Routes to a more open labour market

Routes to a more open labour market

Jonas Olofsson and Maria Zavisic (eds)

Arbetslivsinstitutet
National Institute for Working Life

© The National Institute for Working Life and the authors 2006

Original title: *Vägar till en öppnare arbetsmarknad*
Translation: Interverbum Localization AB
The National Institute for Working Life
113 91 Stockholm
www.arbetslivsinstitutet.se
tel: +46-8-619 67 00, fax: +46-8-656 30 25

Publications: forlag@arbetslivsinstitutet.se
tel: +46-8-619 69 00, fax: +46-150-788 88

Project manager: Mette Holmberg
Layout: Elanders Vällingby
Cover: Lena Karlsson
Printed at: Lenanders Grafiska AB, 2006, 23458

ISBN: 91-7045-799-9
ISSN: 1653-8404

Routes to a more open labour market – contents

Part 1. Trends in working life

Part 2. Working life, growth and welfare – current challenges

Population changes and potential workforce supply

Workplace organisations and employment contracts in a gender segregated working life

The effects of the social institutions on the supply of and demand for labour

Foreword

In 2004, the National Institute for Working Life was tasked by the Swedish government to provide a continuous review of "trends and developments in working life". This included addressing the situation in Sweden and making a comparison with other countries. We decided to perform this task with statistical indicators that show how Sweden stands in relation to the EU average and the common goals established in the Lisbon Strategy, and by observing trends over time. The uniqueness of Sweden is highlighted, including the differences between men and women, and trends for both younger and older age groups. We have chosen the period from 1990 onwards as this includes a deep crisis along with successive recovery. The title of the yearbook "Routes to a more open labour market" marks the need for a deeper discussion on some specific issues in working life that are significant for the future of welfare.

One overriding problem in Sweden is the shrinking workforce in relation to the population, which means that less people increasingly have to support more. At the same time, "outsidership" is growing in Sweden. Large groups of people find it increasingly difficult to enter or return to the workforce to the extent that they desire, once they have left. Long-term sick leave, involuntary part-time work, later entry, lack of job security combined with the fact that many simpler jobs demand greater skills makes re-entry difficult for many people.

Sweden has one of the highest labour force participation rates in Europe, but the position is much lower when it comes to number of hours worked. This is a direct result of high absenteeism due to parental leave, part-time work and sick leave. Sick leave has also tended to become longer, while the number of more permanent forms of compensation, such as long-term sickness and incapacity benefits has increased. The increase in mental health diagnoses is also striking. Countries in southern Europe report more work-related injuries and deaths than Sweden.

To ensure the future of welfare, we have to find new ways to increase the number of hours worked, and open the labour market. This presumes that the working environment can develop positively and jobs can be combined with a life outside of work. This book offers neither a cure-all nor a complete picture. But it does offer pointers in a number of areas where initiatives may be needed over the next few years.

- The social responsibility for unemployment must be shared by more people than it is today. Companies and unions must work actively to create job opportunities for people who are currently excluded from the workforce. Unemployment benefits and the pension system must not be used to avoid responsibility for people who have lost their jobs for whatever reason. Transition agreements are one way to assume greater social responsibility, with more players and broader funding. Government subsidies for transition initiatives may be a model that can extend to people

who are totally excluded from the workforce. The idea should be tested.

- The debate on how social insurance conditions affect work incentives and mobility should be extended to include complementary benefits. The combined effects of public social insurance and complementary benefits may, in some cases, be incompatible with the work principle. There are good reasons for studying these issues in more detail, and grounds for labour market players to review the structure of the system.
- Skills and work experience are interelated. A closer relationship between school and working life is needed at all levels, from compulsory schooling to post-secondary education. If vocational courses at upper secondary schools are to succeed, traineeships must be available. Workplace training (APU) does not work as it was intended. Municipalities should earmark funds for vocational work experience. Businesses should provide more work experience opportunities for students. Special work experience and teaching centres in cooperation with job centres and local businesses should be able to replace the present "youth guarantee" for unemployed young people between the ages of 20 and 24.
- Immigrants are overrepresented in the secondary labour market, and they also constitute a large and important potential workforce. An interrelationship between schools, labour market policy and companies would strengthen the position of immigrants in the labour market. There are also grounds to consider whether the Employment Protection Act (LAS) and restrictions on fixed-term employment disadvantage immigrants.
- There may also be grounds to expand exceptions to LAS for smaller companies, and simplify regulations for fixed-term employment and order of priority. Employment in municipalities and industrial companies is not likely to increase in the future, despite a high level of replacement for natural wastage. Smaller businesses will probably create the new jobs. Research indicates that some aspects of labour law discourage small companies from growing and taking on new employees.
- People with disabilities have trouble gaining a foothold in the Swedish labour market. International experience of quotas in the workplace, the scale and structure of wage subsidies and monopolistic assignments for some jobs should be investigated.

Next year's theme will be the Gender Perspective in Working Life. We will address important differences between conditions for men and women in a number of different work areas. The book will explore the different strategies adopted by women and men for managing work and family, how these differences influence careers and how work health differs between men and women.

With the National Institute for Working Life's Yearbook 2006, I invite debate and discussion on how Sweden can increase the number of hours worked in order to maintain and develop the welfare system. If we do not increase the number of hours worked, future discussions will focus instead on how society should prioritise cuts in public welfare systems.

I hope this book provides new insights into trends in working life, and I look forward to continued debate.

Mikael Sjöberg
Director General,
National Institute for Working Life

CHAPTER 1

Introduction

Jonas Olofsson

Employment and welfare are the themes of this yearbook. Over the past 15 years, the Swedish labour market has undergone dramatic changes. In 1990, we had overheating and full employment. Today, 15 years later, Sweden has significantly lower employment and more people unemployed, and more people of working age who are outside the labour force. We find ourselves in a situation where we enjoy far from full employment – even though employment is high and unemployment low compared with many other countries.

So why does Sweden actually need increased employment? This may seem an unnecessary question – more jobs are surely always good – but the answer to this is interesting. We can see several reasons, but economic growth is not among them. In the long term, the Swedish economy will only grow if the return per hour worked, or productivity, increases. In our opinion the welfare safety net is the best motive for increased employment. If a person lands outside the labour market their welfare is threatened by lower income, less involvement and poor health. Government and local authority finances are also undermined by unemployment as tax revenues fall and the costs of income support go up.

In overall terms, around 1.2 million people of working age (20–64) are not in employment and receive some form of benefit. And this does not include students or people on parental leave.

Figure 1.1 shows employment divided into four main categories: the proportion unemployed (both openly unemployed and in work schemes or other labour market policy programmes), the proportion on sickness benefits and in rehabilitation schemes, the proportion who have taken incapacity retirement (early retirement) and finally the proportion receiving social security benefits.

An increasing number of people are now dependent on government support. The most noticeable changes are:

- Employment has fallen and unemployment has risen. The degree of employment in the 25–64 age group has gone down by around 5 percentage points. The proportion of people openly unemployed has more than tripled. Amongst young people in the 20–24 age group, there has been an even more dramatic change. The level of employment has dropped by over 20 percentage points and there has been a five-fold increase in unemployment.
- An ever-increasing proportion of the population is outside the workforce. In 1991, 370,000 people received incapacity or sickness benefits, while in 2004, 540,000 people received full or part-time sickness or incapacity benefits.
- Another reason why so many people of working age are outside the workforce is that tertiary education swallows twice as many students as 15 years ago. Among 25 year olds, just over 20 percent had some form of post secondary school ed-

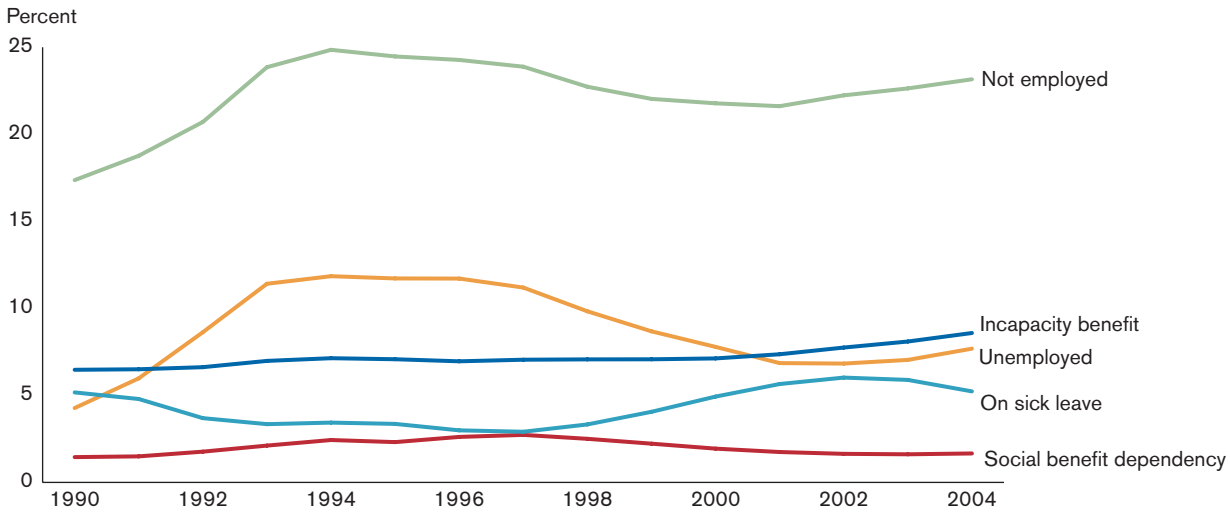

Figure 1.1. The proportion not in full-time employment (green curve) divided into unemployed, on sick leave, incapacity benefit and social benefits, 20–64 age group, years 1990–2004.

ucation at the beginning of the 1990s; that figure is 40 percent today.

- These changes in the labour market have also hit people with an immigrant background very hard. The level of employment among people born outside of Sweden is under 60 percent, while the figure for native Swedes is just over 75 percent.
- Lower employment and higher unemployment lead to greater differences in income. Income differentials are back to the level they were in the 1960s. The number of people on support may not have increased but people receiving support have it for longer and longer periods. Immigrants and young people are overrepresented among the lowest income group, as are women. 22 percent of all single parent mothers were forced to seek financial assistance in 2004.

There is no doubt that changes in the labour market over the past 15 years have resulted in socio-economic losses, more social problems and greater strains on the state social security system. However the purpose of this yearbook is not restricted to presenting new research on the effects of low employment and high unemployment, it also includes suggested changes that can contribute towards a more open and flexible labour market.

The yearbook contains papers by researchers from various different social science disciplines: their perspectives and starting points vary, but they all address questions connected to employment and welfare.

Motives for increased employment

Why is it so important to increase employment? There are many motives and these depend on the starting point, i.e. the needs of individuals or the way the labour market functions. Many would argue that unemployment means lost production. According to this viewpoint, more people in work results in more hours worked and higher economic growth. Higher growth paves the way for higher consumption and a more generous welfare policy, so the argument goes – but historically no such connection has ever existed. Figure 1.2 shows how the gross national product (in fixed prices) and number of hours worked have changed since 1951. It is not possible to detect any clear connection.

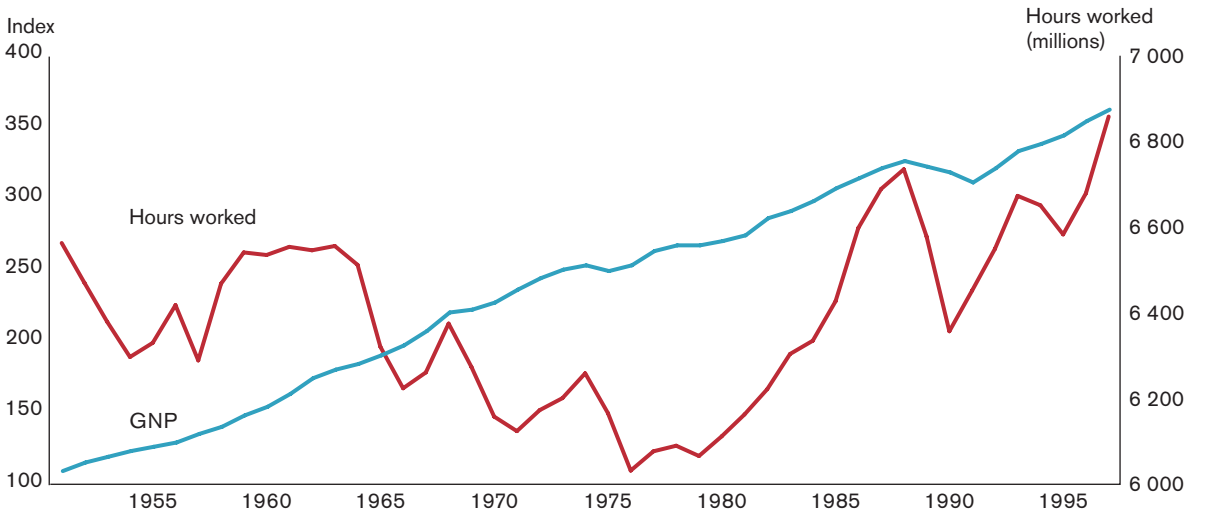

Figure 1.2. GNP volume index (1950 = 100) plus number of hours worked per year (millions), years 1951–1997.
Source: SCB. National Accounts.

Figure 1.2 shows that the number of hours has gone up and down without any clear trend. At the same time, the number of people in work increased from around three million in the 1950s to over four million today. This means that the average hours worked per employee has clearly fallen since the early 1950s. How can this be possible – that the GNP has more than tripled over the same period? The explanation is simple. Over the long term, the GNP does not grow as a result of the number of hours worked or how hard people work, but because of increased productivity per hour. Higher productivity comes from innovations, changes in technology, by making the way work is organised more efficient and through better education and training. In turn, these kinds of changes depend on financial, legal and social institutions that stimulate investment and enterprise.

Employment and welfare

In other words, higher growth is not the prime motive for increased employment. Welfare is a more important motive. There is no set relationship between economic growth and welfare. Both historic and international experience demonstrate that when economic growth is propelled by increased labour intensity, more working hours and increased consumption of manufacturing materials, it is not sustainable in the long term. Nor, in the short term, does such economic growth alleviate social problems such as criminality, ill health and suicide. The explanation for this is that economic growth can both even out and increase the income spread. Economic research also shows that a higher material living standard has an ever-diminishing effect on an individual's wellbeing the higher the income level.

What then do we mean by saying that welfare is the prime motive for increased employment? We would like to emphasise three aspects in particular:

a) work, individual well being and the community
b) work and consumption
c) work and the funding of public welfare.

Firstly, work creates meaning and identity. People have a strong need to be part of things. We want to feel needed. Socio-medical research shows that unemployment and exclusion leads to physical and

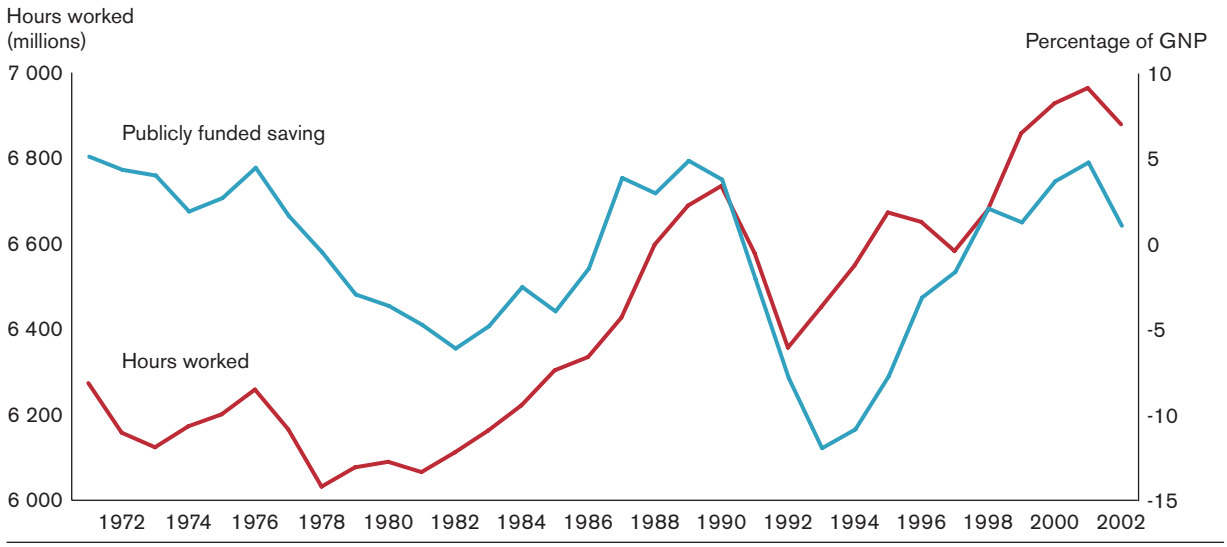

Figure 1.3. Number of hours worked per year (millions) plus publicly funded saving (percentage share of GNP) from 1971–2002.
Source: SCB. National Accounts and public finances.

mental health problems. Exclusion generates individual and collective frustration that can contribute to criminality, xenophobia and anti-democratic movements.

Secondly, work determines one's standard of living and consumption. High employment and an even distribution of the number of hours worked spreads economic resources, which gives more people power and influence over markets. When there are many people unemployed or outside the workforce, the income range widens, which leads to more uneven consumption – totally regardless of pay differentials and how generous social security systems are. Very uneven income levels and purchasing power can a) mitigate against socio-economically rational investments and long term sustainable production and b) lessen the solidarity and sense of belonging on which tax-funded welfare policies are based.

Thirdly, employment and the number of hours worked determine funding of public security systems. The more taxable hours worked, the better the public finances, which can be seen in figure 1.3. The graph shows the changes in publicly funded savings as a proportion of GNP year by year. By publicly funded savings we mean the net result for the entire public sector, including social security insurance.

The strong link between the curves depends on two things. Tax revenues are reduced when the number of people employed and hours worked falls, while costs for unemployment benefits, housing benefits and benefit support increase. The result is a deficit in public funds that must be met by the government borrowing money and raising taxes.

Initiatives to increase employment

The question is then how employment can be increased. Stabilisation policies usually acquire a prominent role in this debate – is a higher shortfall in public funds necessarily a problem? Economists tend to use the phrase *automatic stabilisers* to emphasis that increased government expenditure can have positive socio-economic effects when unemployment rises: it stimulates demand and higher resource utilisation in general terms. However in a small, open economy such as Sweden's, the effect of economic policy stimulants are extremely uncertain, particularly as Sweden now has a floating exchange

rate. This means that a great deal of stabilisation policy ends up as part of monetary policy. The economic crisis at the beginning of the 1990s shows how fast a rising public deficit leads to higher interest rate levels, which leads to less investment and even weaker demand for labour.

Higher productivity does not necessarily mean fewer jobs. In the long term, higher productivity results in higher incomes that create demand in new areas. During the second half of the 1990s it became apparent that service jobs were increasingly being created while at the same time the number of jobs in industry was falling. This was due to the tough rationalisation measures adopted in industry and because the demand for service jobs (both public and private) increases when people enjoy higher incomes. As such, there is not a lot to be said for the thesis of "job-less-growth". In historic terms, employment and productivity have actually gone hand in hand.

Labour economists usually stress that unemployment has increased in most west European countries since the 1970s, and in Sweden's case since the 1990s, as the level of unemployment consistent with low inflation, NAIRU, has increased.[1] Why then has the marginal value NAIRU risen for the level of unemployment that does not drive up inflation? In other words, most researchers agree that the level has gone up, but do not agree on the explanations for this. There are two main viewpoints: some economists claim that the job search intensity and flexibility of job seekers have fallen as a result of increasingly generous government security systems. Economists use the term *reservation wage* to illustrate this relationship – the wage a job seeker requires to even consider a job offer. Others point to an increasingly sharp division of the labour market into *primary* and *secondary* segments, with poorer conditions of employment, pay increases and flexibility on the secondary labour market (see more below). The problem is that high unemployment amongst outsiders in the secondary labour market does not necessarily prevent inflationary pay rises for "insiders" in the primary segment, as jobseekers in the secondary segment are still not able to break through the barrier to the primary segment. In other words, prices in the whole economy are forced upwards by some people gaining higher salaries in the primary part of the economy – and inflation can then increase without unemployment falling.

Neither of these viewpoints on unemployment are incompatible, but in practice researchers tend to place emphasis on one or the other. The first interpretation (that job search intensity and flexibility have fallen) stresses the "voluntary" nature of unemployment, while the other interpretation starts from the premise that unemployment is mainly "involuntary". In this yearbook we analyse the segmentation of the labour market and highlight proposals that can help reduce segmentation, i.e. help produce a more open and flexible labour market.

Reduced segmentation

What does segmentation in the labour market look like today? Roughly speaking, we can see two separate elements. The *primary* segment is made up of members of the workforce with a good education and secure employment. The *secondary* segment includes people with little education in insecure and more temporary jobs. This segmentation is not primarily a result of strict employment rights legislation, such as powerful job protection, but because employers and employees enter into long-term contracts for certain primary jobs for the sake of more ready investments in education, greater efficiency and more rapid salary progression.

The secondary segment also includes young people and many unemployed people with an immigrant background. One explanation for their relatively high level of unemployment is uncertainty over what qualifications and skills they possess – and, in the case of immigrants, sheer discrimination. In addition to young people and immigrants, poorly educated women are overrepresented in the secondary labour market. As in many other countries, women in Sweden are more likely to work part time in low paid service jobs than men.

What then can be done to counter segmentation? In this yearbook we will emphasise various long-term actions that everyone associates with employment measures. The starting point is that a more open and flexible labour market requires both public and individual efforts. Costs and responsibilities must be

shared between everyone involved, i.e. public institutions, representative bodies, companies and individuals. This will become even more important after 2010 when the inflow to the workforce of the high birth rate 1980s recedes at a time when retirements increase and the proportion of the population over 80 grows. Mobility on the work market will probably also fall, as people between the ages of 20 and 30 are the most mobile. This will put pressure on the pension system and lead to rising costs for health and elderly care.

Employment measures are usually defined as initiatives for increasing employment and reducing dependency on government support. An effective structuring of employment measures presupposes a higher level of cooperation between the government, local authorities, companies and representative organisations. Dissolving this segmentation is such a major task that public institutions will scarcely be able to achieve this on their own. To lessen the burden on public finances, others must share the costs, and efforts to increase employment must be structured at all levels: national, regional and local.

Yearbook structure

The yearbook is made up of two parts. The first part, with the help of a number of indicators, deals with developments in working life in Sweden and the EU from 1990 till the present day. This is followed by an in-depth analysis of the situation for people who find themselves outside the workplace for a variety of reasons.

The second part of the book is an anthology divided into three sections. The first section "Population changes and the potential workforce supply", provides a picture of the workforce supply, both in general terms set against a background of future age group-related changes and also the potential supply set against a background of employment circumstances for different groups. In Chapter 4, Ola Nygren describes how demographic developments affect the flow of workers on a national and regional level. In Chapter 5, Ulla Arnell addresses the situation of younger people in the labour market and what can be done to shorten the route from education to working life. Carl-Ulrik Schierup analyses the situation for immigrants in Chapter 6, and discusses proposals for overcoming discrimination and outsidership. In Chapter 7, Stig Larsson focuses on people with disabilities and what is required to enable more people with disabilities to enter the labour market.

Section two, "Work place organisations and employment contracts in a gender segregated working life", comprises two chapters that address organisational structures in working life, including with respect to gender split, skills development and mobility. Niklas Arvidsson and Eskil Ekstedt analyse project structured forms of activity in private companies in Chapter 8 and how these affect employment structures and health. A central issue is to what extent a project structure is compatible with lifelong learning. In Chapter 9, Hanna Westberg addresses gender segregation in both working life and education. This chapter seeks to analyse the negative effects of gender division on workforce provision and welfare.

The third and final section considers the importance of social institutions for the workforce supply and employment. In Chapter 10, Dan Grannas and Jonas Olofsson look at the role of educational institutions and advocate closer ties between education and working life to counter tendencies to over education. Gabriella Sjögren Lindquist and Eskil Wadensjö provide an account of the expansion of negotiated insurance rights in Chapter 11, and stress that individual job hunts will be influenced both by benefits in negotiated form and in legally regulated social insurance benefits, something that is often missed in the public debate. In Chapter 12 Henrik Bäckström and Jan Ottosson consider the significance of retraining agreements for labour market policy. Can retraining agreements contribute to better matching and a quicker flow from unemployment to work? In Chapter 13 Andreas Westermark analyses institutions in the wage setting area and how they influence how we can achieve a balanced salary structure and higher employment. Chapter 14, by way of conclusion, addresses the effects of employment rights legislation on employment, from both an international and a Swedish perspective. Kerstin Ahlberg, Niklas Bruun and Jonas Malmberg pro-

vide a broad overview of research and recommend exemptions from LAS for smaller companies.

The book spans broad fields. We consider employment in selected groups, changes in company and employment organisations and finally the effects of various institutions and regulations. Nonetheless, the common theme of all these papers is a clear focus on workforce supply and employment.

Note

1. NAIRU = non-accelerating inflation rate of unemployment.

PART 1

Trends in working life

CHAPTER 2

Developments in working life from 1990 onwards

Nina Bergman, Maria Zavisic, Anders Wikman and Kerstin Ahlberg

Employed, absent and stressed – is this the typical Swede? What is the situation in other countries?

In relation to the size of the population, more people work in Sweden than in many other European countries, while at the same time not as many hours are worked as in other places. Is this because many employees work part-time or are on parental leave? And that we are off sick more often and longer than our European neighbours? Despite the fact that we often have jobs that should be stimulating with plenty of scope to make our own choices and with our own responsibilities.

