order of precedence, the employer may, by law, exempt up to three employees with preferential rights to continued employment. An employer bound by the main agreement may instead exempt three workers and three salaried employees per operating unit, or 15 percent of the workers and salaried employees who may terminate their employment. However, the exemption may not exceed 10 percent of employed workers or salaried employees within the operating unit. Employers with only a single operating unit covered by the main agreement can instead choose to exclude a total of four employees.

Safer forms of employment

- The temporary employment form "general fixed-term employment" is replaced in the Employment Protection Act by "special fixed-term employment". Such employment is transferred to a permanent employment after total 12 months of employment during a five year-period (today after 24 months). An employee who

has been employed by an employer in special fixed-term employment for a total of more than 9 months during a three-year period and whose employment has been terminated due to lack of work, has a preferential right to re-employment in new special fixed-term employment with the employer.

- Temporary agency workers who have worked for the same company for more than two years shall be offered a permanent employment by the user undertaking or an agreed remuneration, which for LO members shall correspond to three monthly salaries. A provision for this is introduced in the Agency Work Act.
- In the event of reorganisation where the total working hours is reduced without any layoffs, offers to a redeployment with less contracted hours must be offered in turn order. In the event of such redeployment, employees are also entitled to a redeployment period, i.e. a continued period of employment with employment rate and salary maintained, corresponding to a period equivalent to the individual's notice period. However, this period should be no longer than three months. Provisions on this are included in the Employment Protection Act

2. The right to increased competence development and strengthened support in the event of transition.

The right to increased competence development and training, as well as strengthened financial support in the event of transition, presupposes that the state introduces a new organisation for transition and a new public adult study support.

The basic adjustment and skills support, such as guidance, counselling and enhanced support for sick people made redundant, must be offered to all employees – irrespective of whether or not they are covered by a collective agreement – and be financed by the state.

For those employees who work for companies covered by the main agreement on security, transition, and employment protection, the following conditions also apply:

- The individual receives a strongly increased right to skills development
 - During ongoing employment
 - Inbetween jobs
 - Applies to everyone, irrespective of employment type
 - Those on sick leave are also covered.
- Employees are entitled to time off – up to 44 study weeks – to undergo training.
- The individual will receive financial compensation during the study period equivalent up to 80 percent of their salary. The intention is that CSN, the Central Student Aid Board, will pay an adult student an amount of 80 percent of the salary up to a ceiling of 4.5 income base amounts (one income base amount is SEK 68,200 in 2021). For salary components over 4.5 income base amounts, the transition organisations will pay an amount of 65 percent of the salary up to a ceiling of 12 income base amounts.
- It is possible to requalify for study days; 15 years after the time the individual spent their first 110 study days, they are eligible for a further 110 study days.

To finance the increased costs, all employers that are bound by the main agreement will have pay higher fees to the transition organisations; TRR for white-collar staff and TSL for blue-collar staff. The agreement is based on allowing a reduction in the state employer contributions corresponding to 0.15 percentage points for those employers who pay to the collectively agreed insurances.

Public inquiries

The Swedish government has stated that it is willing to investigate and implement changes in existing legislation in accordance with the parties' wishes. The government has therefore appointed three parallel public inquiries to review:

- Employment protection and related unemployment insurance issues;
- A new public organisation that will offer and finance the basic transition and skills support;
- A new and parallel public student grant.

The parties that signed the agreement will be allowed to take part in the inquiries. The inquiry must consult with other bodies, such as the LO and representatives of small- and medium-sized companies.

The outcomes must be reported no later than 15 May 2021 and the changes are expected to take effect before the midyear of 2022.