This chapter discusses various aspects of working life based on a comparative European perspective. Labour market indicators have been used for these comparisons: sick leave, the working environment and "quality of life" issues.

Trends and developments in working life can be reported in many different ways. When the National Institute for Working Life was commissioned to produce "Trends and Developments in Working Life" in Sweden and other comparable countries, a survey was made of potential target groups for the book and their needs in terms of facts and information. The target groups are users in academia and others who use working life statistics and indicators for their work in government offices, government agencies, labour market party representatives and interest group organisations. The target groups expressed a need for this yearbook to condense the huge volume of facts and research available today. The paper has been divided into four areas: the labour market (which is described through workforce participation, degree of employment and support quota), work-related injuries and sick leave, working environment and the role work plays in the rest of people's lives. Finally, we take a look at what is in the pipeline in terms of employment rights legislation in the EU.

The situation in Sweden is compared with other countries, both over time between Sweden and the EU and also for 2004 only. The figures are shown in accordance with the "descending values" principle, when a variable is used and in North-South order when several variables are used.

Method and source description

Several sources have been used as a platform for this chapter. Statistics concerning the labour market are primarily sourced from the *Eurostat Labour Force Survey*. With the aid of this material, we compare the situation and developments in Sweden with that of other EU countries. The Labour Force Survey divides the population that are of working age (15–65

yrs) into three main groups: inactive, unemployed and employed. The *Inactive* group consists of people outside the workforce that neither have sought nor are seeking work. This can include, for instance, students, people taking early retirement or others who stay at home. The *unemployed* are people who do not have a job but are looking for employment. The *employed* are those that have a job – but they do not necessarily have to be working. They can be temporarily absent from work due to parental leave, sick leave or perhaps on holiday, but they are still counted as belonging to the employed group.

The strength of this survey is that it has been carried out in the same way in many countries, and that it takes into account that people can be categorised differently over time (periods of employment interspersed with e.g. work or sick leave). In other words, the statistics are produced during specific measuring weeks that are different for the interviewees, but which overall, cover the whole year.

There is a specific problem in the section on work-related injuries and accidents, where the data are obtained from administrative reporting systems. When comparing the number of work-related injuries reported, there is a recording problem as the tendency to report a work-related injury depends on how the social security system operates in each country. Fatal accidents are recorded more or less equivalently in all countries; in principle, they are always reported. Differences in numbers of fatalities can be partly explained by the fact that certain high risk jobs, such as mining, are more common in certain countries than others. But reporting an injury, whether minor or serious, is influenced by the possibility of receiving compensation.

The part addressing work environment aspects comes from *European Survey*, which describes working environments in the countries of Europe. The European Foundation for the Improvement of Living and Working Conditions is responsible for these surveys, and they have been carried out on three occasions: 1991, 1995/1996 and most recently in 2000. This is the only survey in which people in all countries in Europe are asked the same questions. Even so, comparisons based on this material can be problematic, because of language reasons for example.

Finally, in the section on the role work plays in the rest of people's lives, we have used *The European Quality of Life Survey* from 2003. This too, is produced by the above EU financed institute in Ireland, the European Foundation for the Improvement of Living and Working Conditions. The survey provides a broad picture of the role of work. It includes data on how many people live in a household where there are several or no wage earners, the number of individuals who have more than one job, and conceptions of the quality and security of the job. It also features information on other matters that are significant for the labour market of the future, such as language abilities, internet usage and participation in lifelong learning. The survey covers the current 25 member nations of the EU along with prospective members Hungary, Turkey and Bulgaria. Between 600 and 1,000 people were interviewed in each country, depending on the size of the country. While the size of the interview groups offers an opportunity to produce a population profile, the number of people is too small to analyse different sub groups individually, for instance people with a different ethnic background or single parents.

Common to all the surveys is that the fundamental element for gathering information, i.e. for the communication that took place, was everyday language. Many everyday words lack clear demarcation while social and cultural contexts often influence the meaning of words. This creates difficulties when trying to compare and interpret information from individuals with different backgrounds, different social groups and nationalities, and even information from the same individual at different points in time. Our cultural environment characterises definitions and concepts, as well as answers in interviews and questionnaires.

Methodology problems in association with surveys have been investigated in many contexts. Such problems can partly be addressed through the strategic choice of question indicators, demarcations and operationalism. Questions with simple, specific descriptions of everyday occurrences often prove easier to interpret unequivocally than e.g. questions about experiences.

Comparisons with set targets

In certain cases in the context of this book, conditions in Sweden are related to various targets that are set within the EU. The common employment strategy and the Lisbon Process, which seeks to reform the European economy and adapt it to the global knowledge society, includes targets for the economy, environment, employment and social issues. The member states are to cooperate through the open method of coordination (omc), which means that the countries compare themselves with each other in terms of national action plans, they exchange experiences and by so doing gain an understanding of what everyone else is doing. A large number of indicators enable comparisons between what each country is doing. In the employment area, for instance, comparisons are made of the degree of employment for different age groups, unemployment, average age for retirement and the proportion of the population engaged in lifelong learning.

The targets for 2010, when the EU aims to be "the world's most competitive and dynamic knowledge-based economy", are that 70 percent of the workforce within the EU should be employed. For women, the target is 60 percent and for the 55–65 age group, the target is 50 percent. At the half-way review stage of the Lisbon Strategy, the Commission stated that the results so far were far from satisfactory (Barroso & Verheugen 2005). The level of employment and workforce participation within the EU is still not high enough, the EU Commission estimates that over 22 million new jobs are needed to reach the goal of 70 percent. Unemployment remains high in certain countries, particularly amongst young people, older people and women. Not all Member States actively pursue equality and there are still major regional differences.

The demographic trends are a particular challenge – the workforce is ageing and the proportion of the population that is fit and able to work is slowly shrinking. This can eventually impede the range of the workforce and security systems. A common goal for the EU is to raise the effective retirement age within the EU by five years by 2010 (EU Commission 2003).

Compared with other Member States, Sweden has met or surpassed most of these points. However in its ongoing efforts to meet the Lisbon Strategy requirements, Sweden is recommended to work towards both reducing long-term sickness absenteeism, and to ensure better integration into the labour market for people with other ethnic backgrounds (EU Commission 2004, Åslund & Runeson 2001).

The effects of EU-wide efforts in the employment strategy are not easy to evaluate as Sweden has a long tradition of pursuing active labour market policies. As such, a large part of the EU guidelines in this area already fall within the policy framework long pursued by Sweden. Sweden's aims have been and in many cases are also more extensive than those set out in the guidelines (Ackum Agell and others 2001).

In parallel with employment strategy efforts, work is also ongoing on EU legislation to promote freedom of movement and abolish any remaining obstacles to the internal market. These efforts are also addressed at the end of the chapter as they can indirectly have a major affect on the terms and conditions for working life.

Labour market

Historically, men and women have had different development patterns when it comes to participation in working life. Accordingly, men and women are accounted for separately in the following section. The deviating development pattern for young people also demands a separate account. We will also touch on employment, time worked and support quotas when describing and comparing the situation for different groups in the labour market.

In this section, Sweden is compared with an average for the EU. Finland and Austria, who joined in 1994, are excluded as they do not have sufficient comparable data for the first years.

Workforce participation amongst women and men

The number of working women in Sweden has been high for a long time, which has significantly increased the total number of people in the labour market. On the other hand, men have moved in the opposite direction over the past decade. In figures 2.1–2.7 the population is divided into four groups: those who work full time, those who work part time,

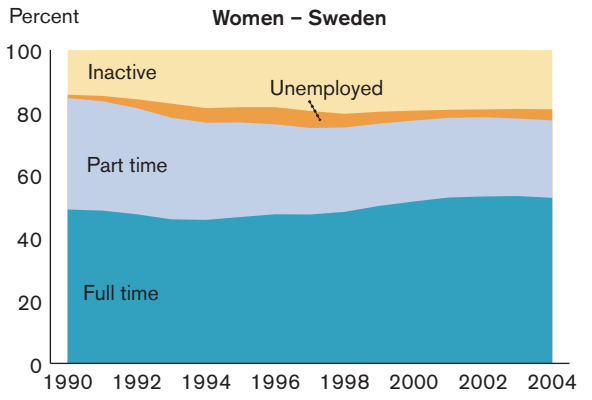

Figure 2.1. Workforce participation amongst women in Sweden (aged 25–64). As a percentage of the population. Source: LFS, adapted by National Institute for Working Life, 1990–2004.

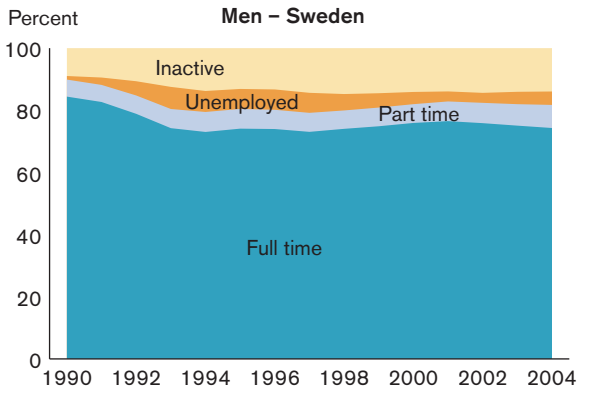

Figure 2.2. Workforce participation amongst men in Sweden (aged 25–64). As a percentage of the population. Source: LFS, adapted by National Institute for Working Life, 1990–2004.

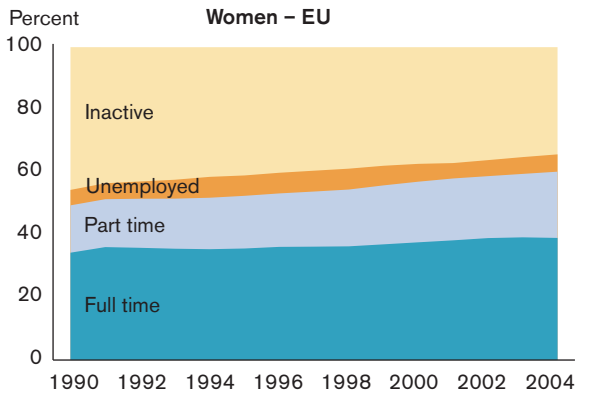

Figure 2.3. Workforce participation amongst women in EU (aged 25–64). As a percentage of the population. Source: LFS, adapted by National Institute for Working Life, 1990–2004.

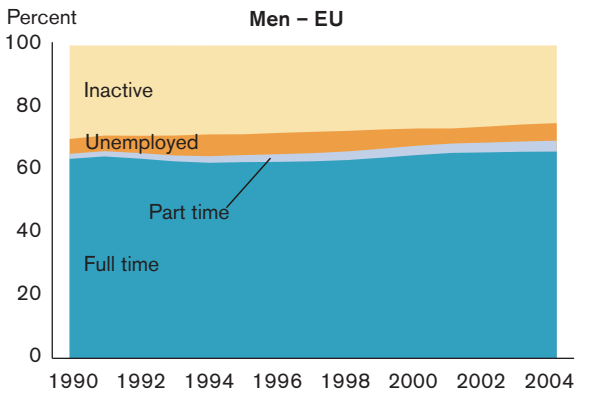

Figure 2.4. Workforce participation amongst men in EU (aged 25–64). As a percentage of the population. Source: LFS, adapted by National Institute for Working Life, 1990–2004.

those who are unemployed, and people who are entirely outside of the workforce (inactive).

Figure 2.1 shows that during the first half of the 1990s, there was an increase in both the number of women outside the workforce and the proportion of women who were unemployed for the first time in a long while. However the total amount of work done by women did not change greatly as many women went from part-time to full time employment during the same period.

When it came to men, there was a very clear reduction in work done during those years, which is apparent in figure 2.2. This mainly occurred as a result of many finding themselves outside the workforce or losing their jobs during the crisis at the beginning of the 1990s.

Looking back to 1976, 8 percent of men in the 25–64 age group were outside the workforce. One percent were unemployed, 3 percent worked part time – 12 percent altogether. In 2004, 14 percent were inactive, 4 percent unemployed and 7 percent worked part time – 25 percent altogether. In other

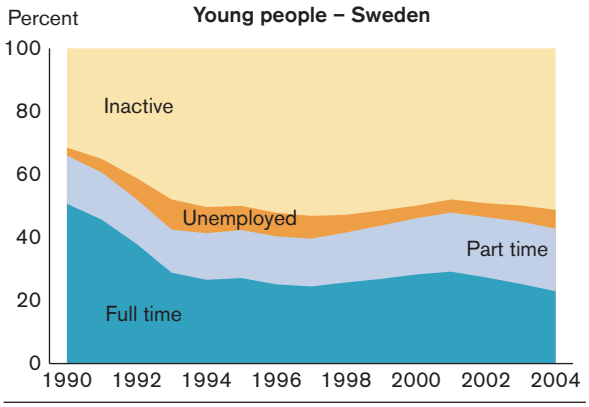

Figure 2.5. Workforce participation amongst young people in Sweden (aged 16–24). As a percentage of the population. Source: LFS, adapted by National Institute for Working Life, 1990–2004.

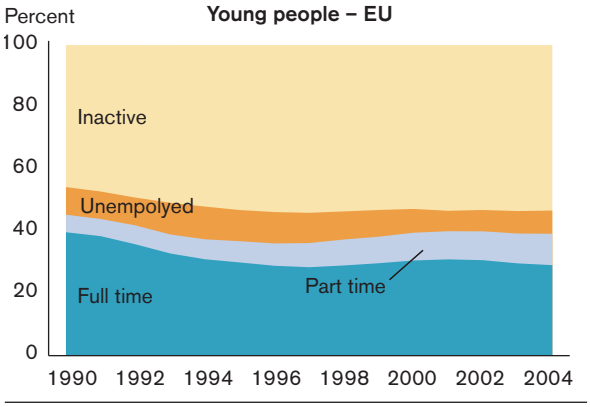

Figure 2.6. Workforce participation amongst young people in EU (aged 16–24). As a percentage of the population. Source: LFS, adapted by National Institute for Working Life, 1990–2004.

words, the number in full time employment has shrunk over time.

Data from the Eurostat Labour Force Survey show the number of temporary jobs increased in the 1990s. Around 10 percent of the total number of people employed in Sweden in 1990 had temporary jobs – in 1999, the equivalent figure was 16 percent. This proportion remained relatively stable in the following years, and currently stands at around 15 percent. In 2004 around 574,000 people were in some form of temporary employment. Of this group, the majority, 328,000, were women. One explanation for this stabilisation could be that the law on employing temporary replacements changed. A higher number of needs-based hiring and project contracts are included in the group of temporary employees.

Figures 2.3 and 2.4 provide the equivalent picture for workforce participation by women and men respectively for an EU average. The tendencies in these graphs are smoother than in the Swedish ones. This smoothing out is partly due to our calculating the average for twelve different countries. The deep economic crisis in Europe during the first half of the 1990s seems to have had a far more powerful effect on the labour market in Sweden than in several other EU countries, which is a further explanation of why the statistics are not as dramatic in the EU as in Sweden. The average tendencies point to increased participation in the workforce in general and in particular for women.

One interesting observation is the difference in levels between Sweden and other EU countries. A significantly larger proportion of the population works in Sweden, particularly women. Sweden is well placed in terms of the EU's common target to increase the degree of female employment to an average of 57 percent in 2005 and 70 percent by 2010 (EU Commission 2005). In Sweden, around 72 percent of women were in employment in 2004. The figure for men in Sweden was approximately 75 percent (Ds 2003:62).

Participation in the workforce among younger and older age groups

The next group, young people in the labour market, shows a similar but bleaker pattern in Sweden and the EU. There was a clear rise in unemployment amongst young people at the start of the 1990s, as shown in figure 2.5. More recently, there has been a particularly marked rise in part-time work among young people, and the number who find themselves totally outside the workforce has increased even more. The rise in temporary employment has also been particularly large among young people (see Chapter 5).

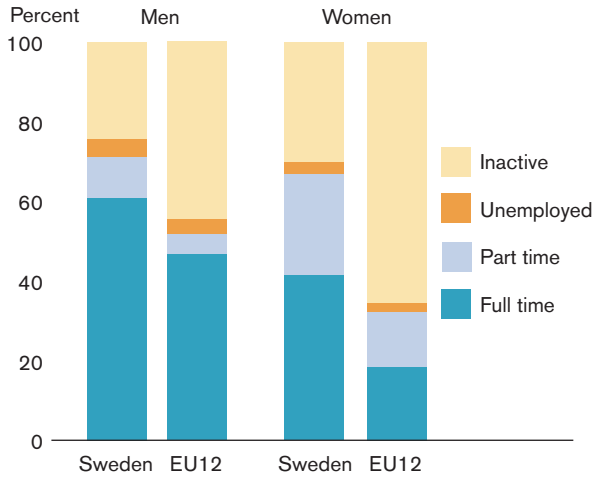

Figure 2.7. Workforce participation amongst older people, Sweden and EU12 (aged 55–64). As a percentage of the population. Source: LFS, adapted by National Institute for Working Life, 2004.

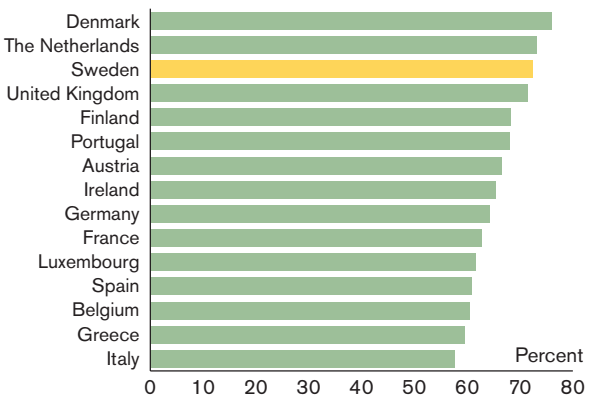

Figure 2.8. Level of employment in population (aged 15–64). Proportion employed. Source: LFS, adapted by National Institute for Working Life, 2004.

One explanation is that part of the 16–24 age group are still in the education system, for example. It is more difficult to enter the labour market today than it was for previous generations. A larger group find themselves in outsidership and more start work at an increasingly older age (Wadensjö 1999).

Just like young Swedes, young people in the rest of the EU participate less in the workforce, more are inactive, more work part time and fewer work full time. However, these changes are not so pronounced in Europe as they are in Sweden.

Figure 2.7 shows older people in the workforce. Sweden is unusually well placed compared with the rest of the EU. Far more older people are employed in Sweden than the EU average. The situation is especially favourable if we compare older women. The EU guideline is for 50 percent employment for the 55–64 age group by 2010. In Sweden 66.8 percent of women in this age group were employed in 2004 – the EU average is 32 percent. The figure for men is also higher: 71.1 percent of men are employed, compared with an EU average of 51.8.

Employment, time worked and support quota

The natural progression from looking into the split between different groups (employed, unemployed, inactive) in the countries is to address *what proportion* of the population actually works. The proportion of people employed out of the total population able to work simply describes how large a part of the population has some form of employment. It also includes individuals who are absent from work and those who work part time. As such, the figure does not say how much people actually work in the respective country. The following figures illustrate the amount of employment in relation to the size of the population, the number of hours worked that the population produces and how many people the workers have to support.

Figure 2.8 shows the level of employment in the EU, and those of countries that joined later, such as Sweden, Finland and Austria. Denmark, the Netherlands, Sweden and the UK have a larger proportion employed compared with the other countries, over 70 percent.

Figure 2.9 provides a more in-depth picture of how statistics change when accounting for factors that affect time worked, such as sick leave, part-time work and parental leave. This figure shows how many hours a week that are actually worked in the respective country compared with an estimate of the maximum time that could be worked if everyone in

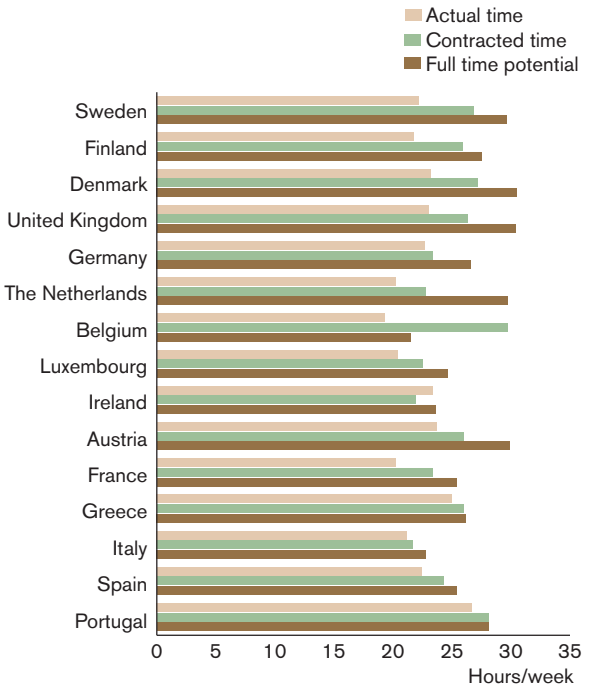

Figure 2.9. Time worked. No of hours per week. Divided into actual time worked, contracted time and "full time potential" per person in the population. Source: LFS, adapted by National Institute for Working Life, 2004.

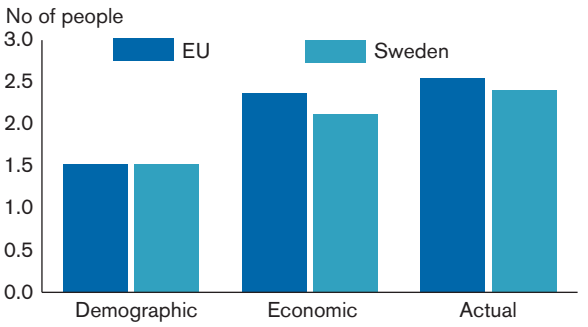

Figure 2.10. Support quota. No of people. Source: Eurostat, 2004.

employment worked full time – referred to here as the full time potential.

The figure shows three bars for each country. The first shows the hours that are actually worked, with sick leave and parental leave excluded. The second bar shows the contracted work time, if everyone worked exactly as contractually agreed. This therefore takes into account the fact that certain people work part time. The third bar estimates the full time potential, i.e. if every part-time worker went over to working full time and no one was on sick leave.

If we compare figure 2.8 with figure 2.9, we can see that Sweden has one of the highest levels of employment in Europe, but that less time is actually worked. This is largely because many people work part time in Sweden and also due to sick leave and parental leave. There are also many part-time workers in Denmark, UK, Austria and not least, the Netherlands. We can conclude that many people in employment are absent from work in the north European countries (including Austria), unlike people employed in several of the south European countries. This also shows how difficult it can be to make reasonable international comparisons when national regulatory frameworks differ.

Examining the level of employment and hours worked in different countries is one way of comparing the impact of workforce participation on the social economy and welfare. Another way to compare the countries is to look at the support burden for those working. Figure 2.10 compares three different measures. The first two bars compare the demographic support quota, i.e. the number of people of working age (15–64) divided by the total population. One can see here that Sweden and the rest of the EU are at the same level in principle; on average those able to work need to be able to support one and a half people each. But this measure does not take into account the fact that many people of working age are yet not among the employed – the inactive and the unemployed. If you take these away from those that provide support, a slightly different picture emerges. The fact is that most individuals actually support more than 1.5 people (in Sweden 2.1 people, in the EU, 2.3 on average). This is the *economic support quota*.

But we must also take into account the fact that amongst the people in work, a number are absent due to parental leave or sickness. To factor this in, we need to employ the *modified or actual support burden*, a measure that only includes people that are in work

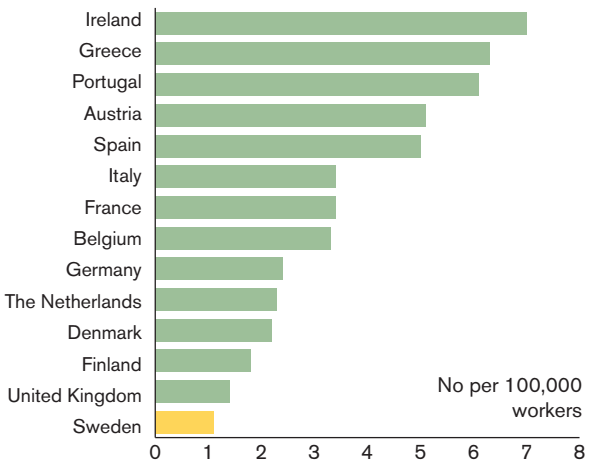

Figure 2.11. Work-related fatalities. No of cases per 100, 000 workers. Standardised values. Source: Eurostat, Ad hoc module 1999, year 2000 NACE. Traffic accidents not included. Data for Luxembourg not available.

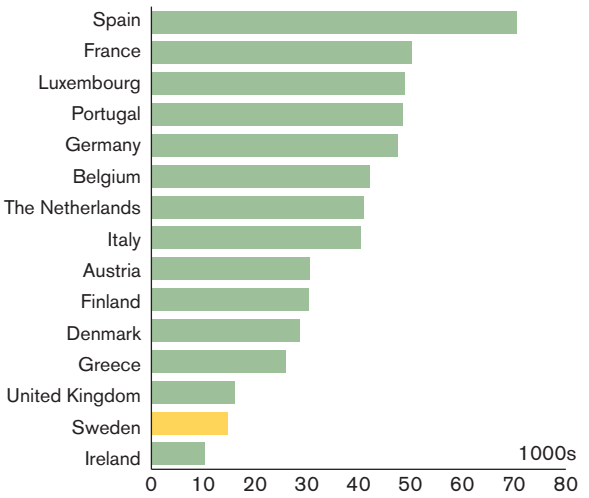

Figure 2.12. Work-related injuries reported in EU with over three days sick leave. No per 100,000 employed (relative frequency). Source: Eurostat, Ad hoc module 1999, year 2000 NACE. Traffic accidents not included.

(only parental and sick leave have been taken into consideration here). From this we see that the support burden is greater, both for Sweden (2.3 people) and for the EU (2.5) (Rauhut & Malmberg 2003).

Naturally, the support burden goes down if as many people as possible of working age work. If sick leave, incapacity benefit, youth unemployment and the effect of unemployment among people with a different ethnic background were reduced, the support burden would also go down. The same applies if more part-time workers worked full time. Unlike other European countries, Sweden cannot increase workforce participation amongst women and older people enough to improve the support situation.

Work-related injuries and sickness-related absenteeism

In many cases, working life can bring the risk of ill-health, accidents and even fatalities.

Figure 2.11 describes the difference between EU countries in the statistics on fatal accidents according to the work-related injuries statistics.1 Ireland, Greece, Portugal, Spain and Austria seem to have the biggest problems. In countries where production has been automated and service jobs more common, heavier work with serious injuries have become less common as a rule. This tendency is partially reflected in the more general statistics on work-related injuries (see note 1).

It is more difficult to compare countries here. There are major differences in legislation, insurance conditions and procedures, which is why the reporting of fatal accidents has long been considered the best way to describe differences between countries. All countries consider it important to monitor and report work-related fatalities, and not many are missed. However, there are quality problems even for fatality statistics as they can easily be affected by individual incidents.

Sick leave statistics are naturally even less clear as indicators of work environment risks, but are nonetheless still important in the ongoing debate. Figure 2.13 shows that Sweden, along with the Netherlands, is the country where sickness absenteeism varies most during the period. In 1990, Sweden had the highest proportion of sickness absenteeism of all, yet in 1997, it was totally in line with the rest of the EU, only to revert to having the highest values in the new millennium.

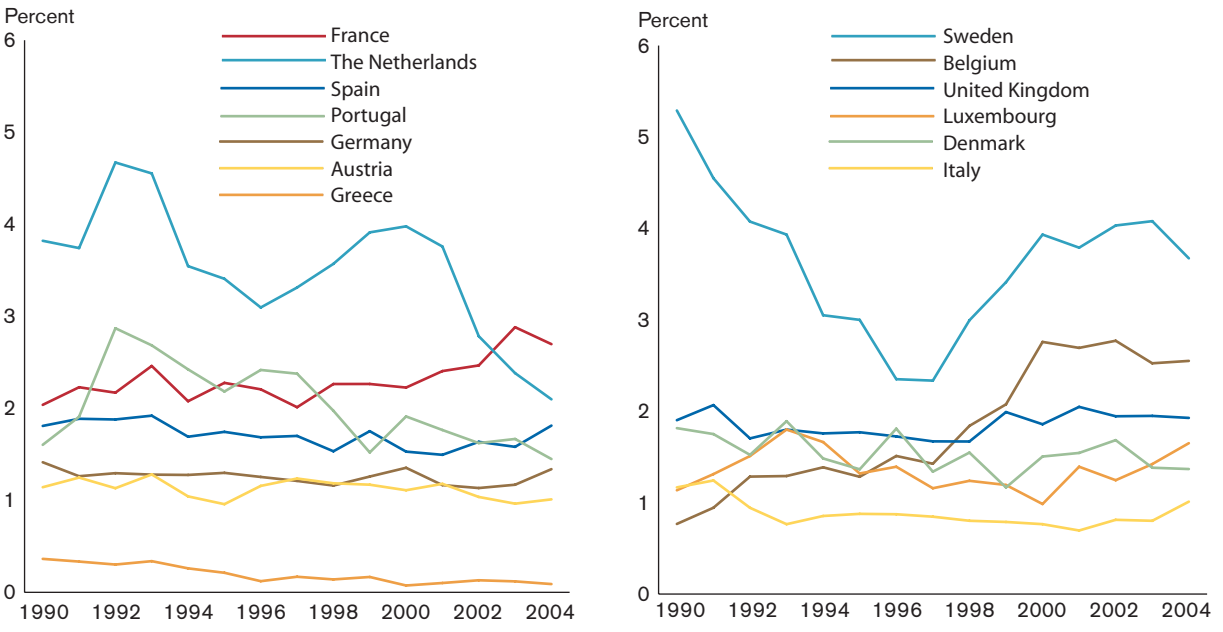

Figure 2.13. Sick leave in EU. As a percentage of people employed. Source: LFS, adapted by National Institute for Working Life, 1990–2004.

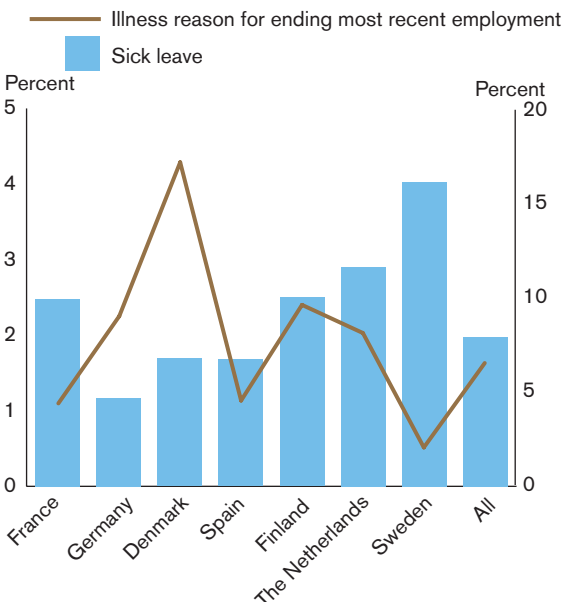

Figure 2.14. Relationship between proportion of people on sick leave and proportion of people that ended their employment due to sick leave. Source: LFS, adapted by National Institute for Working Life, 2002.

Figure 2.15. People who state that that their sickness is work-related. Proportion of people on sick leave. Source: LFS, adapted by National Institute for Working Life, 2004.

Figure 2.14 shows the link between people who have been on extended sick leave and people who state that they left their job as a direct result of being on sick leave. Sweden excels in not forcing someone to leave their employment on grounds of ill health. The opposite seems to be the case in Denmark. One explanation is that in Sweden there is no upper limit for how long a person can be signed off sick and have their job kept open. In the rest of the EU there is a time limit of one year or less, and in Denmark the limit is six months. The rules can also vary between public and private sector employers. Figure 2.14 also shows what a powerful effect insurance has on the statistics.

In the Labour Force Survey, the researchers asked those on sick leave if their absence was work-related, which would be a subjective assessment as such. Figure 2.15 shows that there were no great differences between countries in the answers. Around one third of respondents said their absence was for work-related reasons.

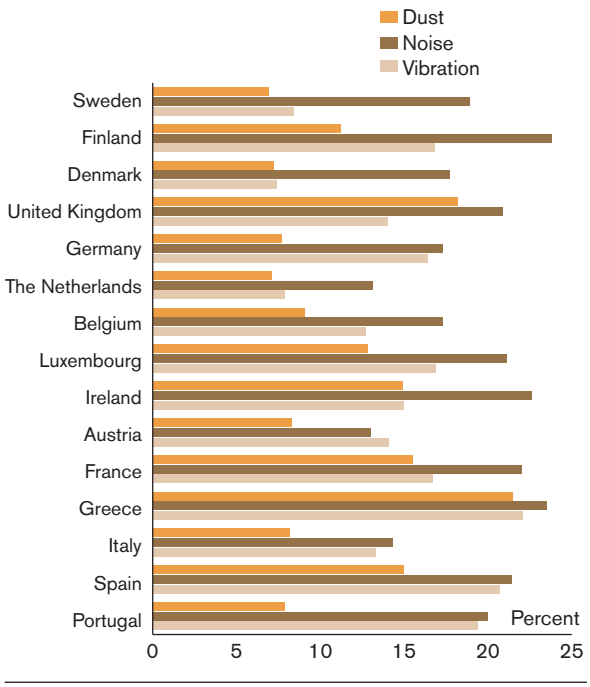

Figure 2.16. Physical and chemical risks. As a percentage.
Source: European Survey, 2004.

Work environment

For many years, Sweden has pursued a systematic work environment policy. In the 1950s and 1960s this mostly concerned technology-related worker protection (preventative measures against machinery injuries and falls), on chemical risks in the following years and in the 1980s a great deal on load and stress injuries (Källestål et al, 2004). Over the past decades, the psychosocial environment has increasingly been discussed where long-term sick leave has increased, and in the last few years, the debate has been dominated by long-term sickness absenteeism and psychosocial aspects such as stress and burnout. Psychosocial work environment factors have attracted a great deal of attention partly because they are more difficult to prevent than other health risks such as heavy lifting and smoking. Locomotion organ problems continue to be the dominant diagnosis group and cause most extended sick leave absences.

There are no all-embracing technical measurements or expert assessments that describe the entire work environment, either in Sweden or elsewhere. The picture one can paint of the various circumstances must be limited to what can be obtained from questionnaires, in which a selection of employees answers questions.

The European Survey, as mentioned previously, includes questions that can be problematic. It is easy to suppose that people from different parts of Europe interpret formulations differently. But the survey also includes some questions that can more reasonably be used for comparative purposes. We have chosen to investigate three aspects of the work environment more closely via a selection of questions – the physical and chemical, the ergonomic and the psychosocial.

Physical and chemical indicators

Physical and chemical risks in working life include exposure to smoke and dust, vibrations or noise, for example. Noise itself has been addressed within the EU with a Directive from 2003 on minimum employee exposure to noise. The Swedish Work Environment Authority has adapted the Swedish regu-

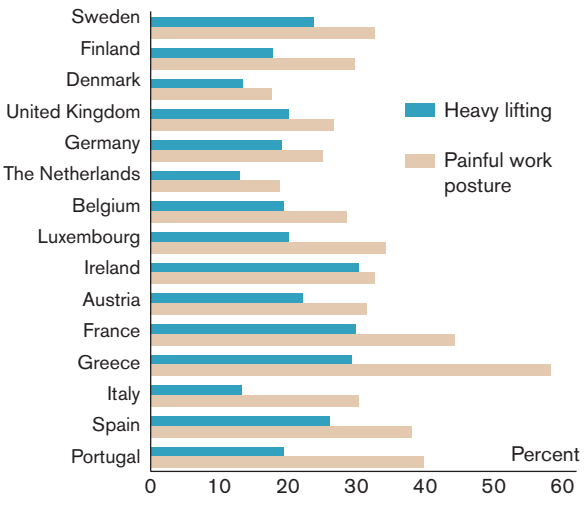

Figure 2.17. Ergonomic risks. As a percentage. Source: European Survey, 2004.

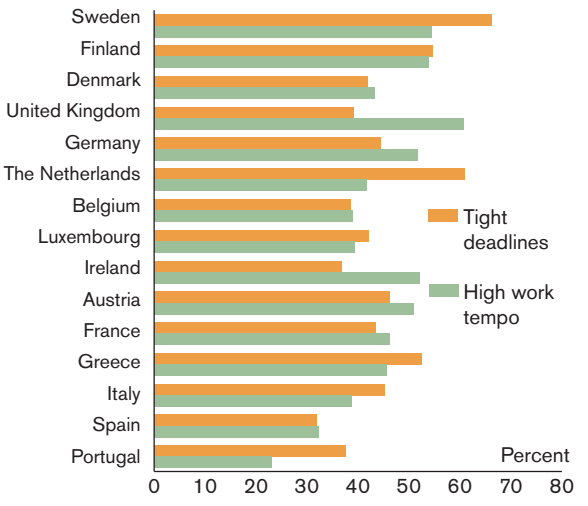

Figure 2.18. Psychological demands as a risk factor. As a percentage. Source: European Survey, 2004.

lations to the Directive and these came into force in July 2005. They include a noise threshold above which hearing protection is required. Employers must also perform a professional risk assessment of the work environment and take into account that noise in association with certain chemical elements or vibrations can increase the risk of injury (Aflodal et al, 2005).

Figure 2.16 describes what proportion of workers experience problems with smoke and dust, noise and vibrations. As shown, the countries differ, particularly in the case of noise. However the questionnaire question on noise addressed mild noise, the kind that "disturbs normal conversation levels". This probably indicates different kinds of socially intrusive noises, rather than noise that damages hearing.

An increasing problem noted in Sweden is noise at day-care centres and schools. This noise mainly affects women, as personnel in these work places are usually women. The same problem exists at call centres. But this type of noise, i.e. from other people speaking, is not conducive to hearing damage; it impairs work performance in other ways and causes fatigue.

Smoke, dust and vibrations are probably more reflective of specific industrial environments.

Ergonomic indicators

The human body is best suited to work in which movement and exertion varies. We are not adapted to extended periods involving monotonous loads in a certain position or monotonously repeated movements.

Figure 2.17 is a summary of two questions. One concerns working in a painful or tiring position for at least half the time. The other concerns whether heavy lifting is part of the job, here too for at least half the time. The responses show that the countries are relatively similar. One can possible discern slightly larger problems in countries where more people work in farming and industry. But the differences are not great and the Swedish responses show mainly poorer values than comparable countries in northern Europe. The farming sector is particularly large in Mediterranean countries, which tends to cause more lifting problems.

The proportion of jobs in different sectors differs in EU countries. This is evident in the Labour Force Survey of 2002. In Greece, for instance, almost 16 percent of the workforce works in farming, while the equivalent figure in Portugal is 12.5 percent. Austria and Ireland are on the middle level with 5.7 and 7 percent respectively, while all other countries are under 5 percent. The country with the

smallest proportion of people in the farming industry is the UK with just over one percent.

Psychosocial indicators

There are signs in the late 1990s of more psychological illnesses, with a major increase in long-term sick leave diagnoses (90 days or longer). There is a clear increase for both genders, but more pronounced amongst women than men. This was primarily due to more long-term sickness absenteeism for depression, anxiety syndrome, stress reactions and burnout (Lidwall and others 2004).

The most common method for operationalising the psychosocial work environment is based on the demand and control model (Karasek & Theorell 1990). The starting point for this model is that the combination of psychological demands and the degree of control over a work situation determines how psychologically stressful a job is. High demands and low control create the greatest health risks, while high demands and high control can create positive stress that helps development. However, too high demands can generate negative pressure on the individual, even when combined with high control and as such damage psychological health.

Figure 2.18 shows two aspects of demands on employees. It shows the number of people who work to tight timeframes half the time or more, and the number of people who feel their job includes demands to work fast half the time or more. Sweden and the Netherlands are highest in these statistics.

Many companies have sought to increase productivity by restructuring work. This trend has come from production line work, time studies and piecework to the new management strategies of the 1980s and 90s such as total quality management, lean production, new public management, etc. These various strategies have often reduced the control that individuals have over the tempo at which they work. The proportion of people who say they can influence their working time is falling in all sectors (Work Environment Statistics SOS 2002c). Other data from the same statistical base show that an increasing number of people, both men and women, but especially women, state that "they have difficulty sleeping because thinking about work keeps them awake". Sleep-related problems due to work

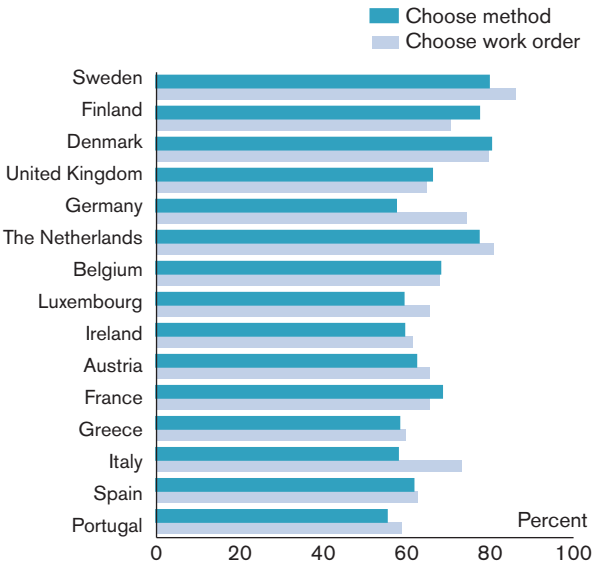

Figure 2.19. Lack of control over own work situation as a risk factor. As a percentage. Source: European Survey, 2004.

are increasing. Sweden has noticeably higher figures for psychosocial work environment problems than other EU countries.

Figure 2.19 concerns control over work. The questions here concerned whether the person could choose the method in which they worked, and whether they could choose the order in which they carry out their tasks half the time or more. The findings show that northern countries rate higher than other countries. Sweden has both high demands and high control over work, which can lead to positive stress. But if the demand limit is passed, this can still result in a stressful situation and psychosocial problems. This can partially explain why sickness absenteeism is so high in Sweden, which is largely due to stress-related problems.

The life puzzle

Managing to successfully combine family life with work is an increasingly important issue. The debate on life's puzzle addresses changes in working life, with for instance, more older people and women in work, and slimmed down organisations. The view of

health in working life has changed too. It is increasingly felt that life outside work affects how people perform in the workplace. Employers are also focusing more on quality in the results. Accordingly, issues such as healthcare, childcare, and parenting and flexitime have become increasingly important (Olson 2004). How a country's social security system, work regulations, working hours, etc are structured affects life's puzzle, as does the degree of equality between men and women. The EU Lisbon Strategy included defined goals for childcare. By 2010, 90 percent of children over the age of three years in member states are to have access to childcare. For children under three, the goal is that at least one third should have access to childcare.

How people handle the work-life balance influences participation in the workforce, fertility, building a family and quality of life. Statistics Sweden has analysed the link between work and fecundity and found that there is a strong connection between the labour market situation, uncertain economy and childbirth. One strategy can be to postpone having children, another to limit the number of children – or not to have any children at all, in order to concentrate on a career instead. If a person nonetheless decides to have children, they run the risk of discrimination in various ways, such as missing out on pay rises, being transferred to another job, getting time limited employment or being passed over for promotion. One important factor seems to be that a person often becomes a parent and seeks to establish themselves in the labour market at about the same time, which can lead to one difficulty compounding another.

In practice, the combination of dedicating a great deal of time to work and simultaneously having family responsibilities can often be a contradictory task, where different interests clash. Naturally there are also other factors that mean life's puzzle is not always resolved – work temporarily piling up, missing opportunities for a more flexible working life, company cultures or not having alternative options that can bring additional income or loss of income (Olson 2004).

Several questions address the difficulties people experience when trying to balance work and family life. The questions in figure 2.20 are:

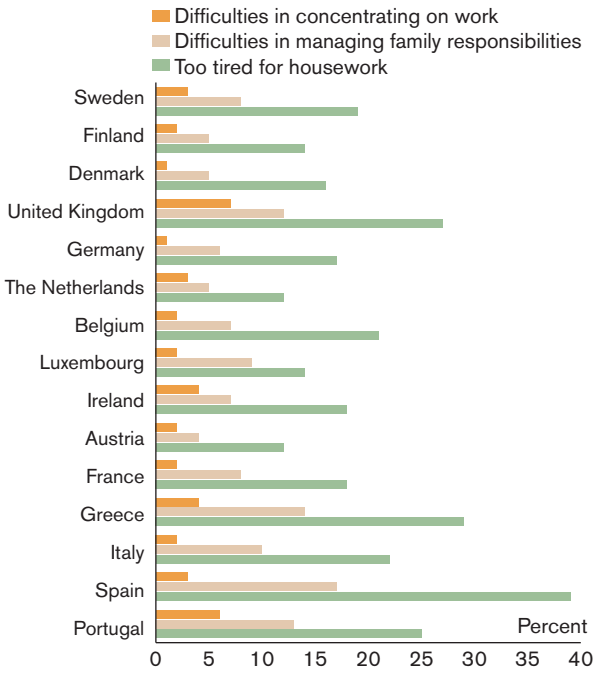

Figure 2.20. Difficulties in combining work and family life.
Source: European Quality of Life Survey 2003.

How often has the following happened to you in the past year?

- I have been too tired after work to do the housework that needed to be done in the home.
- It has been difficult for me to fulfil my family responsibilities due to the amount of time I spend at work.
- I have found it difficult to concentrate on work due to family responsibilities.

Figure 2.20 shows the proportion of people employed who have difficulty balancing work and family life several times a week, country by country. Problems with concentrating on work due to family responsibilities is less of an issue in Sweden, Finland and the Netherlands, and more so in countries like Spain and Portugal. A large proportion of Spanish people, double the EU average, say they have problems finding enough time with housework, etc because they are too tired after work. This could be due to the fact that people in the southern countries

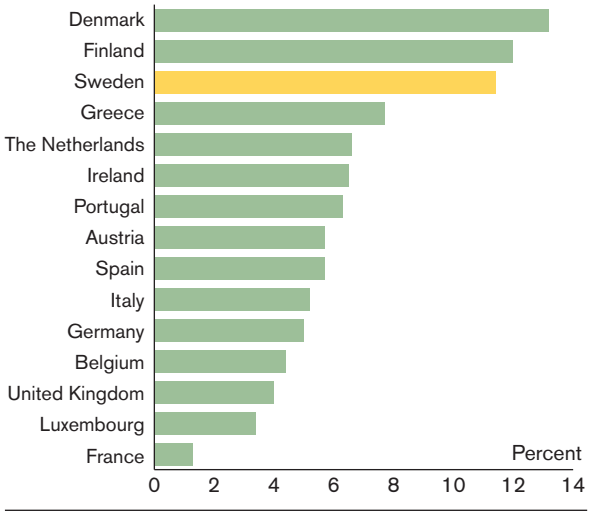

Figure 2.21. Percentage of people with more than one job.
Source: European Quality of Life Survey 2003.

do less part-time work than in Sweden and other northern countries. This would mean that people find it more difficult to deal with their family situation than if they worked fewer hours outside the home. There are also major differences in parental benefits. Figure 2.20 seems to suggest that the situation at work has a greater impact on family life than how family life affects concentration at work. The Quality of Life survey also shows that there are major gender differences in this aspect of life's puzzle. Women who work full time often find it more difficult than men to combine family life and work. Logically enough, the puzzle is most difficult for single parent families (most usually mothers).

How much time is taken up by parental leave largely depends on how the national social security system is structured. In northern countries, far more time is taken up by parental leave, because of the generous benefits they offer. The EU has introduced certain common regulations covering both leave during pregnancy and parental leave. According to these regulations, pregnant women cannot be compelled to work at night or perform work that entails being exposed to hazardous elements. Women are also entitled to at least 14 consecutive weeks of leave in conjunction with giving birth. As the EU regulations are a minimum, member states can offer more generous terms if they wish. They can also determine whether parental leave should apply for a certain number of days per year only, and if someone must be employed for a certain time to qualify for parental leave. A comparison of parental leave in different EU countries reveals differences in length (14 weeks in Ireland for instance, and 90 weeks in Sweden shared between both parents), and there are also different regulations in relation to levels of financial support available, such as payment ceilings or fixed benefits. Some systems allow slightly longer leave from work but this is unpaid leave with no compensation for lost earnings (MISSOC, Mutual Information System on Social Protection in the European Union).

Figure 2.21 shows that in the EU, very few people who are employed have more than one job. However, some countries stand out in these statistics, including Nordic countries where more than one in ten people in work have more than one job. In France, however, just one percent of people in work have more than one job. The number of hours worked in the extra job is 15–17 hours a week on average in the 25 EU Member States, while in Nordic countries, where more people have extra jobs, this is slightly less, ten hours a week or less. There is very little difference between men and women with extra jobs in most of the countries. And predominantly people in professions that call for higher qualifications and people who work in farming have several jobs. In EU15, this applies to people in farming in particular. Twice as many people in the farming sector report that they have more than one job than those in other job categories.

Figure 2.22 shows that in many European households, no one has a job. The question concerns their job as their main activity, and aims to provide a picture of whether their job provided the basic structure in their lives. In households where no one has a job, the debate on life's puzzle is still relevant but in a different way to people who do work. The statistical differences are partly due to differences in social insurance systems and other benefits, such as student and incapacity benefits. However the differences also reflect the fact that household make-ups differ in different parts of Europe. In the more northern countries for instance, there are more one

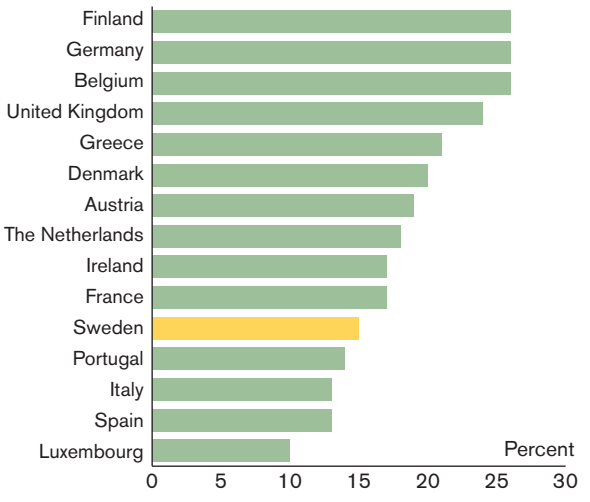

Figure 2.22. People living in households where no one works, as a percentage of population aged 15–64. Source: European Quality of Life Survey 2003.

person households. Naturally, labour market conditions are also reflected.

The way work is defined in the study means that certain temporary jobs and part-time jobs are not included, which can be a possible explanation why there is a certain undercounting of jobs – just working a few hours a week would not be included.

Current concerns related to working life in the EU

Over the first ten years of Swedish EU membership, most labour law legislative actions in Sweden have sought to incorporate EU laws into Swedish law. Between 1995 and 2002, the EU adopted more new labour law Directives than at any other time in its history. More recently however, EU initiatives on the labour law front have subsided and those matters currently on the agenda are primarily about revising existing EU Directives.

This does not mean that no initiatives are being taken that are of interest from a labour law perspective – quite the contrary. In its intensifying efforts to remove all obstacles to freedom of movement, the European Commission has put forward a draft of proposals for regulation of other areas of law, which can indirectly be of major significance for conditions in working life.

The most well known example is the proposal for a Directive on services in the internal market, where the labour law-related issue is what terms and conditions are to apply for workers posted across borders and how the Directive will affect the Swedish system when it comes to relations between parties in the labour market. The Commission is expected to put forward a modified proposal for a Directive in 2006.

Other examples include the Directive on *take over bids* of 2004 and the Directive on cross border mergers that was adopted in 2005 and is to be implemented in the next few years. A proposal for a Directive on the *transfer of a company's registered office* is expected shortly. The labour law issue that the three Directives concern and which has been a stumbling block in negotiations is how employee rights to have a say should be protected.

A similar case is currently being dealt with by the European Court of Justice, to which it was referred by a Danish court with a decision expected in late 2005 or early 2006. The case revolves around the interpretation of the EU Insider Dealing Directive. The labour law issue is whether an employee representative on a company board may consult with his or her trade union executive before making a decision that can lead to several thousands of the union's members being made redundant.

During 2006 the proposal for a new Regulation *on the law applicable to non-contractual obligations*, ROME II, will also be considered. This will govern which national law should be applied in the event of a dispute related to more than one member state between parties that do not have any contractual obligation to each other. Of interest from a labour law perspective is that the main rule proposed by the European Commission means that industrial action permitted and taken in Sweden could be judged according to foreign law, where such action may be prohibited. The Swedish government has therefore called for an exemption from the main rule in the case of industrial action.

A common aim with all these legislative initiatives is to promote freedom of movement and abolish remaining obstacles in the internal market. The

same aim lies behind the only genuinely new initiative in the "pure" labour law area. This is a Directive with the aim of improving the opportunities for workers to take with them their acquired rights to a supplementary pension (for instance, such collective agreement regulated supplementary pensions that are common in the Swedish labour market) when they change jobs. This proposal was presented in late 2005 and considerations will begin during 2006.

In other respects, it is also worth noting that a longstanding effort to regulate working hours, driving time and rest periods in various types of transport will soon come to fruition. In 2005 a Directive was adopted on working time in international rail traffic and a settlement between the European Parliament and the Council of Ministers on a compromise on driving times and rest periods for road transport drivers seemed to be within reach just before the end of the year, rules that are to be implemented in the member states in the next few years.

A number of work environment Directives, with rules of a nature that in Sweden are primarily found in regulations from the Swedish Work Environment Authority, are also being considered by the EU legislative machinery in 2006.

There are major disagreements between member states concerning the proposal on *changes in the general working time Directive*. The same is true for the proposal for a *Directive on temporary agency work*. 2006 could be a decisive year for both proposals.

Note

1. Within the farming, hunting and forestry sectors; manufacturing; electricity, gas and water supply, construction activities, trade, repair of motor vehicles, household and personal items; hotel and restaurant activities; transport, storage and communication.

References

Ackum Agell S, Forslund A, Hemström Ö, Nordström Skans M, Runeson C & Öckert B (2001) "Uppföljning av EU:s rekommendationer för arbetsmarknadspolitiken" Stencil 2001:4, The Institute for Labour Market Policy Evaluation, Uppsala.

Aflodal C, Hallström J & Larén K (text) (2005) "Buller och ljudstörningar i arbetslivet" National Institute for Working Life, Stockholm.

Barroso J M & Verheugen G (2005) *Working together for growth and employment; New start for the Lisbon Strategy.* Office for Official Publications of the European Communities,

Ds 2002:56, *Hållfast arbetsrätt – för ett föränderligt arbetsliv.* Swedish Ministry of Industry, Employment and Communications, Fritzes, Stockholm.

Ds 2003:62, *Benchmarking i näringspolitiken 2003: Sweden i ett internationellt perspektiv.* Swedish Ministry of Industry, Employment and Communications, Fritzes, Stockholm.

EU Commission (2003) *The European employment strategy in the future. A strategy for full employment.* EU Commission, Brussels.

EU Commission (2004) *Strengthening the Implementation of the European Employment Strategy.* EU Commission, Brussels.

EU Commission (2005) "The Economic Costs of Non-Lisbon" Occasional paper no. 16, EU Commission, Brussels.

Karasek R & Theorell T (1990) *Healthy Work: Stress, Productivity and the Reconstruction of Working Life.* Basic Books, New York.

Källestål C, Bjurvald M, Menckel E, Schærström A, Schelp L & Unge C (2004) *Hälsofrämjande arbete på arbetsplatser. Effekter av interventioner refererade i systematiska kunskapsöversikter och i svenska rapporter.* Report 2004:32, the Swedish National Institute of Public Health, Stockholm.

Lidwall U, Marklund S & Skogman Thoursie P (2004) "Utvecklingen av sjukfrånvaron i Sweden" p 173–194 i Gustafsson RÅ & Lundberg I (eds) *Arbetsliv och hälsa 2004.* National Institute for Working Life, Stockholm.

Olson H-E (2004) *Den lekande arbetaren. Från hälsosamma till kreativa arbetsplatser – ett fritidsperspektiv på det goda arbetet.* Report 2004:38, the Swedish National Institute of Public Health, Stockholm.

Rauhut D & Malmberg G (2003) *Vem försörjer vem? Försörjningsbördan och ekonomisk tillväxt.* Report A2003:011, Swedish Institute for Growth Policy Studies, Östersund.

Sundström M & Runeson C (2001) "Uppföljning av EU:s rekommendationer på jämställdhetsområdet" Stencil 2001:7, Institute for Labour Market Policy Evaluation, Uppsala.

Wadensjö E (1999) *1990-talets ekonomiska utveckling och arbetsmarknaden.* SOU 1999:69, special publication 52, Swedish Institute for Social Research, Stockholm University.

Åslund O & Runeson C (2001) "Uppföljning av EU:s rekommendationer för integrering av invandrare på arbetsmarknaden" Stencil 2001:5, Institute for Labour Market Policy Evaluation, Uppsala.

CHAPTER 3

Exclusion from working life – an in-depth analysis

Anders Wikman

In the 1990s, shortcomings of various kinds seem to have had ever-growing consequences in the labour market. For instance, sickness absences became longer: and people signed off sick were hard hit by unemployment.

Despite an improved economy, according to Anders Wikman, the long-term unemployed are not able to find their way back into normal employment. They appear to have problems year after year, either by remaining unemployed, part-time unemployed, part-time sick leave, on incapacity benefit or in some other way. Sick leave, ill health and labour market difficulties seem to increasingly overlap each other. This has given rise to a decisive methodology issue: as several different kinds of outsidership are associated with opportunities to find work, the labour market is more affected by economic shortcomings than unemployment statistics would suggest. Incapacity, early retirement, sick leave and study leave have a lot to do with employment difficulties.

This is also why the labour market situation cannot be addressed with one type of statistics indicator. The indicators are all related to each other in a complex way. It is also important to perform a more in depth analysis beyond simple cross section comparisons and to monitor individuals over an extended period," writes Anders Wikman.

This chapter takes a closer look at sickness absenteeism and unemployment in Sweden with the aid of statistics following separate individuals over an extended period rather than using statistics describing sequences with cross sections of groups of individuals – this makes it easier to understand what is actually going on in the labour market.

One important conclusion is that different mechanisms in the labour market increase the exclusion of people with problems.

When analysts monitor sickness absenteeism or unemployment, they often start with simple statistical data and think these are somewhat on a par with measurements of simple phenomena such as length or weight and that they can be dealt with in the same simple way. But the information is very much more complex and difficult to process. Often different circumstances are not independent of each other: a problematic labour market is not only characterized by high unemployment. It is not simply the number of people unemployed that reflects difficult conditions. Poor labour market circumstances can also have consequences for sick leave, for the number of people in education, people who take incapacity retirement and so on.

This complexity can be illustrated with area or region data (or other compilations of e.g. student groups or sector groups). Certain areas stand out as having many problems and difficulties such as high unemployment, high sickness absenteeism and a lot of people on incapacity benefits, while other areas enjoy favourable conditions in a variety of different respects. The different circumstances are dependent upon each other and partly reflect the same underlying context. The individual indicators cannot be judged wholly in isolation from each other. One must always proceed with caution, not least in the case of international comparisons.

For instance, when people look at sickness absenteeism or unemployment over time, they generally use cross section data, i.e. a proportion or number of individuals of a certain type are compared from juncture to juncture. Seldom does anyone monitor what happens to separate individuals to see how their situation changes. There is a major difference between conclusions that can be drawn from cross section data, and individual patterns of change. Several possible individual changes can lie behind the same cross section change. If sickness absenteeism goes up, this can be due to the fact that more people are off sick or on sick leave. It can also be because people on sick leave are granted long-term sick leave. The rise in sickness absenteeism may have encompassed many different categories of people, or been the result of some very special interplay between certain circumstances and certain changed conditions. It is difficult to draw more detailed conclusions from simple cross sections. If, on the other hand, it is possible to monitor separate individuals over time, this significantly increases opportunities to interpret the data.

My intention here is to carry out a deeper analysis of some changes by utilising individual flow data and other individual information to enable a clearer picture of what has actually happened. In other words, I am aiming for a deeper analysis of some important cross section trends that have been analysed in recent years. I will focus on changes in sickness absenteeism, and a few other changes in the labour market and sickness statistics.

Table 3.1. The number of days sick leave for which benefit was paid 1996–2004 plus the number of ongoing cases on 31 December that have lasted longer than 12 months.

	No of days	No of cases extending more than 12 months
1993	63 895 000	53 200
1994	60 051 000	46 600
1995	56 805 000	45 600
1996	51 294 000	44 100
1997	48 259 000	44 800
1998	58 182 000	55 200
1999	72 184 000	72 600
2000	88 239 000	91 800
2001	102 350 000	112 000
2002	110 726 000	125 300
2003	108 419 000	129 700
2004	95 763 000	107 400

Source: RFV/Social Insurance Office.

Patterns of sick leave

Table 3.1 features some basic statistical data from Swedish Social Insurance Office statistics. These show, for instance, how the number of paid sick days was falling up to 1997, but then increased. After 2002, the figure has fallen again. At least three years in this sequence of time are problematic as the conditions for social insurance changed. For most of these years, the two-week employer period rule applied, that is to say, the employer paid for the first two weeks of sick leave (and no reporting was made). In 1997, the employer-paid period was four weeks. In 2003 and onwards, this period became three weeks. The figures for 1997, 2003 and 2004 in this sequence should therefore be treated with caution.[1] To get a picture of the increase over recent years, the trend between 1996 and 2002 should be the most uncomplicated. From 1996 to 2002, the number of sick days paid for by the Social Insurance Office doubled from around 51 million to some 110 million.

The table also shows the number of cases where sick leave lasted longer than one year. These long sickness absences tripled between 1996 and 2002,

Table 3.2. No of individuals on sickness benefits, no of days per individual and benefit days, given the same length as in 1996.					
	No of individuals on sickness benefits	No of days per individual	No of days given the same length as in 1996 values (i.e. 81.8)	Given the same length as in 1996 and taking into account cases spanning over one year	Actual no of days
1996	627 432	81,8	51 294 000	51 294 000	51 294 000
1997	497 118	97,1	40 640 533	40 583 306	48 259 000
1998	596 791	97,5	48 789 028	47 881 578	58 182 000
1999	700 652	103,0	57 279 902	54 949 962	72 184 000
2000	780 670	113,0	63 821 557	59 921 973	88 239 000
2001	840 588	121,8	68 719 990	63 169 010	102 350 000
2002	862 319	128,4	70 496 549	63 858 264	110 726 000
2003	795 543	136,3	65 037 458	58 039 463	108 419 000
2004	709 859	134,9	58 032 596	52 857 676	95 763 000

from 44,100 to 125,300. The biggest increase was clearly in the long-term illness category.

It is not clear how these statistics should be interpreted, however. The increase suggested by the sequence of figures can be due to the number of people on sick leave having increased, but it can also be due to people on sick leave being absent for a longer period. Extended sick leave can result in more days of sick leave as can more cases that are longer than one year. Whether or not one or other of these circumstances was dominant will determine which conclusions can be drawn. Which is why it is important to dig deeper when performing the analysis.

Data on the number of people affected are also required to gain a clearer picture. The Social Insurance Office does not normally report such data. However we have been able to obtain them.[2] They are based on records of the number of people who have received payments in the respective year (see column 2 in Table 3.2). According to the table, from 1996 to 2002 there was a 37 percent increase in the number of people receiving sickness benefits, from 627,432 to 862,319, or 234,887 more people.[3]

However part of this increase is chimerical as more people spanned over one year. Some people were included in several years. A false impression is created. From 3.1, it can be seen that in 1996, 44,100 people were on sick leave for more than one year. Over 40,000 of those included at this time point was also included the following year. The number of people appearing twice increased retrospectively and came out as 125,300 in 2002. Which means the figures appear to indicate that more new people joined the list than was actually the case. We can estimate this rise as 81,200 (125,300 minus 44,100 = 81,200). Correcting for this gives us a rise of 153,687 (234,887 minus 81,200 = 153,687), i.e. an increase of 25 percent – not 37.[4]

Based on these data, we can now estimate how much of this increase in sickness absenteeism depends on a rise in the number of individuals and how much depends on sick leave periods becoming longer. We start from the average period of sick leave in 1996 and use this as the base for hypothetical calculations of sick leave for the following years. We then assume that sick leave periods have been the same as in 1996. The results of these calculations appear in column four in Table 3.2. Which means they show that if the sick leave time had been the same as in 1996, sick leave in the following years would only have increased by around 19 million days, which is 32 percent of the actual increase (approx 59 million days). Clearly, this calculation shows that the increase in sick leave payments has been mostly due to the fact that sick leave time has increased.

Even so, consideration has still not been given to the fact that the number of people spanning the year cut offs has increased. As the increase in the number

Table 3.3. Average no of days sick leave for work-related accidents and injuries according to ISA statistics.			
	Work-related accidents. Average no of days sick leave per case	Work-related illnesses. Average no of days sick leave per case	No of individuals signed off sick for over three months among those with work-related problems
1993	45	73	7.68
1994	45	90	6.51
1995	52	114	5.77
1996	53	120	8.98
1997	56	156	8.19
1998	51	180	7.64
1999	65	184	9.07
2000	61	241	9.81
2001	63	221	12.84

of people who appear twice is related to the length of sick leave, this should be taken away. We have calculated this by assuming that the number of individuals being added between 1996 and 2002 was 153,687 rather than 234,887 (column 5 in Table 3.2).

The number of days is now estimated to rise by around 13 million, which means that only 21 percent of the total increase in sick leave is due to an increase in the number of people on sick leave. Even so, we have not accounted for the fact that sick leave lasting longer than two years has also increased. If we attempt to take this increase into consideration (which corresponds to at least 40,000 people, see note 4) only 16 percent of the rise in sick leave can be said to be due to an increase in the number of individuals.[5] The biggest share of the increase, i.e. 84 percent, can well be due to people on sick leave being certified sick for longer periods.[6]

These results point to the processes that may have caused the increase in sick leave. Clearly it is not the number of new cases, an increased tendency to sign people off sick, that are the main explanation for the phenomenon. More than anything, it seems to be the greater difficulty in returning from sick leave.

Arguments about the mechanisms behind sickness absenteeism are often relatively one sided – one explanation is prone to be favoured at the cost of others. Certain interpretations are made that seem to be very convenient but some other important factor is then forgotten. People may think they see the consequences of changes in attitude and changes in work ethic. People may see the consequences of poor financial incentives or maybe a lack of flexibility. They may perhaps highlight a change in the work environment and increased exclusion or an increase in the incidence of psychological symptoms. However the whole picture is probably so complex that such simple causal explanations miss the target. The issue must be considered in all of its complexity. However reasonable different explanations appear, it also depends on how well they fit the fact that it is the length of sick leave that has increased.

Closest to hand are explanations that address how people on sick leave are dealt with. It may be the number of cases piling up at the Social Insurance Office because staff do not have time to handle them.[7] The Social Insurance Offices made major cutbacks in personnel during this period. It may be due to changes in how rules were applied, for instance that work places are less inclined to retain people with health problems. It may be due to changes in production conditions at workplaces that have actually made it more difficult to keep people on the payroll. Possible lines of retreat in the form of simpler jobs may have been outsourced to other companies. It may be a question of changing requirements that make it difficult for people with some form of disability to keep their jobs. And it may be a shortage of job opportunities that has resulted in increased competition amongst those remaining – and so on.

That it is mostly the length of sick leave that has changed is not apparent only in these special anal-

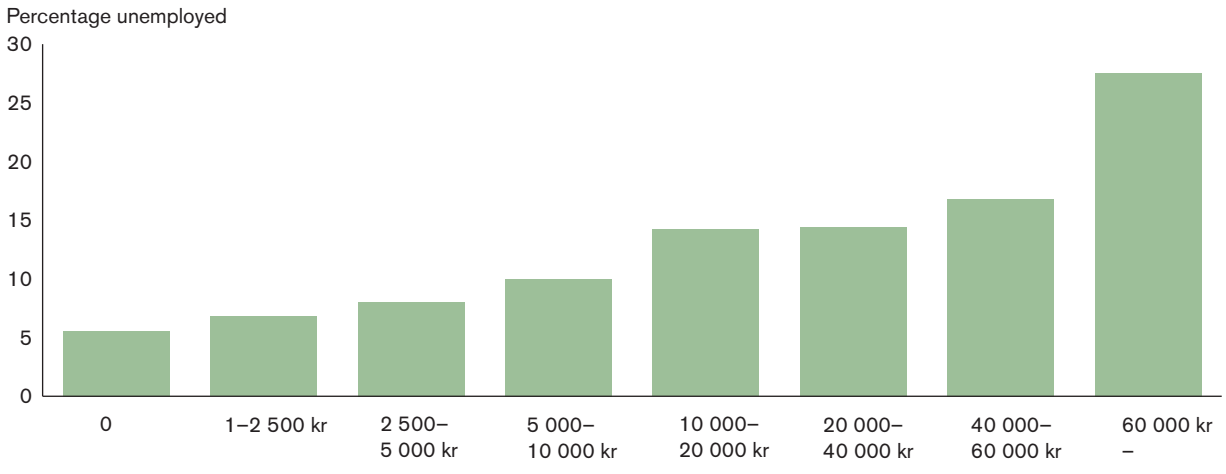

Figure 3.1. Sickness benefits paid 1990/1991 (annual benefits) and long-term unemployment (six months or more) 1995.

yses of statistics from the Social Insurance Office. Other statistics indicate similar patterns. This is shown clearly by Table 3.3, where an account has been produced of sick leave periods for work-related injuries according to the work-related injury statistics (ISA) and for people with difficulties in statistics on work-related difficulties (Table 3.3). Also those cases that are encompassed by these statistics sources reveal that sick leave periods have drastically lengthened.

By way of summary, the statistics show that it is primarily the length of the sick leave period that has risen. This can be described accordingly: *Outsidership is more pronounced for people who are already partly outsiders.*

Flows in unemployment and outsidership

Increased exclusion and lack of mobility in the labour market seem important and worth further analysis. One can, for instance, ask whether there is a more general change that encompasses more phenomena than those concerning sickness absenteeism.

We will take a closer look at several flows in and out of working life here. We will do this with the data we have collated from SCB work environment surveys (AMI). Altogether, the data covers around 100,000 randomly selected individuals from the employed population that answered questions on their work environment and labour market situation between 1989 and 2003. Each individual person only answered the questionnaire on one occasion during this period. We have however supplemented the questionnaire data with administrative records, enabling us to monitor how an individual's circumstances have changed over time.

The analysis was a two-stage process. We focused firstly on the flow out of working life. We looked at the connections between sick leave or ill health and future unemployment, similarly between gender, age, education, socio-economic group, etc and future unemployment. We then focused on re-entry into working life in the case of people who are already "outsiders". We asked ourselves if people had been able to return successfully to working life after a certain time, and if so, which of them had done so.

Central to the first analysis was data on *sick leave early in the period*, in other words, sick leave before the economic crisis that began in 1992/1993. Using this information, we try to distinguish the individuals who already had health problems.

Prior to 1993, we only have data on payments that had been made, which means that we only have rough indicators of the scale of sick leave. Even so, we should be able to assume that individuals who received larger sums (in sickness benefits) would on average have been absent for a longer period than those who received smaller benefit amounts. Please

note that prior to 1992, there was no employer paid period. As such, the data for this time includes both short and long term sick leave.[8]

We linked together sick leave with *future unemployment* as it is reflected in the form of unemployment registrations and also in labour market training courses and other labour market policy measures. This information describes the number of days in respective situations. The days were totalled.

We found a very clear connection between sick leave and subsequent unemployment. This connection was strongest when sick leave from 1990/1991 was compared with unemployment in 1995. The full effect of the recession seems to have been felt in that year. The connection was increasingly pronounced up until that year. After which, it subsided again.

Figure 3.1 includes a detailed breakdown of benefits paid for sick leave in 1990/1991 and long term unemployment (six months or longer) in 1995.[9] For each absentee group, the percentage that ended up in long-term unemployment is reported.

To refine the analysis, we have only included people who were neither registered as unemployed nor had undergone some form of labour market policy measure in 1990 or 1991 respectively.[10] To ensure that a possible pension did not distort the picture, everyone with some form of pension in 1995 was removed.[11]

The pattern is fairly clear: the more sick leave before the crisis, the greater the risk of subsequent unemployment. Even small differences in sick leave increased the risk.

Swedish employment rights legislation aims to create uniformity in employment conditions and some form of just division concerning employment protection. For example, the Employment Protection Act (LAS) regulates how people are laid off. In the case of redundancies, employers must adhere to last in first out and not, in principle, take health into consideration. Employees will also have preferential rights to re-employment at their previous place of employment. Our data reveals that these regulations were not particularly effective in practice. It would appear that people with health problems are discriminated against even though they are older and have had longer terms of employment than other people on average.

In a study of the Greater Stockholm population, Hemmingsson was able to show similar tendencies some years ago. He was also able to show that even a slightly above average risk of sick leave before the crisis of 1990/1991 was associated with an increased risk of unemployment at a later date, i.e. 1992/1993. The longer the sick leave in 1990/1991, the higher the risk of subsequent unemployment (Hemmingsson 2004).

It is possible that these circumstances can be explained by some underlying connection at least in part. It is for example possible to imagine that health problems in certain professions have been particularly substantial and that people in these professions have had problems finding work. One could imagine that health problems are great in some industrial jobs, and that people with these professions have had major difficulties finding work. In this case, the profession would affect both sick leave and unemployment.

But we can analyse the situation in greater depth. As previously mentioned, the individuals we have monitored have taken part in SCB labour market surveys and answered a series of different questions about themselves and their jobs. Which means that we can gather background information from there and analyse this together with sick leave and unemployment.

There are differences in unemployment when it comes to blue-collar and white-collar workers and between white-collar workers on different levels. The risk of unemployment is greater for blue-collar workers and lower level white-collar workers. The risk is slightly higher for younger people than older people, for men than women and higher in the private sector than the public sector. People who have worked longer in the same job also run a lower risk of losing their job. The latter is in line with the conditions that ought to prevail according to LAS, although LAS does not seem to be the only deciding factor as to who should go in the event of cut backs. Plenty of other factors seem to play a part, not least physical and psychological problems.

Many circumstances are intertwined however. Analysing these connections more closely requires some form of multivariate analysis in which the connections between several variables are addressed at

Table 3.5. Long term unemployed 1995 as a percentage of people in work and various individual characteristics 1989/1991, after taking into account common covaration with the help of an MCA.

		Unemployed for six months or longer 1995
Sex	Men	7.8
	Women	6.5
Age group	16–24	9.0
	25–34	5.7
	35–44	6.5
	45–54	7.7
	55–64	9.8
Socioeconomic code	Entrepreneurs	5.1
	Unskilled worker	8.8
	Skilled worker	8.9
	Lower level white collar	7.9
	Middle level white collar	4.8
	Higher level white collar	4.7
Sector	Public	5.7
	Private	8.1
Education needed	–1/2 yr	8.3
	1–2 yrs	7.3
	3 yr–	5.7
Time with current employer	0	11.0
	1 yr	9.1
	2–5 yr	7.8
	6–10 yr	6.1
	11 yr or more	4.6
Sick leave 1990/1991	0	5.6
	SEK 1–2 500	6.2
	SEK 2 500–5 000	6.6
	SEK 5 000–10 000	9.9
	SEK 10 000–20 000	13.0
	SEK 20 000–40 000	11.0
	SEK 40 000–60 000	18.0
	SEK 60 000	27.0

the same time. We have performed several such multivariate calculations with a Multiple Classification Analysis or MCA, that can be described as a form of variance analysis or regression analysis with dummy variables. MCA has the benefit of providing easily apprehensible percentage estimates, as the complex covariations involved are taken into account.

The analysis shows that the predicted values for different categories of sickness absence remain relatively undisturbed when we account for age, gender, education, socio-economic group, sector and length of employment. In other words, these variables cannot explain the differences that result from differences in sick leave. In other words, the analysis pointing to the connection between sick leave and future unemployment should not be seen as pure artefact (see Table 3.5).

In another multivariate analysis, we started from different problem indicators and attempted to see if these could explain future unemployment in the same way as sick leave. The problem indicators taken together also proved to give a predicted value that very closely resembled that given by sick leave. When we included sick leave and problem indicators in the same analysis, we saw many overlaps, which is the same as saying that people with many problems are also those with high sickness absence. The different variables were clearly related to each other. They covered at least some of the same underlying reality, a reality that is related to ill health forming the grounds for future unemployment.

By way of summary therefore, we should be able to say that *individuals who have become partial outsiders as a result of sick leave, have with time become even more excluded because of unemployment.*

The flow out of work and outsidership

We have already emphasised that the increase in sickness absenteeism in the late 1990s and early 2000s was mostly related to an increase in time off work. There was no particular increase in the number who were off sick. It was primarily a case of people being absent for longer periods. Outsidership simply became more pronounced.

In the same way, we can see that when unemployment rose at the start and mid 1990s, it was prima-

Table 3.6. Scale of unemployment in 2002 for individuals with various degrees of unemployment in 1996. Percentages are summed by row to one hundred.

	Days unemployed 2002								
	0	1–30	31–90	91–180	181–270	270–364	All year	Outside	N
Days unemployed 1996									
0	91.2	0.3	0.9	1.0	0.7	0.4	0.5	5.2	33 151
1–30	79.5	0.5	2.1	4.4	2.6	0.0	1.6	9.3	279
31–90	78.7	1.4	4.0	4.5	1.6	1.2	1.0	7.7	619
91–180	71.6	2.7	4.8	4.4	3.4	2.2	0.6	10.3	940
181–270	67.7	1.4	5.0	6.7	3.1	1.9	2.2	12.0	773
270–364	60.8	1.7	4.6	5.3	5.7	2.4	2.3	17.3	529
All year	53.4	1.6	5.0	7.9	5.9	3.9	8.2	14.1	653
Outside	59.2	0.6	1.4	1.9	1.7	1.2	0.6	33.6	3 468

rily long-term unemployment that rose. In 1997, the picture was totally dominated by long-term unemployed, i.e. people that had been unemployed for one year or more. Here too, outsidership seems to have become more pronounced. However, the situation subsequently improved for unemployment. On the other hand, this improvement came at the same time as other outsidership increased. While unemployment fell, long-term unemployment rose.

However cross section details like these do not provide any further clues as to how different changes are interlinked. Determining this requires a more detailed analysis where individuals can be monitored from year to year, and where it is possible to see the extent that these formerly unemployed people return to normal employment, whether they take sick leave, are granted an incapacity benefit or something else. We have been able to make a number of flow descriptions in our material. We have followed people who were unemployed in the mid 1990s by using the following data:

- registered as unemployed according to the Job Centre (AMV)[12]
- participation in a labour market course
- sick leave
- incapacity pension (now called incapacity benefit)
- retirement pension
- total income from employment or self-employment.

The registered data except for employment income are reported in days or months when the individuals received benefits. Individuals that are registered as unemployed at Job Centres and who have taken some form of labour market course are classed here as unemployed. Participations in labour market action programmes are not included.[13]

Details on employment income were used to identify individuals who did not belong to the labour market at all. However, drawing the line here easily becomes a random exercise. Should the line be set at zero kronor or a so called "basic amount" (36,000) or some other figure? We decided to set it at 50,000 and assumed that such individuals had not at the same time been on long-term sick leave, incapacity benefit or unemployed for more than a smaller part of the year. 50,000 or less over at least half the year is a very limited amount to live on. Individuals with this level of income cannot reasonably be said to have any earned major income.

We took 1996 as the base year and then monitored individuals forward in time.[14] We saw that some of the unemployed were able to find their way back into working life – but that this was not very common. Table 3.6 describes how the situation looked six years later. There is a clear connection in unemployment between these years: the higher the

Tabell 3.7. Scale of sick leave and incapacity benefit (early retirement) in 2002 for those individuals with various degrees of unemployment in 1996. Percentages are summed by row to one hundred.

	Days on sick leave plus incapacity benefit 2002								
	0	1–30	31–90	91–180	181–270	270–364	364–	Outside	N
Days unemployed 1996									
0	75.6	6.5	3.9	3.3	1.9	3.5	0.2	5.2	33 151
1–30	70.9	9.3	1.2	2.5	1.7	5.0	0.0	9.3	279
31–90	69.0	9.2	4.2	3.8	2.5	3.7	0.0	7.7	619
91–180	67.8	7.3	4.1	4.3	2.3	3.6	0.3	10.3	940
181–270	65.2	9.9	2.8	3.7	2.6	3.7	0.2	12.0	773
270–364	55.6	8.9	5.2	3.9	2.5	6.5	0.2	17.3	529
All year	59.4	8.1	4.1	3.2	3.3	7.2	0.5	14.1	653
Outside	50.3	5.3	2.9	2.8	1.9	3.2	0.1	33.6	3 468

element of "unemployment" in 1996, the greater the element six years later. One sees that many of those who were unemployed earlier were still unemployed. Many of them were also totally outside the labour market and outside the various support systems, they fell into the "otherwise occupied" group. Half of those that fell in the extreme category in 1996 – those that had been unemployed for the whole of 1996 – still had some element of unemployment in 2002 or belonged to the "otherwise occupied" group. The rest of this group, those who remained on the same line, make up a mixed category with individuals who had partially found their way back to normal employment, but where there were probably also many on long-term sick leave or incapacity benefit for the whole or part of the year.[15]

Table 3.7 describes the connection between unemployment in 1996 and incapacity benefit/long-term sick leave six years later. It is clear from Table 3.7 that unemployment in 1996 also predicates a great deal of this later outsidership.

If we combine the findings of Tables 3.6 and 3.7 we get a total picture of how many people actually found their way back to normal work. This combined table is slightly difficult to put together as some categories can overlap. Some of the sick leave absentees can be registered as unemployed at the same time, i.e. they have not been removed from the unemployment register. It is difficult to take such duplication into full account although we have tried to do so by observing both registered unemployment and unemployment benefits actually paid. Such details in our statistics can only be dealt with absolutely accurately if they are carried out on a yearly basis. We have only been able to correct the large errors. On the other hand, only large errors would distort the findings to any great extent.

This combined table (not shown here) reveals that just 33 percent of the long-term unemployed in 1996 were in normal employment six years later. A further 14 percent in this same group had some form of unemployment, sick leave and incapacity benefit for periods of up to three months. All told: a very high proportion of the previously long-term unemployed were not normally employed six years later. Outsidership is still very apparent. Losing a foothold in the labour market and becoming long-term unemployed often seems to lead to more longstanding problems, perhaps permanent outsidership.

Summary

Many people with problems of various kinds found it more difficult to find a place in working life in the 1990s. Various shortcomings seem to result in increasingly serious consequences. We note this when we focus on people on sick leave and see that they have been absent for extended periods. We notice this when we look at those with work-related injuries and work-related problems and note that they were absent for extended periods. We notice this when we monitor those on sick leave and see

that they later suffer unemployment on a profound scale. We notice this when we monitor individuals that have been long-term unemployed and find that many of them do not find their way back to normal employment again, despite the economy improving. An extended absence from the labour market seems to exacerbate the situation for many people with problems. They seem to suffer problems year after year, either in continued unemployment, partial unemployment, partial sick leave, incapacity benefit or some other way.

Sick leave, ill health and labour market difficulties seem to increasingly overlap. These connections may have existed earlier but they seem to have become more pronounced during the 1990s.

Our findings can be summarised as follows:

- Working life seems to accommodate fewer individuals.
- The shortcomings of certain individuals appear decisive and create clear difficulties in the labour market. When unemployment goes up, not everyone is affected in the same way. The risks are clearly greater for some than others. We have mostly focused on the consequences of ill health, but our findings should lead to the conclusion that more generally, there is a clear connection between individual shortcomings and difficulties finding employment.
- A lack of job openings is not the same as the unemployment that is apparent from the unemployment statistics. Sickness absentees have found it more difficult to find their way back to normal employment. Their absences continue for extended periods. People that have been signed off sick and not had a proper job for an extended period can have gone onto incapacity benefit or early retirement. As several types of outsidership are connected with opportunities to find work, they indicate an unemployment that is greater than the unemployment statistics would seem to indicate. Incapacity benefit, sick leave, studying and so on seem to have a great deal to do with employment difficulties.
- The labour market problems (for example unemployment, absenteeism, early retirement and so on) cannot be addressed with a single type of statistics indicator. The indicators are all related to each other in a complex way. This is particularly important to observe when seeking to compare situations between countries where the administrative systems are very different. Individuals with health problems in one country may appear as signed off sick, while in another country they may be classed as on incapacity benefit or in some other group outside the labour market. Women with small children may work part time in one country while in another country, they may be without work of any kind, or on parental leave.

The increases in sick leave, unemployment and outsidership more generally, that we have seen bouts of in recent years, have been interpreted very differently. Some people consider what has happened as mostly due to changing conditions in the labour market. They have focused on the economic difficulties that have hit the country and the consequences they have brought for both private and public sector enterprises. The number of available job opportunities has fallen, and competition for those that remain has increased. These changed circumstances can have affected who has been able to obtain work. There is a great deal to be said for such a perspective.

In contrast, other people have mostly felt that individuals have changed their attitude. Not least the increasing level of sick leave has been the subject of huge controversy. Many have claimed that sickness absenteeism has increased due to a change in norms and attitudes, as they have had difficulty combining the dramatic trends with some corresponding perceived dramatic change in ill health.[16] Instead, they feel it has become more socially acceptable to be signed off sick. They may think the same about unemployment.

A number of measures have also been proposed to tackle this high absenteeism. The argumentation put forward by the OECD and many others (Layard and others 2005) has attracted a great deal of attention. Their reasoning has gained a very sympathetic response, not least among economists. They have wanted to limit the time people can receive support. They have wanted a review of social security legislation. They have also felt that weaker unions and

reduced levels of benefit would have a positive effect, etc.

The thinking behind this perspective is that the labour market works like any other market with buyers, sellers and prices. People mainly work for the salary the job offers and the employer is prepared to pay, they argue. If there are other ways to support oneself, the motivation to work diminishes. High unemployment and absenteeism is described, from this viewpoint, as largely a consequence of a poorly functioning labour market. As mentioned, this is often the starting point for economists and a perspective that has gained a great deal of support

However a shortage of employment can also be about a shortage of job opportunities on offer, and of suitable jobs. In the event of radical restructuring, with increased international competition and jobs going overseas, a shortage of work can easily arise. Parallels can be drawn with the early, very substantial regional relocations. Structural changes then contributed to the difficulty in maintaining employment in many places around Sweden. A lack of job opportunities did arise. It becomes difficult to find work. Competition for the job opportunities that did exist become greater. People with shortcomings of various kinds encountered greater problems.

Another possible explanation is that work has changed to the extent that certain people have had difficulty in coping with the work offered them. Increased efficiencies and slimmed down workforces can have created a different work tempo and tougher demands. That efficiency drives have had a special effect appears reasonable in view of the rather dramatic productivity increases seen in the economic statistics. Whether or not the lack of participation in work is high or low should not therefore only be seen as a function of current health problems or other individual shortcomings, but also as a consequence of the demands posed by the work. There can be a lack of adaptation between requirements and prerequisites, which creates difficulties for people with problems. Sickness absenteeism can have increased even if health has remained unchanged.

The perspective you start from and assumptions you make determine your interpretation. Yet not all conclusions are equally reasonable. It is important to have all of the facts, and carry out a deeper analysis beyond simple cross-section comparisons. According to the data we have presented here, an important trend seems to be the increased elimination of people with problems.

Notes

1. The 1998 values can also have been somewhat affected by the 1997 social insurance conditions due to backlogs over the years.
2. From the Swedish Social Insurance Office via Ola Rylander.
3. Payments have been made with a certain delay, which means that in some cases sickness benefits can have been paid several months into the following year. These circumstances may be significant in some cases.
4. It should also be possible to adjust for the increase due to a rise in the number of sick leave periods of more than two years. The group of people signed off sick for more than two years has increased from around 18,000 in March 1998 to around 58,000 in March 2003. The fact that this has not been accounted for could mean that the number of new people may be fewer than reported (RFV Statistical Information Is-I 2003:3).
5. We then deduct a further 40,000 individuals from the previously estimated 153,687.
6. Here we ignore the fact that an increase in the number of individuals (though small) would have an amplifying effect on the simultaneous increase in length of sick leave. How we should consider this extra combination effect (i.e. if it was entered in the length account or the individual account) can be considered relatively arbitrary.
7. Note that in the 1990s, Swedish Social Insurance Offices introduced major cutbacks in personnel. The number of employees was reduced by 15 percent between 1993 and the end of the 1990s, only to then go up slightly, according to SCB branch statistics. This must have had an effect on the ability to deal with various matters promptly. The increased workload is witnessed from many directions.
8. Further forward, sick leave statistics are available in terms of days, but only for extended periods of absence, i.e. the time for which social insurance benefits are paid, e. g. the employer paid period deducted.
9. 1990 for 1989 interview, 1991 for 1991 interview.
10. 1990 for 1989 interview, 1991 for 1991interview.
11. Sickness benefits included.

12. Here we have removed anyone not receiving any form of unemployment benefit. There is a certain backlog in removing people from the register.
13. This is because action programmes can be considered a very special category of phenomena. People in this category are usually taking part in some kind of support programme, where their employer receives support. The individual has some form of work even though it might be very limited. According to the AMS monthly statistics, the biggest sub category is made up of salary subsidies, that is to say benefits that the employer receives if they employ people with work-related disabilities. By definition, work-related disability here means "job seekers who due to physical, psychological, mental handicap or socio-medical disability have a reduced capacity to work and who therefore have, or can be expected to have difficulties finding employment or retaining employment on the regular labour market". We must emphasis that this same group of people, seem to have been in receipt of this kind of support for a long time. 55 percent of such individuals who received such support through the whole of 1996 also received it six years later.
14. In these and all the rest of the calculations in this section we have removed everyone who has taken age-related retirement. The majority of age-related pensioners are over 64 years of age, although certain age-related pensions start before this age.
15. Some individuals included in the employed group have also been the subject of labour market policy measures.
16. The latter type of argumentation has been put forward by the likes of Lindbeck and others, who have also tried to find indicators of various "sick leave cultures" (Lindbeck and others 2004).

References

Hemmingsson T (2004) "Samband mellan sjukskrivning och arbetslöshet" p 153–174 in Hogstedt C, Bjurvald M, Marklund S, Palmer E & Theorell T (eds) *Den höga sjukfrånvaron – sanning och konsekvens*. Swedish National Institute of Public Health, Stockholm.

Layard L, Nickel S & Jackman R (2005) *Unemployment – Macroeconomic Performance and the Labour Market*. Oxford University Press, Norfolk.

Lindbeck A, Palme M & Persson M (2004) "Sjukskrivning som ett socialt fenomen" *Ekonomisk Debatt*, no 4.

PART 2

Working life, growth and welfare – current challenges

Population changes and potential workforce supply

CHAPTER 4

Demography and welfare in the future

Ola Nygren

How should Sweden fund healthcare and geriatric care of an ageing population without increasing taxes? In the next twenty years, Sweden is facing precisely the same dilemma as most other western countries: growth in the number of older people at a time when numbers in other age groups in the population remain largely constant. The answer to this question, and the starting point for Ola Nygren, is that Swedes on average will have to work more than they do today. Ola Nygren looks at various solutions and how, for instance, sick leave, time spent in education and incapacity benefits affect the total time Swedes work. He also claims that there is an unexploited workforce potential in regions where demand for labour is low, and calls for greater geographic mobility.

The national perspective

Like most OECD countries, Sweden is facing a significant change in the age structure of its population within the next twenty years or so. This change consists of a successively growing proportion of elderly people combined with largely unchanged numbers in other age groups.

Over recent decades, the span of traditional working lives has successively shrunk due to an earlier exit from the workforce and later entrance due to longer time spent in the education system. For these and similar reasons, the pension system was reformed a few years ago. Against this same background, politicians and economists are now concerned about the challenging issue of how the welfare system is to be funded in the future.

The fact that there has been a substantial increase in the number of people retiring early for health and disability reasons over the past few years is also cause for concern, at least in the immediate term. In mid 2006 approximately 550,000 people were in early retirement (or as it is now termed, in receipt of sickness and incapacity benefit), which corresponds to ten percent of the population of normal working age.

At the same time it is important to stress that the labour force participation rates of the population of working age in Sweden are very high by international standards. This is particularly true in the case of women and people in higher age groups. However it also means that there is less potential to increase the volume of work in Sweden than in most other European countries.

Investigations indicate that, without changes to the funding model for transfer systems and/or public sector organisations, local taxes will need to be raised by in the region of ten percentage points in 20-30 years time (Swedish Association of Local Authorities and Regions 2002). The alternative solutions discussed primarily concern the possibility of switching the heavy transfers onto parties in the labour market. Private contributions that part fund

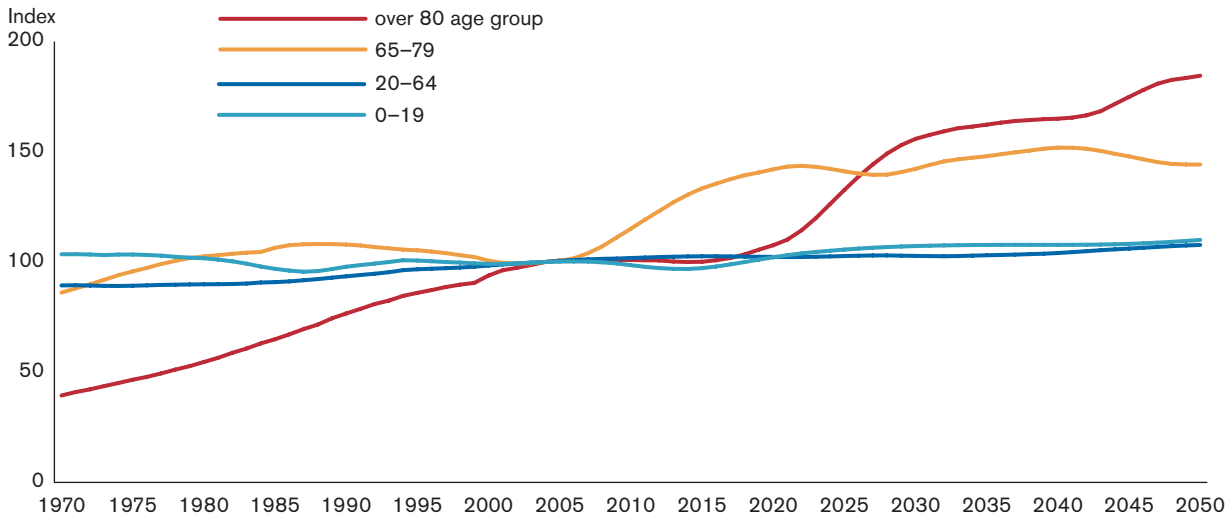

Figure 4.1. Population trends in different age groups 1970–2050, index 2004 = 100.

systems have also been mentioned. When it comes to activities mainly funded by local authorities, the idea of increased social security contributions has been proposed.

Regardless of how one chooses to tackle this financing problem, most economists agree there will be somewhat less room for an increase in private consumption, something that generally speaking will probably also apply for other European countries with similar demographic structures.

According to the national population forecast, the population of economically active age groups will remain virtually constant for the foreseeable future. The population in the most care-demanding age group (the over 80s), will rise rather sharply from around 2020. However this increase will not be greater than that of the past thirty-year period. The difference, compared with the most recent thirty-year period, when the number of old people increased at around the same rate as that now forecast, is funding. The local tax rate was around 20 per cent in 1970, compared with about 32 per cent today, but almost the entire increase since then took place before 1980. Since then, the local tax rate has only been changed marginally, while local authority activities have, to a somewhat greater extent than previously, been funded via general government contributions.

The future workforce supply – constituting the main tax base – is still considered to be a key issue in solving the future funding of welfare systems and above all for the growing costs of healthcare and elderly care.

The challenges for the future include:

- increasing the labour force participation of the population of working age
- increasing the amount of time worked by those who do work.

From time to time, the possibility has also been discussed of increasing the population of working age through immigration, but as most European countries are going to be affected by roughly the same demographic problems as Sweden, immigration of labour offers no guarantees in the face of a growing support burden.

Initiatives to increase the number and proportion of people of working age in work should essentially be directed towards five areas.

A. *Younger people and education.* Shorten the period of education by lowering the age of entrance to higher education and shortening the length of courses. This must be considered urgent from a supply point of view. The average age for young people establish-

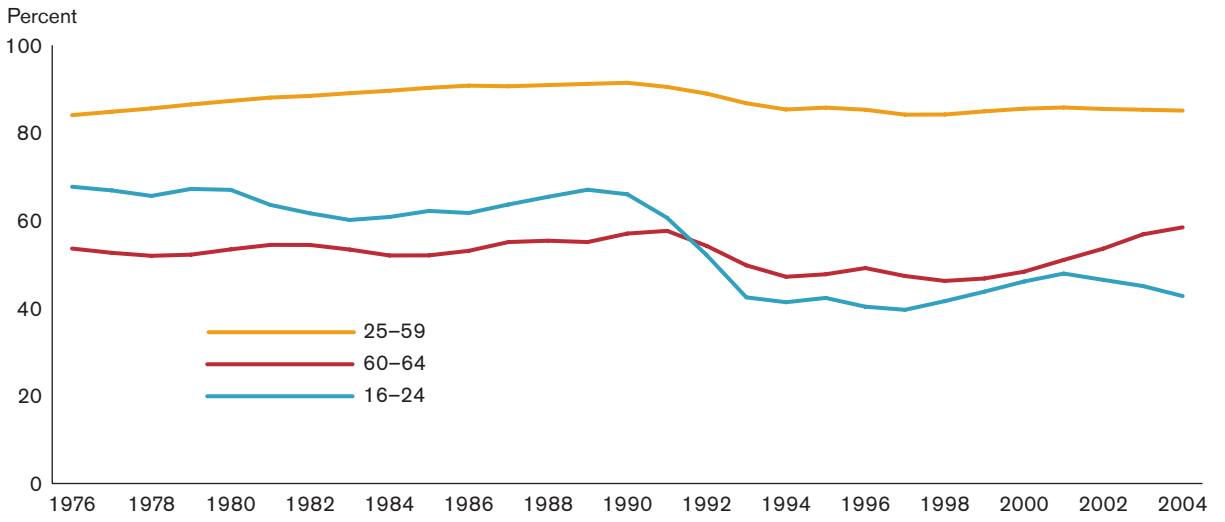

Figure 4.2. Level of employment in different age groups

ing themselves in the labour market has risen from 22 to 28 years of age over the past 15 years.

B. *Employment amongst the elderly.* Another important task will be to raise the average age people actually retire and to increase the number of people in work amongst older age groups. A few years ago, there was speculation about people having to work longer due to the changes in the pension system, or through earlier retirement based on private economic strength. It would now appear that the former is likely to be the case. Over recent years, labour force participation has shown a relatively substantial increase among older people. And there is reasonable potential to raise the extent of employment amongst older people even more.

C. *Reduce the number of people on sickness and incapacity benefits.* There has been significant variation in the amount of sickness absenteeism over the years. To a degree this has been contra cyclical to the labour market, to a certain extent due to other (unknown) factors. At the end of the 1980s, sickness absenteeism was running at record high levels, mainly short-term sick leave. The introduction of a waiting day and a so-called sick pay period reduced sickness absences which bottomed out in 1997. There then followed a rapid increase in long-term sickness absenteeism, which peaked around 2002. An explanation has yet to be found in terms of one single factor, but the increase in sickness absenteeism abated from 2002. However the large number of people on long-term sick leave resulted in a large increase in people on incapacity pensions from 2000 onwards – an increase that now appears to have peaked and come to a halt. It would be advantageous if rules and regulations and the application of such were to be structured such that they do not permanently exclude people from the labour market.

D. *Women work significantly shorter hours than men.* There has been a major levelling out of labour force participation amongst men and women since the 1960s. Today the difference between the genders amounts to around five percentage points. However, women work significantly shorter hours on average than men. Women make up 48 percent of the workforce today, yet only 36 percent of the number of hours worked. These differences have been very slightly reduced by the fact that the average time worked by women has increased by two hours a week over the past twenty years.

The differences in working hours between men and women do not apply solely to women with children (who work around eight hours less than men). Women without children also perform around four hours less paid work than men – and spend corre-

spondingly more time on housework. A relatively rapid switch to a more even distribution of housework between women and men has occurred over the past ten year period, without a reduction in the average time spent by men in paid employment. If this trend were to continue, not only would equality be further boosted, the total volume of work would expand.

E. *Better integration.* A better integration of immigrants in the labour market has sometimes been seen as the most important solution in terms of the supply balance. Hitherto, however, policies pursued have not resulted in anything other than minor changes in workplace participation amongst this group.

It is sometimes claimed however, that there can be a contradiction between increased immigration and ambitions to make integration more effective. An extended investigation 2003/2004 (SOU 2004:19) argued that a relatively substantial increase in immigration would only be able to deliver smaller contributions to the workforce, as long as integration were not improved.

Workforce supply in different segments

National forecasts suggest that the greatest problems in terms of workforce supply in the future will concern personnel in the healthcare and care sectors, primarily in geriatric care. The biggest shortfalls will probably not concern the most qualified jobs, but rather personnel at middle level. Some forecasts say that the shortfall in this type of personnel can amount to as many as half a million people in twenty years time (Gustavsson & Israelsson 2004).

Earlier experiences of government planned training dimensioning had not been positive, and as a consequence this was abandoned at the beginning of the 1990s. Today, education dimensioning at both upper secondary and university level is, in principle, unrestricted and this model also has its problems. There should be some form of intermediate structure that at least to a certain degree accounts for knowledge of the directions in which future demands for personnel are heading in terms of guiding today's education systems and student preferences.

The labour market in Sweden (and most other countries) is very much segregated by gender. In line with the trend sketched by analysts – combined with the gender division prevalent in different segments of the labour market today – up to half a million men would need to be "transferred" to segments that are female-dominated today. This is a process that does not have to occur particularly quickly and can commence in the education system. However the phenomenon can already be observed today on a number of local labour markets dominated by public sector organisations – that is to say those markets that have lost traditional male jobs in the private sector.

The regional dimension

The problems described are even more pronounced in the regional dimension than at national level. There has been a shortage of labour for many years mainly in the big city areas, in parallel with a surplus in a large number of smaller regions where there is a lack of growth in the private sectors.

The demographic situation appears to compound these imbalances. These declining regions already have a large proportion of elderly people today, compared with city regions. This trend is further compounded by the fact that a growing number of young people that move to university towns chose not to return to their home area. Without a tax redistribution system a large number of local authorities today would not have the financial means to support their increasingly ageing population. It is an open question as to how long it will be possible to maintain the redistribution system in its current form as a zero sum game, and when relatively large-scale government subsidies must be provided to maintain a functioning social infrastructure in sparsely populated areas.

According to projections made in recent years of regional population trends (Nygren & Persson 2001), the movement from depopulated regions to big cities and a smaller number of growth centres will continue. According to estimates, the population of the three city areas will account for half of the Swedish population in about 30 years, compared with around 40 percent today.

The unfavourable population structure in a large number of local labour markets will most likely worsen. Relocation has already affected and will continue to exacerbate the differences between regions that are expanding and those in retreat. Already today, a large number of local authorities have such an unfavourable balance between the number of economically active people and elderly residents that their economies are under tremendous strain and would cease functioning altogether without the local authority tax redistribution system. The latter has become increasingly controversial and with the projected population breakdown between 'givers and takers', the system will need to redistribute ever increasing amounts and may be even more robustly challenged. Other government transfers to local authorities amount to a further 100 billion kronor or thereabouts. The government's transfers to households/individuals also have a pronounced regional profile, where declining regions receive a relatively large proportion due to e.g. the high number of people unemployed and on sickness or incapacity benefits. Government funding of local authorities and individual welfare now exceeds local tax revenues in a large number of local authorities. Many local authorities have also indicated that they would like to merge with another local authority. It is no wild guess to say that we are likely to see reforms in how local authorities are grouped within the next ten years.

Population-dependent employment continues to rise

As previously, demand for services will continue to be largely determined by the local population base and its age structure. It will also be largely about manual, social and communicative tasks in healthcare, care and teaching that call for a personal presence in a set location and which can hardly be automated. Even in the future, the local population base will determine the level of demand for such services. Calculations estimate that the proportion of local population-dependent services will increase to around 50 percent of the entire labour market within 30 years. The proportion will increase in practically all regions, and to a higher extent in the smaller labour markets. In the Greater Stockholm region, the proportion will be roughly in line with the national average, and slightly lower in the Göteborg and Malmö regions. What is remarkable however, is that in 30 years there will be local labour markets where demand is virtually exclusively for local services. There will be local labour markets where long-term dilution has created an age structure in the population whereby the entire remaining workforce needs to be deployed in providing care for the elderly. This situation can already be seen in certain sparsely populated areas and it can manifest itself in personnel from central locations caring for sparsely populated communities via home help services.

The problem has a larger dimension however. Projections suggest that two in three jobs in some 30 local labour markets are mainly healthcare, care or similar vital socially funded related services. Which means we can expect the market for such work to cease to function. There will simply be no room for other economic activity due to a shortage of labour.

Significant reserves of labour in many regions in crisis

If, despite everything, one assumes that the funding of core local authority activities can be managed one way or another, the problem remains of finding the labour for those jobs for which there will be demand in the future. This applies not least to regions with shrinking and ageing populations.

At the same time, it should also be noted that many of these regions today have significant reserves of working-age labour. In many of these regions, just 60 percent of the population of working age is deployed (in Gnosjö, for example, the corresponding figure is 82 percent). The rest are supported by the transfer system. It should be obvious that this potential can be better utilised in the production of public services – they are, after all, already supported by public funding. If workforce participation in "weak" regions were to reach the national average, a further 300,000 or so people could be mobilised over time.

The "crisis" regions are characterised by high unemployment, high health problems, and with a few exceptions, a large dependency on social security. These large labour reserves have not come about by

a shortage of job opportunities, but more likely because of differences in culture and assessments made by unemployment funds, doctors and social security administrators (Larsson and others 2005). To a large extent, this applies to the need to commute and/or relocate due to a shortage of job opportunities. One sign of this is the difference in commuting distances between regions in the north of Sweden where these can be long, and above all in the south of Sweden where commuting distances are relatively short.

On the other hand, the differences between regional relocation and adapting mechanisms are not particularly great. Today around two percent relocate each year, of which half are young people moving to and from university. This puts Sweden amongst the lowest levels of relocation in the whole of Europe. Increased geographic mobility – including increased commuting – ought to make a substantial contribution to an increased workforce supply in the future.

Final comments

In around 15–20 years, the support burden for people in work will significantly increase as a result of a substantial increase in the population over 80 years of age. If one does not want to change the way health care and elderly care is funded, the volume of work must increase. To achieve this, there must be an increase in the supply of labour, either in terms of the proportion of people of working age employed or longer working hours for those that are employed – or both.

Against the background of recent trends and the introduction of the new pension system, older people in the workforce would seem to be in a position to significantly boost the volume of work performed without the need for more specific political initiatives. On the other hand, there is a conflict of interest between labour market and education policies when it comes to younger members of the workforce. There ought to be scope for reducing the average length of education and training, but this may clash with education targets.

Better mobilisation of workers with a foreign background should be possible. Perhaps the most important measure would be to increase mobility in the workforce, not least geographically.

Several of these aspects are addressed in subsequent sections of the yearbook.

References

Gustavsson B & Israelsson T (2004) *Arbetskraftsutbudet i Sweden – en utblick mot 2030*. Ura 2004:3, National Labour Market Board, Stockholm.

Larsson L, Kruse A, Palme M & Persson M (2005) *Välfärdsrådets rapport 2005: En hållbar sjukpenningsförsäkring*. SNS förlag, Stockholm.

Nygren O & Persson LO (2001) *Det enkelriktade Sweden*. TCO, Stockholm.

SOU 2004:19, *Långtidsutredningen 2003/04*. Fritzes, Stockholm.

Swedish Association of Local Authorities and Regions (2002) *Kommunala framtider: En långtidsutredning om behov och resurser till år 2050*. Swedish Association of Local Authorities and Regions, Stockholm.

CHAPTER 5

Young people as potential labour force

Ulla Arnell

As soon as students complete their educations, their careers take centre stage. Those who are unemployed right after completing their schooling are at greater risk of being unemployed later in life as well. But what determines how quickly young people succeed in gaining a foothold in the labour market?

Ulla Arnell writes that the social impediments facing young people as they enter the labour market that are emphasized in the literature consist of high youth salaries, severely regulated labour markets and a lack of institutional connections between education and the labour market. Research findings are, however, inconsistent in terms of assessing the importance of these various factors.

Certain groups of young people are overrepresented among the unemployed and in the "outsider" group. This pertains mainly to all young people who come from immigrant backgrounds and have insufficient education. At the same time, increasing numbers of university students are doing extra work in unqualified jobs in addition to their studies. In this way they may be said to be entering the very labour market that those with little education need to become established as adults. Arnell writes that during an economic downturn, when there is a shortage of jobs, employers may prefer to hire younger students on a part-time basis over hiring older workers with little education.

This is an important issue: the group of people consisting of those who have been outside the labour market for two years are at much greater risk than others of being subject to abuse, psychological problems and suicide attempts.

Is the entrance of today's young people into the labour market optimal from a labour-market perspective? How quickly will they find a job in the labour market that they will enjoy, and where they can benefit society?

Nearly 50% of young men between the ages of 16 and 19 worked full-time in 1976, as opposed to just 10% in 2004. The corresponding figures for men aged 20–24 are 78% and 49%, respectively. When it comes to young women, 40% between the ages of 16 and 19 worked full-time, as compared to only 6% in 2004. The corresponding figures for women aged 20–24 are 57% and 30%, respectively.

Dramatic changes have also taken place during the same period of time in terms of part-time work, and the figures for both short and long part-time jobs have risen. This is particularly true for women, where 7% of 16–19 year-olds worked short part-time jobs in 1986, as opposed to 17% in 2004. The corresponding figures for those aged 20–24 are 5%

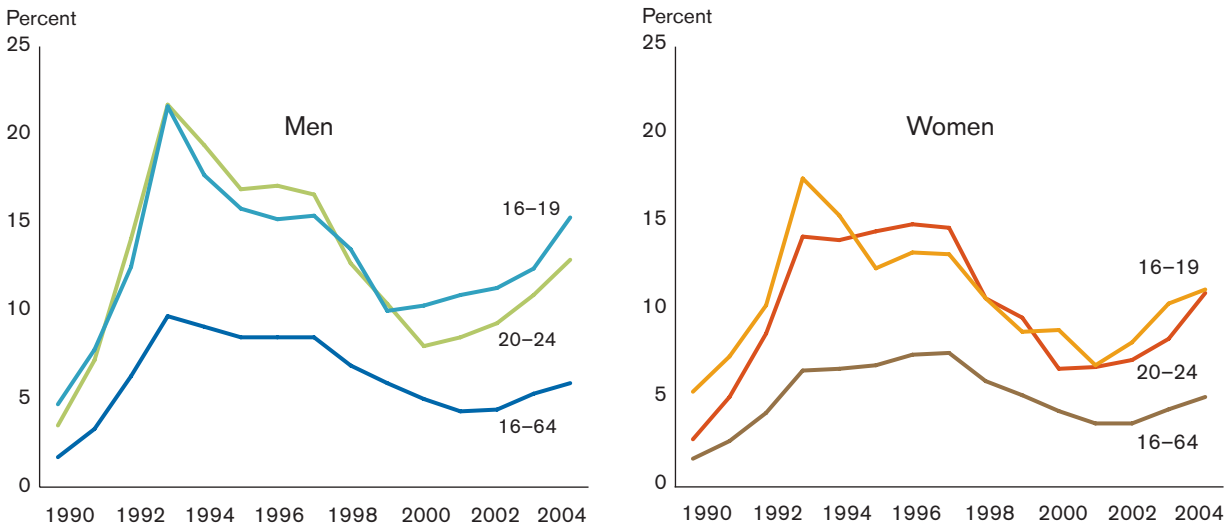

Figure 5.1. Proportion of officially unemployed people in the labour force in the age groups 16–19, 20–24 and 16–64. Men and women. Source: Statistics Sweden Labour Force Surveys (LFS).

and 12%, respectively (Statistics Sweden's Labour Force Surveys (LFS)).

These changes are due in greatest measure to the fact that young people are staying at school longer. This means that they are entering their working lives as full-time workers at an increasingly later point in their lives. Longer education is presumably the main reason for the increase in the proportion of part-time work as well, particularly with respect to short part-time jobs. Many students do in fact work in addition to their school and university studies.

The labour force was subject to different requirements in 2004 than in 1976. More and more jobs are requiring higher education, which obviously means that the process of entering the labour market will take a longer time. But does longer education meet the needs of working life? Are young people being educated for the right kind of jobs? The answer to this question is important when assessing the efficacy of the entrance process. (The topic of the labour force's education and any over/underqualification is discussed in detail in Chapter 10.)

The proportion of young people who are unemployed is one indication that the entrance process is not working well for them. They comprise a number of different groups, not just the officially unemployed young people but those addressed in labour market policy initiatives as well. There are also young people who stay at school because they cannot find a job, and who could also be counted as unemployed, and those who are working less than they would like, i.e. the underemployed. A group of young people often referred to as "young outsiders" has been noticed in recent years. These are young people who are not registered as unemployed, and who are not studying or involved in some other vocational activity. Finally, there is a group of young people who do not want to work; who want to extend their youth and do other things than make a definitive decision to study or work. This group has voluntarily chosen not to become permanently established in working life. They are clearly less problematic than the others, at least from their own perspective. However, from a social perspective, in a society that needs labour force, this group is also worth noting.

Unemployed young people

The high level of unemployment among young people is a key indication that the process of entrance into working life is ineffective. It is well known that

unemployment is higher among young people than among adults; young people are new to the labour market and often lack both personal contacts and job experience. It is also well known that unemployment among young people is highly dependent upon economic conditions. This is clearly evident in unemployment trends among young people from 1990 to 2004 (Figure 5.1).[1]

The level of unemployment varied strongly over this period. Unemployment in Sweden was very high in the mid-1990s, culminating in 1993. Over 20% of men between the ages of 16 and 24 were officially unemployed that year. The corresponding figure for women was 15%. Unemployment was higher among men than women throughout the entire period.

As noted earlier, there are a number of fairly obvious reasons why unemployment is higher among young people than adults. Young people are new to the labour market, and periods of unemployment are natural during the establishment process. But are there, in Sweden, any structural or institutional factors that affect young people in particular that could be acted upon to facilitate the entrance process? We need to look at international comparisons to answer this question. What is unemployment among young people like in other countries, and could any variations that do exist be attributable to structural or institutional factors? Schröder (2000) compared relative levels of youth unemployment, i.e. unemployment among young people in comparison to unemployment among adults, in 22 OECD countries, and found that Sweden fell in the middle of the field during the mid-1990s. Germany, France, Austria, and Ireland had lower relative youth unemployment, while Italy, the US, Norway and Greece had higher levels. According to Schröder, the reasons for the differences between the countries that are generally cited can essentially be broken down into three areas: differences in the structure of the labour market, differences in the institutional conformation of the educational system, and differences in the connections between education and the labour market.

The "structure of the labour market" refers principally to laws and agreements that regulate how pay is determined and how employment contracts are formulated. Research in this area has noted mainly the importance of the wages paid to young people in relation to unemployment among them, and the importance of laws and contracts regarding employment protection. Other factors pertain to the importance of structural transformation, and the extent to which labour markets are segmented.

When it comes to the structures of the educational systems, researchers are mainly concerned with whether education is standardized and stratified. *Standardized* refers to the requirement that examinations, degrees and certificates be consistent at national level, so that they provide the prospective employer with good information concerning the job applicant's theoretical and practical occupational skills. *Stratified* refers to the extent to which the educational system is divided into different areas of study emphasis, how early on such choices are made, and the opportunities that are available to switch between them.

The connection between education and the labour market refers to the extent of employer and trade union influence over the design and structure of vocational training, e.g. over curricula and the criteria for passing exams. The strongest influence from employers and trade unions is seen in the apprenticeship system, where roughly half the training takes place at the workplace.

Schröder believes that it is very difficult to find any obvious explanation for the major variations in youth unemployment that exist from country to country. She writes:

> *Research on the transition from school to labour market is conducted mainly in the disciplines of economics and sociology, where economists include labour market factors in their models, and sociologists generally take the design of educational systems into account. There are, to my knowledge, no empirical sociological studies that take the relative wages paid to young people into account in their models, nor are there any empirical economics studies that take into consideration the fact that apprenticeship systems entail temporary employment contracts at very low pay levels. The possibility thus cannot be ruled out that the ways in which unemployment is divided between young people and adults are impacted by all the factors being discussed. One possible hypothesis might be that young people*

> *experience the greatest difficulties in countries where they are paid relatively high wages, the labour markets are strictly regulated, and there are no institutional connections between education and the labour market* (Schröder 2000, p. 37–38).

In his study, Olofsson (2005) focuses on the importance of the education system for the process by which young people establish themselves in the labour market. In his study of this establishment process, he looks at unemployment, inactivity (i.e. young people who are neither going to school nor present in the labour market) and salary and income conditions, and relates these factors to various educational models. Olofsson also describes different educational models, using the terms "standardization" and "stratification". In models with a high degree of standardization, i.e. where the education provided by different schools is more equivalent, there is less uncertainty concerning the job applicant's competence, which in turn results in lower search costs for both the job seeker and the employer. The practical effect of this is that scholastic grades are valued more highly in relation to occupational experience, a factor that facilitates the establishment of young people in the labour market.

> *Experience indicates that a combination of extensive standardization and differentiation can facilitate the transition from school to working life in a labour market that is segmented along clearly defined occupational lines* (Olofsson 2005, p. 203).

As noted, Olofsson relates various educational models not only to youth unemployment, but also to their inactivity and wage conditions. Inactive young people were discussed in particular in Sweden in the early 2000s. They constitute an important and problematic group when discussing young people as a potential labour force. I will therefore discuss this group in greater depth.

Inactive young people, or "young outsiders"

The group known as "young outsiders" drew major attention in Sweden in a report from 2002 (Ds 2002:30). The report showed that a group of young people categorized in labour force surveys under the heading of "otherwise occupied" had grown markedly since 1990. These young people did not work, were not registered as unemployed or students, and were not on parental leave or doing military service. Between 1990 and 2001, this group grew from 2% to 9% among both men and women aged 16–19. The increase among men aged 20–24 was from 2% to 8%, while the corresponding increase among women of the same ages was from 4% to 10%.

This trend was alarming and a national commission was initiated to study the situation. Who were these young outsiders? What was their background, and is their situation temporary or more permanent? In October 2003, the commission presented its findings in *Young Outsiders* (SOU 2003:92).

The first information about this "otherwise occupied" group was derived from statistics produced by the Swedish Labour Force Surveys (LFS), but the statistics did not shed much light on the group. LFS is a sample survey, and the group was too small to be broken down on the basis of gender or social background, etc. The commission consequently used Statistics Sweden's longitudinal database, LOUISE, to analyze how many such outsiders there are, and who they are. LOUISE contains information on all inhabitants over the age of 15, but includes no data regarding individuals' occupations in the way that LFS does. It was thus necessary to use another definition for being "outside", and extremely low income was used as the main criterion (see page 26 of the study for a more detailed definition).

In the study, a choice was made to differentiate between young people who are outside the labour market for one year and those who are outside for two consecutive years. The idea was that being an outsider for one year can be considered a common feature in many young people's lives, and does not necessarily indicate anything problematic. On the other hand, being an outsider for two years was noteworthy. The number of young people who had been outsiders for two years was estimated at roughly 25,000–30,000 per year. This group comprises mainly 20–24 year-olds; it is much more common for 16–19 year-olds to be outsiders for just one year. In 2001 there were some 7,000 16–19 year-olds and

20,000 20–24 year-olds who had been outsiders for two years.

Those who are outsiders for two years have a more difficult time establishing themselves in the community. A very large proportion of those who are outsiders for two years are also outsiders for a third year (between 57 and 67%). Compare this to the figures for those who have been outside for just one year, which show that 19 to 45% percent of them remain outsiders during the following year as well. Granted, this too is a high figure.

A large proportion of those who are outsiders for two years were born abroad, and individuals who have been in Sweden for less than five years are particularly overrepresented. The most important difference between this group and others in the same age group is that the group that has been outside the labour market for two years has not on average completed nine-year compulsory school. This elevated risk remains even after correcting for gender, social background, place of residence and immigrant status. It even persists when comparisons are drawn between two different time periods in which the economic conditions differed, 1994–1995 and 1997–1998.

The health status of the group of young outsiders was studied in another analysis. It was found that the group that had been outside for two years was significantly more likely to have received care for abuse, psychological problems and suicide attempts than other comparable groups. It is of course difficult to draw causal conclusions here, and no longitudinal analysis was conducted in the study, but these data are highly disturbing per se. Another disturbing finding was that outsider status appears to be a more or less permanent condition for a large group of young people. 30% of the 20–24 year-olds who were outsiders in 1990–1991 were still outsiders in 2001; the corresponding figure for 16–17 year-olds was 21%.

Prolonged transition period from school to working life

The young people who are involuntarily excluded from working life are clearly the most important ones to consider, since we want to estimate the potential available labour force in the future. But the fact that many young people are voluntarily deferring a more definitive entrance into working life may merit discussion. According to a study by Trondman (2003), only 17% of students leaving upper secondary college-preparatory school wanted to start working permanently or go to college immediately. Most wanted to have one or more years in which they could travel, get a sense of what they might want to do in the future, and perhaps work on a more preliminary basis.

There is much to indicate that a separate youth culture is evolving in modern society, one that can influence the length of the transition period to a more permanent establishment in the labour market. This youth culture includes elements of greater individuality and, with it, greater (perceived) freedom of choice than before. This freedom of choice extends to choices regarding work and college studies.

It is not easy to choose the right career. It is necessary to choose a job path in which it is at least possible to make a living, i.e. one where there are jobs. But for many young people it is also essential to find a job that is interesting and rewarding. Fewer and fewer young people say that they want to work just to make a living (e.g. Arnell Gustafsson 1988, Baethge 1992, Hagström & Gamberale 1995, Inglehart 1997). A job is an expression of an individual's identity.

It would appear that the process of making decisions regarding educational and occupational choices is increasingly complex. Thomas Ziehe (1986) speaks of a growing "opportunity awareness" with respect to individual choices in terms of lifestyle in general, and in which one's choice of occupation is also included. The mass media and the information society have resulted in more people knowing more about alternatives. Increased individuality demands that you find the right option for your unique personality. Even if the actual opportunities are limited, there is a perception of freedom of choice, a belief that you yourself determine your future. While this is naturally viewed as positive, it can also impose a burden. Many young people presumably choose to defer this difficult decision. They opt to work on a

preliminary basis, and may travel abroad before embarking on their adult lives in earnest.

What impact does this prolonged entrance process have in terms of labour force potential? How effective is a labour market in which young people become established late in their working lives, in a process that takes time? Many young people work in unqualified jobs during their period of youthful searching. Even those who subsequently, in their more permanent positions in the labour market, find a qualified job will thus have experience gained from a job that did not require any higher education. Many university students also hold jobs in addition to their studies, which once again are relatively unqualified in nature. This presumably explains the increase in "short part-time jobs" (1–19 hours per week) over the last few decades. In 2004, more 16–19 year-olds worked part-time than worked full-time (10% vs. 9% among men, 17% vs. 6% among women). Among 20–24-year olds there was a 5 point increase among men (from 2 to 7%) and a 9 point increase among women (from 3 to 12%) between 1990 and 2004.

From a young person's perspective, the working life experience he or she gains during this period of searching is positive, although there is research that points to negative consequences as well (Greenburger & Steinberg 1986). There are certainly positive consequences from society's perspective too. Gaining experience about how different groups in society live increases social solidarity and integration. But there can also be negative consequences that can increase the degree of segregation in society. When there is competition for jobs, including unqualified ones, those young people who do not wish to continue their studies may find it increasingly difficult to get a job, a job that would entail establishment as an adult in their case. It is possible that employers prefer to hire young college students as supermarket cashiers and waiting staff on a part-time basis. This hypothesis is supported by the fact that there are now staffing companies devoted specifically to college students and their need for part-time work. On the other hand, another factor is more likely to be relevant in a labour market in which there is a shortage of workers. From a socio-economic standpoint, it is more efficient for higher education to occur early in life, to be undertaken quickly and in a concentrated fashion. Individuals will then reap the benefits throughout their working life.

Some summary comments

The future labour force potential of young people has much to do with the nature of the process of entering working life. Is it a process that aids or hinders young people in finding a place in working life that they will enjoy, and that society needs?

One study (Schröder 2000) posits the qualified hypothesis that the entrance process is becoming more difficult in countries that have high wages for young people, strictly regulated labour markets and no institutional links between education and the labour market. Another study (Olofsson 2005) strongly stresses the importance of institutionalized vocational training with strong ties to working life.

It is relatively easy for most young people to find a job when the economy is thriving. It is considerably more difficult to do so during an economic downturn. One question of major importance concerns the ease with which young people who become unemployed in a weak economy can regain a position in the labour market when the economy turns. This has a major bearing on the issue of young people as a potential labour force, which is indeed most relevant in situations where there is a labour shortage. To what extent are segments of a younger generation that entered the labour market forced out until new job opportunities arise? The fact that early unemployment has long-term consequences has been demonstrated by Nordström Skans (2005). He shows how young people (from mainly vocationally oriented programmes) who were jobless immediately following their schooling were still at greater risk of being unemployed five years later. The long-term consequences of embarking on one's working life in a weak economy were discussed and noted in connection with the very severe situation that young people faced during the crisis years of the 1990s. What has this meant with respect to the difficulties that young people experienced in the labour market of the early 2000s? Some studies show that sick leave and early retirement are increasing more rapidly among young people than among older people. Statistics indicate that the increase in sickness

figures was high for all age groups between 1999 and 2002, but that the greatest increase pertained to young people (Lidwall et al., 2004, p. 178). This also applies to long-term sick leave (Lidwall et al., 2004, p. 184). The increase in terms of perceived illness in the form of mental incapacity has also been greater among young people, up to the age of 35, than in older age groups (Hallsten et al., 2004, p. 164). And the same trend is also evident with respect to early retirement: newly granted early retirements increased more among young people than older people during the period from 1999 to 2002 (Skogman Thoursie et al., 2004, p. 203).

Young people are not a homogeneous group and some studies show that heterogeneity among young people is increasing in terms of wages, for example (Olofsson 2005, p. 210). The process of entering the labour market is fast and smooth for some young people, while other have a harder time finding their place. I mentioned above that certain groups of young people are overrepresented in terms of both unemployment and outsider groups. This applies mainly to young people from immigrant backgrounds and those with a lack of education. It is self-evident and long been known that differences in educational background have a major impact on the process of entering the labour market. However, recent studies indicate that the value of higher education has lost some of its importance in relation to the risk of being unemployed (AMS 2005). Is there a risk of education inflation in Sweden today? And how does that affect these groups of young people?

Another consequence of the fact that more and more young people are spending more time in school – and thus the time spent prior to becoming established in working life is growing longer in general – is that university students and presumptive university students work to an increasing extent in unqualified jobs during their establishment periods. It may be said that they enter a labour market that those with little education need for their adult establishment in working life. Whether or not competition arises for lowly qualified jobs depends in large measure on the state of the economy. In a weak economy where there is a shortage of jobs, employers may prefer to hire young students on a part-time basis rather than older people with little education. Such competition is, of course, less prevalent in a strong economy.

Note

1. The figures for official unemployment presented in Figure 5.1 do not tell the whole story of unemployment among young people. In addition to this group, there are also young people who are participating in various labour market policy-related programmes. Such young people accounted for 7.3% of those among the 18–24 age group in 1996. The corresponding figure for 2004 was 2.7%. In addition to these individuals, there are also young people who are latent job-seekers, i.e. they are not actively seeking work but indicate in interviews that they would like to be working. This group includes full-time students who are studying in the absence of work. It is very difficult to estimate the size of this group in terms of their labour force potential, in part because it includes school-weary nine-year compulsory and upper secondary pupils. The extent to which their statements that they would rather work than go to school are representative of actual labour force potential is open to debate. The number of young people who indicate that they would like to be working more than they are now, i.e. those who are underemployed, is also difficult to interpret in terms of labour force potential. In addition, there are obviously young people who are working part-time in addition to their studies, for instance, and who indicate that they would rather work more because they are tired of school.

References

AMS (2005) Arbetsmarknadsutsikterna för år 2005 and 2006. [Labour market prospects for 2005 and 2006] Ura 2005:2, National Swedish Labour Market Board, Stockholm.

Arnell Gustafsson U (1988) Om ungdomars syn på arbete. En litteratursammanställning. [On young people's attitudes towards work. A literature survey] Swedish Centre for Working Life, Stockholm.

Baethge M (1992) "Changes in Work and Education as Constituting Factors of Social Identity: Theoretical and Political Implications" in Halvorsen T & Olsen OJ (ed.) Det kvalifiserte samfunn? [The qualified society?] Gyldendal, Oslo.

Ds 2002:30, *Arbetskraftsutbudet and välfärden. Aktuell politik and framtida utmaningar.* [The labour force supply and

welfare. Current policy and future challenges] Swedish Ministry of Industry, Employment and Communication, Stockholm.

Greenburger E & Steinberg L (1986) *When Teenagers Work. The Psychological and Social Costs of Adolescent Employment.* Basic Books Inc Publishers, New York.

Hagström T & Gamberale F (1995) "Young People's Work Motivation and Value Orientation" *Journal of Adolescence*, 18, pp. 475–490.

Hallsten L, Lundberg I & Waldenström K (2004) "Lågt psykiskt välbefinnande – tendenser på och utanför arbetsmarknaden" [Low mental well-being – trends in and outside the labour market], pp. 151–172 in Gustafsson RÅ & Lundberg I (ed.) *Arbetsliv and hälsa 2004*. National Swedish Institute for Working Life, Stockholm.

Inglehart R (1997) *Modernization and Postmodernization. Cultural, Economic and Political Change in 43 Societies.* Princeton University Press, Princeton, New Jersey.

Lidwall U, Marklund p. & Skogman Thoursie P (2004) "Utvecklingen av sjukfrånvaron i Sverige" [The development of sick leave in Sweden], pp. 173–194 in Gustafsson RÅ & Lundberg I (ed.) *Arbetsliv and hälsa 2004*. National Swedish Institute for Working Life, Stockholm.

Nordström Skans O (2005) "Har ungdomsarbetslöshet långsiktiga effekter?" [Does unemployment among young people have long-term effects?] *Arbetsmarknad & Arbetsliv*, Vol. 11, Issue 3, pp. 147–156.

Olofsson J (2005) *Svensk yrkesutbildning. Vägval i internationell belysning.* [Swedish vocational training. Choices from an international perspective] SNS, Stockholm.

Schröder L (2000) *Ungdomsarbetslösheten i ett internationellt perspektiv.* [Unemployment among young people from an international perspective] Research report 2000:4, Institute for Labour Market Policy Evaluation, Uppsala.

Skogman Toursie P, Lidwall U & Marklund p. (2004) "Utvecklingen av nybeviljade förtidspensioner" [Trends in newly granted early retirements] pp. 195–211 in Gustafsson RÅ & Lundberg I (ed.) *Arbetsliv and hälsa 2004*. National Swedish Institute for Working Life, Stockholm.

SOU 2003:92, *Unga utanför.* [Young outsiders] Fritzes, Stockholm.

Trondman M (2003) *Unga vuxna. Kulturmönster and livschanser. En empirisk översikt.* [Young adults. Cultural patterns and life chances. An empirical overview] Report no. 1, Swedish Centre for Cultural Research, Växjö.

Ziehe T (1986) *Ny ungdom. Om ovanliga lärprocesser.* [New youth. About uncommon learning processes] Norstedts, Malmö.

CHAPTER 6

The Swedish "vertical mosaic"

Carl-Ulrik Schierup

This chapter discusses current ethnic divisions in the Swedish labour market.

According to the Swedish Integration Board, foreign-born "Africans" and "Asians", after being in Sweden for 20 years, run twice as high a risk of being unemployed as native Swedes of similar educational background and age. Those born in Asia, Africa, Latin America or European countries outside of the EU are much more likely to work in temporary employment than those born in Sweden.

Carl-Ulrik Schierup addresses the significance of discrimination. He discusses the increasingly discussed grey or black sector of the labour market, the conditions facing a growing number of undocumented migrants in the Swedish labour market and the fact that immigrants often lose their jobs during economic downturns. He explains how practices of the strongly organised trade unions in Scandinavia have long succeeded in minimizing the range of the informal labour market and irregular migration, but are now faced with a new situation.

The status of immigrants in the labour market has clearly attracted the attention of researchers in recent years. But the author argues that there is a need for more research with a focus on changing work organisations, and on the institutional conditions and assumptions targeting the labour market incorporation of migrants and ethnic minorities in both the public and the private sectors of the economy.

In the late 1960s, Canadian researcher John Porter (1968) described North American society as a "vertical mosaic", i.e. a society in which class and ethnicity intersect, creating a complex mosaic of social inequality. Unevenly distributed economic, social and cultural resources meant unequal political influence. A Swedish vertical mosaic began to emerge at roughly the same time, in which a gender dimension was also noted (Schierup & Ålund 1987, Ålund 1985). Nowadays this is often analyzed using the term *intersectionality*. There is, however, a substantial difference between the class-divided, gender-segregated and ethnically fragmented labour market that existed during the heyday of the "Swedish model" and today's forms of social, ethnic, class and gender exclusion, which in Sweden started to took shape, in particular, from the 1990s (see also Schierup et al., 2006, Chapter 8).

After a brief historical review of immigration related to the so-called 'Swedish model', I will discuss various aspects of the ethnic division of the current Swedish labour market. I address issues concerning employment, unemployment and new forms of employment. I discuss the importance of discrimination and a growing and increasingly ethnicized grey or black sector of the labour market.

Historical background – immigration and the Swedish model

A post Second World War organised recruitment of migrant workers in Sweden culminated in the late 1960s and early 1970s. Migrant workers helped to cool a heated labour market, favouring the expansion of a Tayloristic industrial system based on the conveyor belt (see e.g. Ohlsson 1978) and the major export companies. The importation of labour also made it easier for native Swedes to advance from menial or semi specialized blue collar to more attractive white-collar positions (Persson 1972). At the same time, the influx of workers was tied, as early as the 1960s, to an immigration policy that was foresighted compared with those of most immigration countries in Europe, and that had the broad support of both the Swedish Parliament and the parties involved in the labour market. This policy focused on incorporating everyone into the general welfare system, and on including the immigrants in the regulated labour market. Immigration and the social inclusion of immigrants became integral parts of the Swedish economic and labour-market model. Those born abroad were granted the same formal rights in the welfare system as native Swedes (Schierup et al., 2006, Chapter 8).

As in other immigration countries in Western Europe, an ethnically divided labour market clearly arose, with workers from Finland, Southern Europe and Yugoslavia in the least desirable industrial jobs, and in service jobs such as cleaning and restaurant work. Discrimination in the labour market and in corporations hindered occupational mobility and prevented immigrants from getting jobs commensurate with their qualifications and educations (e.g. Schierup & Paulson 1994).

But even with the traditional Swedish model's obvious and growing structural problems from the mid-1970s on (e.g. Schierup et al., 2006, Chapter 8, Weiss 1998, Chapter 4), full employment was the rule, and when Sweden adopted a new multicultural approach in its immigration policy at that time, immigrants still enjoyed high employment rates and very low unemployment. This stood in contrast to the situation in e.g. Denmark, where "foreign workers", as in many other Western European countries, had already come to bear the brunt of a deep restructuring crisis in the form of runaway unemployment (Schierup 1985, 1993). The Swedish model's solidarity-based wage policy and full employment, combined with a higher degree of full-time employment (in industry) among foreign-born women than among those born in Sweden, also meant that income discrepancies between immigrants and native Swedes were, on the whole, relatively small (Lundh et al., 2002, Wadensjö 1994).

But during the 1980s, even foreign born began to suffer considerably higher unemployment than native Swedes, and a lower employment rate. Those who came to Sweden as refugees had a particularly difficult time entering the labour market. Many of the earlier migrant workers, who had worked for many years in tough industrial or service jobs, were given early retirement. Nevertheless, Sweden was still different to most other Northern European immigration countries. Overall, the level of unemployment among foreign-born workers remained fairly low from a European perspective, and workers who lost their jobs benefited from the safety net of active labour market policy measures. But with the crisis of the 1990s, an altered economic policy and a pervasive restructuring of the economy, ethnic divisions and ethnically-based exclusion began to assume new forms and proportions that have not only persisted, but are even more clearly evident today.

Ethnic divisions of labour

While the proportion of unemployed in the work force among native Swedes rose from 1.3% in 1989 to 7.6% in 1993, the corresponding figure for those born abroad rose from 2.9% to 15.4% over the same period of time (Swedish Integration Board 2005:21), while rising 3.5% to 24% among foreign citizens. These are indeed extremes. 1989 was characterized by a fast growing economy and an overheated labour market (see e.g. Ohlsson & Broome 1988, Schierup 1991), while the economy plunged into recession in 1993. But even if unemployment among the foreign-born subsequently decreased along with reduced unemployment overall, the skewed distribution between the native-born and foreign-born became no less striking. Thus, the proportion of unemployed in the work force among the native-born was 4.3% in

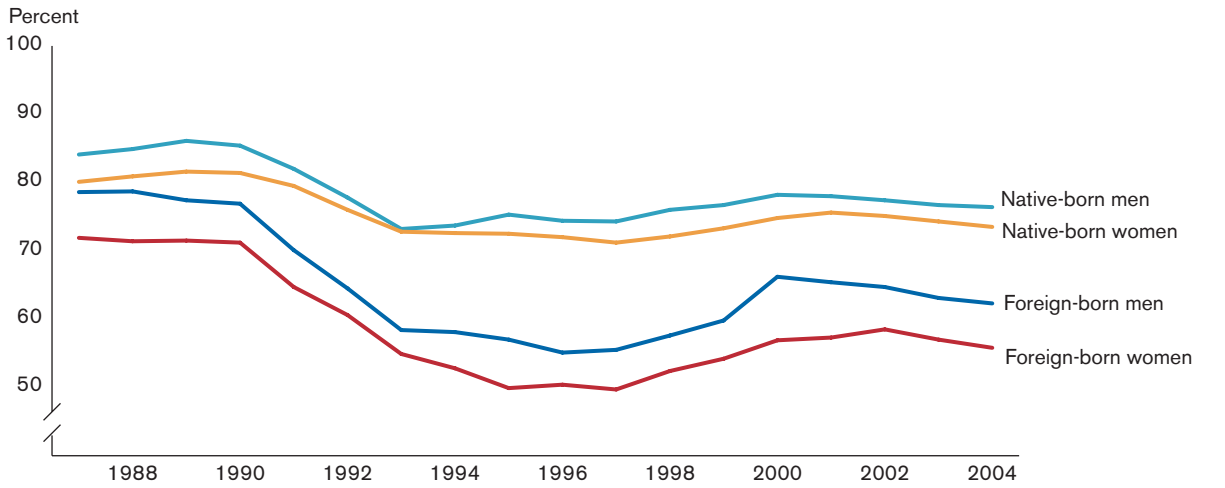

Figure 6.1. Proportion of employed people in the population 1987 – 2004, native/foreign-born, men and women aged 16 – 64. Percentage. Sources: Swedish Integration Board (2005, p. 14), based on Statistics Sweden, Labour Force Surveys (LFS), fourth quarter for each year, and on the Swedish Integration Board's own calculations

2004, but 10.6% among those born abroad (Swedish Integration Board 2005, p. 21).

This disproportionality is particularly striking with respect to people born in Africa and Asia, but it applies to European countries outside the EU15 (the EU, excluding new member states, as of 2004) as well. According to the Swedish Integration Board's estimates, foreign-born with their background in "Africa" or "Asian" were five to nine times more likely to be unemployed as Swedish born. Even if a number of parameters are kept constant, among them individuals' education, age, civil status and gender (Swedish Integration Board 2002, p. 32 et seq.), the risk of being unemployed remains twice as high – after 20 years of residency. The rise in unemployment since 2000 has also affected those born abroad more severely than those born in Sweden (Swedish Integration Board 2005, p. 21). The extent of this marginalization of the foreign-born in the labour market since the beginning of the 1990s, and the contrast between foreign and Swedish born, first gains particular salience if we also consider the marked decrease in employment during this same period. The employment rate among those born in Sweden fell from 83.9% in 1989 to 75% in 2004, but from 74.3% to 59% for the same period of time among those born abroad (Swedish Integration Board 2005, p. 15). Here again there are major differences between different groups of the foreign-born, with immigrants born in Africa, Asia or European countries outside of the EU15 being especially vulnerable. According to an index created by the Swedish Integration Board (2002, p. 35 et seq.), individuals from these parts of the world had, during the period from 1996 to 2000, an 80% lower chance of being employed than native Swedes if they had been in Sweden for less than 20 years, and still a 50–60% lower chance if they had been residents for at least 20 years.

Figure 6.1 shows the development of employment among (all) foreign-born from the late 1980s through 2004. Figure 6.2 compares national employment indices in a number of European countries. This figure compares the employment rate among those born in Sweden and a number of other European immigration countries with various categories of foreign-born individuals in the same countries. Each country's average level of employment yields an index of 100. Sweden and Belgium are the countries where the greatest difference is seen between the employment rate for, on one hand, the native-born and, on the other hand, those born outside of Europe and in European countries outside of the EU/EEA.[1] This must also be considered

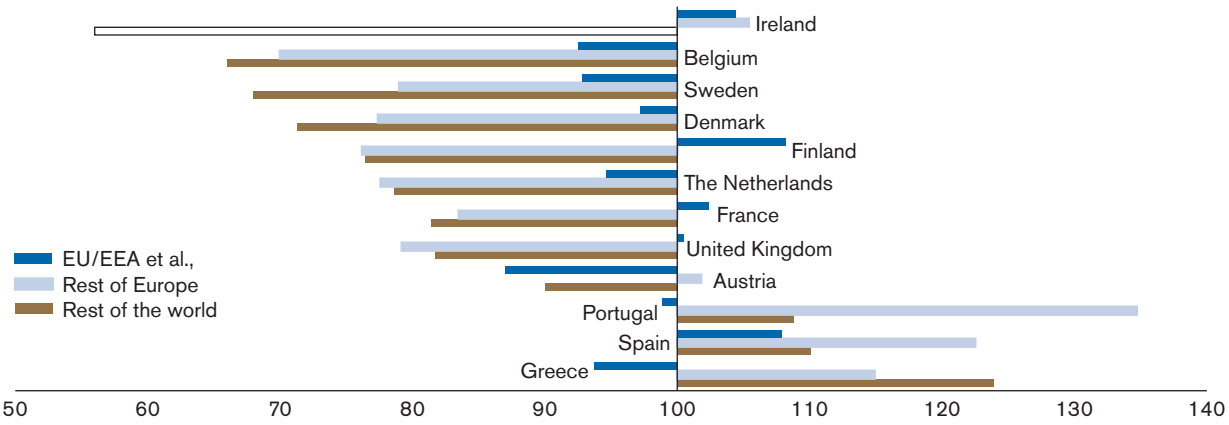

Figure 6.2. Employment index, foreign-born people from different regions of birth/native-born people in different European countries. Index = 100. Source: Reproduced from documents from the Swedish Integration Board (see also Swedish Integration Board 2003, p. 130). Based on data from EUROSTAT and the Swedish Integration Board's own calculations. Bars not filled in (Ireland) indicate that there were too few observations.

in relation to the high general employment rate in Sweden compared with other countries on the continent, such as Germany, Austria, France, Belgium and the Netherlands. It is also important to bear in mind that the diagram's apparently positive index for employment among the foreign-born in Portugal, Spain and Greece cannot be considered indicative of a generally favourable situation for immigrants in the working lives and labour markets of those countries, but rather an expression of the fact that migrants (from countries outside the EU) continue to play essentially the same role as migrants played in the 1950s and 1960s in most of Europe's "old" immigration countries, such as the UK, Germany, Austria, France, Holland and Belgium, i.e. they serve mainly as labour force and have no status as immigrants. This is subject, however, to the important distinction that their employment terms, working conditions and access to social rights in Southern Europe today are generally much worse and more uncertain than they were in Sweden and many other traditional immigration countries during the 1960s. Migrants are generally excluded from most parts of the welfare systems in the countries of Southern Europe. There also continue to be large hidden numbers of migrants in Southern Europe, since a large proportion of migrants work in these countries' extensive informal labour markets (see also Schierup et al., 2006, Chapters 4, 7 and 9).

Against the background of a low employment rate among foreign-born, extensive chronic unemployment and pervasive changes in Swedish active labour market policy (see Junestav 2004), which is increasingly unable to attract and re-adapt jobless immigrants to a harsh and discriminatory labour market, large groups among the foreign born have become dependent on social welfare support (see e.g. Lundh 2002, p. 58 et seq.). In the 1970s, the proportion of households supported by people born abroad who were dependent on social welfare support was roughly on par with the Swedish average, but the figure shot upward during the 1990s (Franzén 2001). Based on survey material from ULF [Survey of Living Conditions] for the years 1993–2000, Vogel (2002, p. 54) showed that people born in the former Yugoslavia, the Middle East and Africa ran over ten times as great a risk of being dependent on social welfare support as native Swedes, and that the risk remains over six times as great after ten years of residence in Sweden, except among those born in Yugoslavia. This has been one of the most important reasons for growing wage discrepancies between native Swedes and people born abroad, in contrast to the situation in the 1970s and 1980s, when the tra-

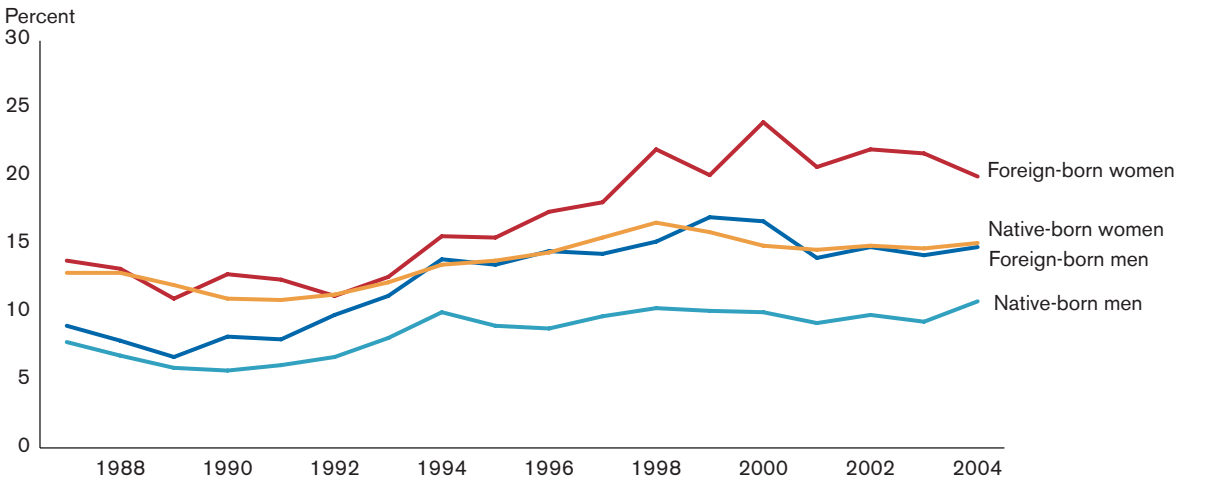

Figure 6.3. Time-limited jobs in Sweden among native- and foreign-born women and men aged 16 – 64. Percent of unemployed people. Source: Swedish Integration Board (2005, p. 22), based on Statistics Sweden, LFS [Labour Force Surveys], fourth quarter for each year, and on the Swedish Integration Board's own calculations.

ditional Swedish models' prioritization of full employment still served as the basis for the integration of immigrants (Lundh 2002, see also Vogel 2002). The social welfare support system has also become increasingly restrictive in an era of crisis in Swedish municipal budgets.

Another contributing factor in the increasingly skewed income distribution is undoubtedly the clear over-representation of foreign-born in time-limited and short part-time jobs. Figure 6.3 shows, based on Labour Force Surveys (LFS), the number of time-limited jobs among all foreign-born individuals compared with native Swedes. Both native Swedes and foreign-born, and both women and men are increasingly often employed in time-limited jobs. But the increase is much more pronounced among the foreign-born than among native Swedes. This applies to both foreign-born men and foreign-born women. However, the increase among foreign-born men started from a significantly lower level than is the case for foreign-born women, who are now in a class by themselves in terms of most often having time-limited jobs. Foreign-born men now hold roughly the same proportion of time-limited jobs as native-born women.

But here again, much depends on where one was born. The *ULF* [Survey of Living Conditions] ma-

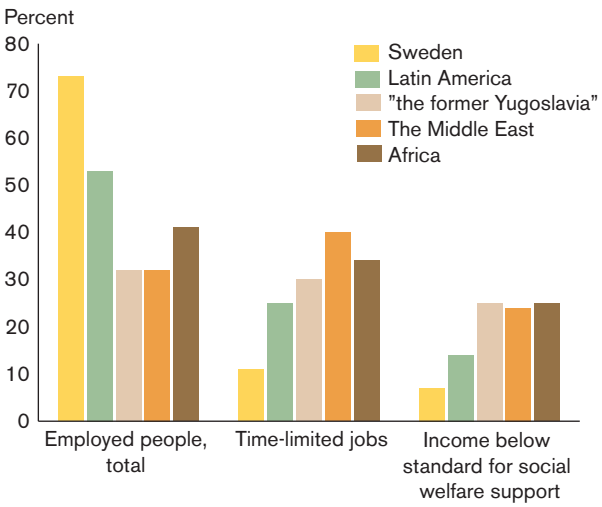

Figure 6.4. a) Employment in total, b) proportion of employed in temporary employment, and c) income below minimum social allowance 1993-2000. Swedish born and born in Latin America, "former Yugoslavia", the "Middle East", and Africa. Source Vogel 2002, pp. 38 and 19–99, based on ULF [Survey of Living Conditions].

terial, which describes a cross-section of the 1990s, indicates that employed persons born in the former Yugoslavia were nearly three times more likely than Swedish-born people to be employed in time-limited jobs, while those born in the Middle East were nearly four times more likely. (Hjerm 2002, pp. 91 and 99). However, this probably represents just one aspect of the ongoing marginalization process. The term "hypercasualization" is used by British researcher Bill Jordan (1996) to describe how groups in the population, often with immigrant backgrounds, are compelled to live on a narrow and uncertain income margin, with one foot in an increasingly strict public-welfare system and the other in the grey or black labour market, dependent on temporary and extremely uncertain jobs. This problem has been discussed in a Swedish context by Slavnic (2000, 2002).

With the help of *ULF* data, Vogel (2002, pp. 37–38) found that persons born in Turkey, the former Yugoslavia, Africa and the Middle East were five to six times more likely to have incomes below the standard for social welfare support, a situation that appears to persist even after many (10 or more) years in Sweden. Figure 6.4 shows striking skews in employment rates, the proportion of time-limited jobs among those who are employed, and individuals with income levels below the standard for receiving social welfare support. It must be noted that the results for the foreign-born vary substantially as a function of length of residency in Sweden, even though the general trend is clearly apparent for all categories, regardless of length of residency.

"Second generation"

Children of immigrants, born in Sweden, or children of foreign-born parents who have come to Sweden as relatives while of pre-school or nine-year compulsory school age, i.e. the so-called "second generation" appear, with the exception of those with Nordic backgrounds, to face obstacles in the labour market similar to those encountered by their parents (Swedish Integration Board 2002, p. 48 et seq.). Young people who were born abroad and immigrated after the age of seven thus run a risk of being jobless that is three times that of young people born in Sweden. Those born in Sweden to two foreign-born parents are also at 40% greater risk of being unemployed than children with two Swedish-born parents.

Particularly worrying (SOU 2003:92) is the category of so-called "young outsiders" who have become an apparently permanent feature of the Swedish vertical mosaic since the early 1990s. This group comprises young people between the ages of 16 and 24 who neither study, are registered as unemployed, or receive social welfare support. Young people with an immigrant background are clearly overrepresented in this category, and amongst young people who receive social welfare support (Olofsson 2005). These are often young people with only elementary educations.

Segmented labour markets in urban areas

Many of these young people probably come from the segregated multiethnic suburbs of the major cities, known as "distressed neighbourhoods," to which decades of selective residential policy (Sangregorio 1984) and a harsh and ethnically segmented urban labour market have funnelled excluded immigrants and their children, along with those on early retirement, those pensioned due to illness or disability, low-paid single heads of households, and other socially distressed groups.

There is a close correlation here between low income, heavy dependence on welfare support, and uncertain and marginal ties to the less regulated segments of the labour market, including the grey or informal sector. This correlation has still not been adequately studied, despite extensive research and investigation into "urban issues" since the mid-1990s. Over time, this problem appears to be growing rather than diminishing, and becoming increasingly racialized (see Molina 1997).

Since the mid-1990s, the proportion of those born abroad has varied between 8% in all urban areas with "extremely high income" and over 50% in all areas with "extremely low income," and this inequality is growing rather than decreasing (Swedish Integration Board 2002, Storstadskommittén [Urban Committee] 1997, pp. 55–57) as the individuals and families with the greatest resources move away

from these areas and new groups of immigrants, who come to Sweden mainly as refugees, move in (see e.g. Andersson & Bråmå 2004).

The self-employed

As is the case in other immigrant countries in Northern Europe and North America, programmes that attempt to promote self-employment have come to be viewed as one of the most important strategies for including people from countries outside of Europe socially, enhancing their welfare and preventing them from being excluded from the labour market (Ds 2000:69, SOU 1996:55, 1999:49). Government measures have thus contributed to further increasing the degree of over-representation of people in the self-employed category among other groups of foreign-born individuals from none-OECD countries, and their children. This holds true even if other parameters, such as gender, age, education and other factors of importance to one's position and career in the labour market are kept constant (Hammarstedt 2001, Scott 1999).

The likelihood of being self-employed increases with a low level of education, which presumably means that those with little education look upon self-employment as an means of escaping unemployment and dependence on social welfare support (Lundh 2002, pp. 35–36). Self-employment offers niches for individuals with immigrant backgrounds who hold marginal positions in the labour market, but it does not offer the career opportunities or income growth enjoyed by permanently employed "majority Swedes" (see e.g. Hjerm 2001). According to Hjerm, the positive effect on income reported in a number of studies from the US (e.g. Light & Rosenstein 1995, Waldinger 1996) thus appears to fail to affect to the same degree the self-employed among groups with immigrant backgrounds in Sweden. Small businesses with slim financial margins, social uncertainty, extremely long work hours and no unemployment insurance make it difficult for many self-employed people to buy their way into the Swedish social security system (see Levin & Weström 2001).

This supports Kloosterman's (1999) contention that the social democratic welfare states in Scandinavia and the conservative Christian democratic welfare states on the continent, such as Germany and the Netherlands, create conditions for immigrants' small businesses that differ substantially from those in traditional liberal welfare states such as the US and UK. The threshold for entry into the protected and strictly regulated labour markets in the continental welfare states and Scandinavia is high. Immigrants and their children who succeed in getting and keeping a job in the formal, regulated sector of the labour market are generally less motivated to become self-employed than immigrants in the US and the UK where:

> *...self-employment is not engaged in so much due to lack of openings in the least favourable segments of the labour market, which against a background of impediments drive mobility to higher levels (Kloosterman 1999, p. 100).*

The reason for becoming an entrepreneur in the liberal Anglo-Saxon context, according to this line of reasoning, is usually the hope of higher income, while immigrants and their offspring in a social-democratic or conservative context are more likely to become self-employed as an alternative when all other doors to the labour market appear closed. The numerous low-paid jobs in liberal British and American contexts appear to stimulate various niches for self-employment, while high labour costs and the stricter controls in highly regulated welfare systems and labour markets demand major investments from small businesses.

As a result, self-employment and entrepreneurship are exceedingly concentrated to a smaller number of niches such as restaurants and retail, where competition is fierce unless the "entrepreneurs" are driven underground, into the informal economy, to avoid regulation and controls. This situation led Hedi bel Habib (2001) to call Sweden's new class of so-called ethnic entrepreneurs "a new proletariat." Such a perspective indicates that an effective policy for combating social exclusion by stimulating self-employment must be based on the eradication of institutional barriers, and on long-term and well-conceived growth and development strategies (see e.g. Rosing et al., 2001).

The importance of discrimination

As is the case in other old immigrant countries in Europe such as Germany, France and the Netherlands, the increasing employment-related problems for immigrants in Sweden since the 1980s are tied in with the outflow of jobs to new industrial zones globally. Like streamlining measures and technological progress, this trend has affected in particular those jobs in the traditional base industries held most often by immigrants. Refugees who received residency permits in the 1980s and 1990s have also experienced increasing difficulties in establishing themselves in the protected and regulated, but increasingly segmented, Swedish labour market. This probably ties in with changed institutional frameworks for how refugees are received (see e.g. the discussion in Schierup 1991). But it also has to do with new forms of work organisation that stimulate the development of so-called "homosocial" occupational groups, with discriminatory effects, which lead to a deepening of the unequal ethnic distribution of work in and between companies (Schierup & Paulson 1994; for an alternative perspective see Bevelander 2000, Lundh 2002, Scott 1999).

New statistics from the Swedish Integration Board (2002) point to the key role played by discrimination in the disadvantaged status of immigrants and their offspring in the Swedish labour market. Company managers often appear to overlook the expertise and qualifications of workers born in non-EU countries (Swedish Integration Board 2002, p. 41 et seq.). Detailed register studies indicate that it is hardly possible to blame exceedingly low employment rates and high unemployment among foreign-born individuals on a lack of education. Education certainly has some bearing, but to a much smaller degree with respect to immigrants than to native Swedes, and certain categories of immigrants are clearly affected more than others (see also e.g. Berggren & Omarsson 2001, Bevelander 2000, Ekberg & Gustafsson 1995, Hjerm 2002, RRV 1992, Schierup & Paulson 1994, Spalloni 1994). The lowest levels of formal education are found among those born in other Nordic countries, who nevertheless enjoy a relatively strong position in the Swedish labour market. Conversely, immigrant men from Africa and Asia are strongly disfavoured in terms of employment, even though their levels of education are on a par with those of native Swedish men, while women with the same non-European origins have a level of education corresponding to that of women from other Nordic countries (Swedish Integration Board 2002, p. 41 et seq.).

Indirect institutional discrimination appears to be a significant factor in this context. The Swedish Employment Protection Act seems to function, in practice, as a sort of indirect institutional ethnic discrimination according to, e.g. the Swedish Integration Board in its 2002 *Rapport Integration* [Integration Report] (Swedish Integration Board 2002, p. 40 et seq.). Employees from immigrant backgrounds and with less seniority, in particular, are affected more than native Swedes by corporate downsizing and cutbacks. Individuals who came to Sweden as refugees during the 1980s and 1990s are particularly vulnerable to such indirect discrimination. Immigrants who have lived in Sweden a short time are used as a fluid reserve workforce or buffer in the labour market.

However, a number of studies show that the role of immigrants as a buffer against economic downturn also affects individuals with long seniority, and that it is important to be aware of more direct discrimination as well (Hjerm 2002, Swedish Integration Board 2002, p. 44 et seq.). Multivariate analyses that eliminate the effects of immigrant over-representation in "temporary jobs" and generally shorter times in the labour market, and also correct for age, gender, length of residency in Sweden, economic sector, education and union affiliation, indicate that patterns of dismissal during economic downturns still affect immigrants more than native Swedes, all other factors being equal (Arai & Vilhelmsson 2002, Swedish Integration Board 2002, p. 45). This tends to depend to only a very limited extent on proficiency in the Swedish language (Arai et al., 1999, Swedish Integration Board 2002, p. 49, Vilhelmsson 2002).

One special category that occupies a marginalized position in the labour market consists of immigrants with long seniority and long residency times in Sweden who take early retirement due to the effects of poor health and long times spent doing the most demanding jobs in the labour market

(Paulson 1994). However, Schierup, Paulson and Ålund (1994) assert that this is often attributable to prior discrimination with respect to access to internal training programmes and opportunities for advancement to less demanding and more stimulating and independent job duties.

Young people with backgrounds outside of Europe are, like their immigrant parents, particularly vulnerable (Behtoui 2004; Lundh 2002) and run (1998 data) nearly four times as great a risk of being jobless as people with two Swedish-born parents (Lundh 2002, p. 74). Children of employed persons born abroad have lower incomes than children of "ethnically" Swedish parents, while children of unemployed people or those employed in low-wage jobs are at particular high risk of being marginalized (Vilhelmsson 2002). This creates a degree of vulnerability that is reproduced in each succeeding generation. But what is particularly disturbing and points to discrimination as an important long-term factor is the fact that children of immigrants appear to be markedly disfavoured even discounting their proficiency in Swedish and their parents' education levels and labour market positions. Even children of immigrant parents with better grades than children of ethnically Swedish parents run twice the risk of finding themselves unemployed as children of native-parents (Lundh 2002, p. 74). According to Behtoui (2004), it is likely that these patterns are replicated because foreign-born persons and their children do not have access to the social capital in networks that benefit individual careers in a society and labour market in which companies prefer to use informal recruiting channels.

A study of post 1990 trends also shows that more and more young people with immigrant backgrounds are dropping out of upper secondary school (Olofsson 2005). In his book *Turkar möter Sverige* [Turks meet Sweden], Reza Eyrumlü (1992) asserts that this may have to do with a sort of self-fulfilling prophecy, in which young people with immigrant and working class backgrounds draw the logical conclusion that education and struggling towards a professional career simply do not pay.

As a result, many young people from immigrant backgrounds view self-employment as a way out of social marginalization and, in an discriminatory and ethnically divided labour market, as an alternative to education as well (Eyrumlü 1992, Ålund & Lundqvist 2004). This is highly consistent with Levin and Weström's (2001) conclusions. They indicate that different types of institutional discrimination affect immigrants' opportunities in terms of starting and running successful businesses, and that a concentration of immigrant-run small businesses in less attractive (and less investment-intensive) segments of the service sector is attributable to a lack of financing. This can, in turn, be the result of an inability or unwillingness on the part of banks and other financiers to value actual experience and qualifications among immigrants seeking loans. This can force entrepreneurs from immigrant backgrounds to become dependent on informal financing channels accessed through ethnic networks, even if the majority of business owners from immigrant backgrounds seem to view financing from lending formal institutions as the key prerequisite for their business (see also Levin & Weström 2001).

The labour market's grey zone

Until recently, the informal labour market in Sweden was probably limited to mainly "moonlighting", and engaged in by people who already had jobs in the labour market's formal, regulated sector. According to various international comparisons, the scope of this grey economy has long equalled only a fraction of the extensive informal economy of Southern Europe, and is even less extensive than in Germany and most other countries in northwestern Europe. A relatively generous Swedish welfare system, as in the other Nordic countries, has rendered the mostly low-paying service jobs in the informal sector relatively unattractive, even for a growing group of people from immigrant backgrounds who are dependent on social welfare support, just as they are to other Swedes.

But Hjarnø (2003) asserts, in a comparative study of undocumented or "illegal" immigrants and the informal labour markets, that even more important than this, by international standards, is the extremely strong trade unionism in the Nordic countries, and not least in Sweden, the presence of unions even in small workplaces, and the system of collective agree-

ments and cooperation that exist among unions and employer organisations (see also Chapter 14). This system has effectively blocked the development of an extensive unregulated labour market, not only with respect to undocumented migrants, but also as an alternative for those who are unemployed or dependent upon social welfare support. Cooperation between unions and employer organisations in the Nordic countries has long rendered government control and comprehensive policing activities, such as those seen in Germany, largely superfluous (see also Hjarnø 2003).

Today, however, the unions are facing new challenges with respect to control of the unregulated labour market and new types of immigration that have become more prevalent since the turn of the century, particularly in the wake of the EU expansion in 2004. But neither the unions nor the government are as yet prepared to tackle these problems in Sweden.

One current problem is the grey zone that has begun to emerge in the Swedish labour market based on the EU's so-called "service directive." Business owners from the new member nations are interpreting the directive as a right to operate in Sweden at the wage levels of the countries where they are registered, while the Swedish trade unions insist that these companies sign Swedish collective agreements. The foreign-registered firms commonly function as subcontractors to major Sweden companies. In many cases they are in fact foreign-registered individual "business owners" who are represented by special recruitment agencies, another phenomenon relatively new in the Swedish labour market. However, this is often just a front for such companies' use of immigrant labour at wages far below levels set in Swedish collective agreements, and for their disregard for work hour rules and safety regulations. This results in high numbers of on-the-job accidents among these new "guest workers" (Pettersson et al., 2004). Such arrangements are especially prevalent in the construction sector, which is traditionally one of the most regulated segments of the Swedish labour market. But these recruitment agencies have specialized in mediating cheap labour for agriculture, industrial companies, cleaning and restaurant businesses and household services.

With the Vaxholm case serving as a particularly high-profile test case, this new grey zone in the labour market, which exists where EU legislation and the Swedish collective agreement system confront one another, is one of the biggest challenges facing the trade unions.

The interpretation of the service directive is still an unresolved dispute. The labour market is also characterized by the increased unregulated or "illegal" immigration of the "paperless." However, the issue of "illegal" or "undocumented" immigration is an area that has as yet been little elucidated by research in Sweden (see also Johansson et al., 2005), in contrast to other parts of Europe, and especially Southern Europe (see also Schierup et al., 2006, chapters 4, 7 and 9), where intensive research has been conducted. On the other hand, such cases have begun to be documented by investigative journalism (e.g. Ernsjöö Rappe & Strannegaard 2004) and in a few union reports (e.g. Pettersson et al., 2004; see also Johansson et al., 2005 for an overview). Estimates vary greatly but certainly indicate a growing number of tens of thousands working in an increasingly ethnicized underground economy, most of whom for extremely low wages and under extremely poor working conditions.[2] This also applies to the growing numbers of refugees who, as a result of stricter Swedish asylum policy, are being forced to hide from the police and authorities and have become the most heavily exploited category in the unregulated labour market. One noteworthy example among many is the growing market for household services, which currently hires more and more undocumented, and usually female, migrant workers with no legal protection (Ernsjöö Rappe & Strannegaard 2004). This entire trend is in fact leaving the most vulnerable individuals in the Swedish labour market with no protection against ruthless exploitation, while at the same time usually affecting those areas of the labour market in which legal immigrants and Swedish citizens with foreign backgrounds (from countries outside the EU15/OECD) are overrepresented. According to Slavnic (2000, 2002), one particularly exposed category comprises already socially excluded inhabitants from foreign backgrounds who must supplement shrinking social welfare support benefits with income obtained in

the labour market's increasingly exploitative, competitive and unreliable informal sector.

Internationalisation of research

The Swedish labour market is characterized by increasingly fluid forms of ethnic divisions of labour. I have touched on some aspects of this above, such as the systematically unevenly distributed employment rates, the over-representation of immigrants in the growing flora of atypical jobs, the special problem area of small businesses, and the ethnification of the informal sector. Important parts of this complex Swedish vertical mosaic have been insufficiently elucidated by research, as a result of which there is insufficient knowledge on which to base future-sighted policy.

The status of immigrants in the labour market has certainly drawn more research attention in recent years. There are now a number of detailed register studies of issues such as employment rates, industry affiliation, education, dependence on social welfare support, etc., to which I have already alluded. The Swedish Integration Board is following up on these issues in ever-greater depth. This has led to statistical elucidation of a number of patterns that show discrimination to be an important factor in the ethnic division of the Swedish labour market, and in working life. Qualitative analyses of institutionally embedded discourses, which provide the basis for official policymaking, among labour market players offer supplementary insights.

But current Swedish research needs to be both broadened and deepened. Research is needed on institutions and organisations, and on the institutional conditions and assumptions associated with greater integration in both public and private-sector working life. This applies, for instance, to issues regarding how changes in recruiting routines and qualification assessments impact immigrants in a time when corporate strategies, labour organisations and government activities are changing rapidly. It has to do with how legislation and political demands for diversity and measures to combat discrimination are being applied by companies, unions and government agencies. A broad EU perspective is needed with regard to research on working life, integration and diversity. By focusing on discrimination, EU directives and the EU's transnational development programmes in the area of employment strategy have drawn attention to changes in business and social organisations and their ability to promote or hinder inclusivity in working life and in society.

Swedish working life is currently characterized by deep and pervasive change processes in which growing ethnic diversity is one of the key elements. We see a trend toward a post-industrial network and niche economy, where migration and ethnic networks are becoming increasingly important in the structural transformation of the labour market, the development of new organisational forms, and to the changing conditions and assumptions of Swedish working life. The international research on integration and diversity offers important perspectives that need to be incorporated in Swedish research.

Swedish research on integration and diversity in working life needs, in general, to develop a more international perspective, both in terms of the research problems that are chosen and with respect to renewed theoretical perspectives. Focusing on long-term structural transformation in the economy and Swedish working life is key, as is the connection with globalization and changes in the welfare state. Swedish research should contribute both empirically interesting research and theoretical advancements at international level.

Notes

1. That is to say, those born in the EU, EEA, US, Canada, Australia or New Zealand.
2. It should be noted, however, that all estimates are highly uncertain (see also Johansson et al., 2005).

References

Andersson R & Bråmå Å (2004) "Selective Migration in Swedish Distressed Neighbourhoods: Can Areabased Urban Policies Counteract Segregation Processes? "*Housing Studies*, 19 (4), July 2004, p. 517–539.

Arai M, Regnér H & Schröder L (1999) *Är arbetsmarknaden öppen för alla?* [Is the labour market open to all?] Appendix 6 to Långtidsutredningen [Long-Term Study], Swedish Ministry of Finance, Stockholm.

Arai M & Vilhelmsson R (2002) "Unemployment Risk Differentials between Immigrant and Native Workers in Sweden" in Vilhelmsson R (ed.) *Wages and Unemployment of Immigrants and Native Workers in Sweden.* Thesis series, Institute of Social Research, Stockholm.

Behtoui A (2004) "Unequal Opportunities for Young People with Immigrant Backgrounds in the Swedish Labour Market" *Labour*, 18 (4), p. 633–660.

bel Habib H (2001) "Mångfald döljer proletariat"[Diversity hides the proletariat] *Dagens Nyheter*, 2001-02-21.

Berggren K & Omarsson A (2001) *Rätt man på fel plats – en studie av arbetsmarknaden för utlandsfödda akademiker som invandrat under 1990 talet.* [The right person in the wrong place – a study of the labour market for foreign-born academics who immigrated during the 1990s] Ura 2001:5, AMS, Stockholm.

Bevelander P (2000) *Immigrant Employment Integration and Structural Change in Sweden.* Almqvist & Wiksell, Stockholm.

Ds 2000:69 *Alla lika olika – mångfald i arbetslivet.* [Everyone equal and different – diversity in working life] Swedish Ministry of Industry, Employment and Communication, Stockholm.

Ekberg J & Gustafsson B (1995) *Invandrare på arbetsmarknaden.* [Immigrants in the labour market] SNS, Stockholm.

Ernsjöö Rappe T & Strannegaard L (2004) *Rent hus. Slaget om den svenska dammråttan.* [Clean House: Dust under the Carpet] Norstedts, Stockholm.

Eyrumlü R (1992) *Turkar möter Sverige.* [Turks meet Sweden] Carlssons, Stockholm.

Franzén E (2001) "Socialbidrag bland invandrare: Erfarenheter från Sverige" [Social welfare support among immigrants: Experiences from Sweden] *Sociologisk Forskning* (3–4).

Hammarstedt M (2001) "An Empirical Analysis of Immigrant Self-employment in Sweden" in Hammarstedt M (ed.) *Making a Living in a New Country.* Växjö University Press, Växjö.

Hjarnø J (2003) *Illegal Immigrants and Developments in Employment in the Labour Markets of the EU.* Ashgate, Aldershot.

Hjerm M (2001) "Företagande, vägen till fattigdom eller frälsning för invandrare?" [Business ownership: path to poverty or salvation for immigrants?[in Rosing A, Råberg C & Sundin E (ed.) *Marginalisering eller integration? Invandares företagande i svensk retorik and praktik. En Forskningsrapport.* [Marginalization or integration? Immigrant business ownership in Swedish rhetoric and practice] NUTEK, Stockholm.

Hjerm M (2002) "Sysselsättning" [Employment] p. 87–100 in Vogel J, Hjerm M & Johansson S-E (ed.) *Integration till svensk välfärd? Om invandrares välfärd på 90-talet.* [Integration into Swedish welfare? On immigrant welfare in the 1990s] Statistics Sweden (ed.), Stockholm.

Swedish Integration Board (2002) *Rapport integration 2002.* [Integration Report 2002] Swedish Integration Board, Norrköping.

Swedish Integration Board (2003) *Rapport integration 2003.* [Integration Report 2003] Swedish Integration Board, Norrköping.

Swedish Integration Board (2005) *Statistikrapport 2004 – statistisk uppföljning av Rapport integration 2003.* [Statistics Report 2004 – statistical follow-up of Integration Report 2003] Swedish Integration Board, Norrköping.

Johansson R, Johansson C & Rahman T (2005) *Illegally Resident Third Country Nationals in the EU Member States: State Approaches towards Them and Their Profile and Social Situation.* Report for the Swedish Migration Board, Tema Etnicitet [Theme Ethnicity], Linköping University.

Jordan B (1996) *A Theory of Poverty and Social Exclusion.* Polity Press, Oxford.

Junestav M (2004) *Arbetslinjer i svensk socialpolitisk debatt and lagstiftning 1930–2001.* [Occupational lines in Swedish socio-political debate and legislation] Thesis, Uppsala studies in economic history 72, Uppsala University.

Kloosterman R (1999) "The Institutional Context: Theoretical Exploration" pp. 90–106 in Rath J (ed.) *Immigrant Businesses. The Economic, Political and Social Environment.* Macmillan, London.

Levin H & Weström A (2001) "Finansieringssvårigheter som hinder för tillväxt. En studie av skillnader mellan företagare med and utan invandrarbakgrund" [Financing difficulties as an impediment to growth. A study of differences between business owners with and without immigrant backgrounds] in Rosing A, Råberg C & Sundin E (ed.) *Marginalisering eller integration? Invandrares företagande i svensk retorik and praktik. En Forskningsrapport.* [Marginalization or integration? Immigrant business ownership in Swedish rhetoric and practice. A research report] Nutek, Stockholm.

Light I & Rosenstein C (1995) *Race, Ethnicity, and Entrepreneurship in Urban America.* Aldine de Gruyter, New York.

Lundh C (ed.) (2002) *Arbete? Var god dröj! Invandrare i välfärdssamhället.* [Work? Please hold the line! Immigrants in the welfare society] SNS, Stockholm.

Molina I (1997) *Stadens rasifiering. Etnisk boendesegregation i folkhemmet.* [Urban racification. Ethnic housing segre-

gation in the welfare state] Geografiska regionstudier 32 [Geographic region studies], Department of Social and Economic Geography, Uppsala University.

Ohlsson R (1978) *Ekonomisk strukturförändring and invandring*. [Economic structural change and immigration] CWK Gleerup, Liber Läromedel, Lund.

Ohlsson R & Broome P (1988) *Ålderschocken*. S[Age shock] SNS, Stockholm.

Olofsson J (2005) *Svensk yrkesutbildning. Vägval i internationell belysning*. [Swedish vocational training. Options from an international perspective] SNS, Stockholm.

Paulson p. (1994) "Långtidssjukfrånvaro and arbetsmiljö" [Long-term absenteeism due to illness and the work environment], pp. 169–181 in Schierup C-U & Paulson p. (ed.) *Arbetets etniska delning*. [The ethnic division of labour] Carlssons, Stockholm.

Persson G (1972) "Invandrarna and arbetarklassen i Sverige" [Immigrants and the working class in Sweden] *Zenit*, 27.

Pettersson T, Mårtensson K & Bardh P (2004) "Arbetskraft till salu – sex månader med öppna gränser" [Labour for sale – six months with open borders] Swedish Trade Union Confederation (LO), Stockholm.

Porter J (1968) *The Vertical Mosaic: Analysis of Social Class and Power in Canada*. University of Toronto Press, Toronto.

RRV (1992) *Utländsk kompetens – ett resurstillskott till arbetsmarknaden*. [Foreign expertise – a resource boost to the labour market] Swedish National Audit Office, Stockholm.

Rosing A, Råberg C & Sundin E (ed.) (2001) *Marginalisering eller integration? Invandares företagande i svensk retorik and praktik. En Forskningsrapport*. [Marginalization or integration? immigrant business ownership in Swedish rhetoric and practice. A research report] NUTEK, Stockholm.

Sangregorio I L (1984) *Där invandrarna bor*. [Where the immigrants live] Swedish Immigration Board, Norrköping.

Schierup C-U (1985) "The Immigrants and the Crisis" *Acta Sociologica*, 28 (1), p. 21–33.

Schierup C-U (1991) "The Duty to Work. The Theory and Practice of Swedish Refugee Policy" in Ålund A & Schierup C-U (ed.) *Paradoxes of Multiculturalism. Essays on Swedish Society*. Avebury, Aldershot.

Schierup C-U (1993) *På kulturens slagmark: Mindretal og størretal taler om Danmark*. [On the cultural battlefield. Minorities and majorities talk about Denmark] Sydjysk Universitetsforlag, Esbjerg.

Schierup C-U & Paulson p. (1994) *Arbetets etniska delning. Studier från en svensk bilfabrik*. [The ethnic division of labour. Studies from a Swedish car factory] Carlssons, Stockholm.

Schierup C-U & Ålund A (1987) *Will They Still Be Dancing? Integration and Ethnic Transformation among Yugoslav Immigrants in Scandinavia*. Almqvist & Wiksell International, Stockholm.

Schierup C-U, Paulson p. & Ålund A (1994) "Den interna arbetsmarknaden – etniska skiktningar and dekvalificering" [The internal labour market – ethnic stratification and disqualification] pp. 25–80 in Schierup C-U & Paulson (ed.) *Arbetets etniska delning*. [Ethnic division of labour] Carlssons, Stockholm.

Schierup C-U, Hansen P & Castles p. (2006) *Migration, Citizenship and the European Welfare State. A European Dilemma*. Oxford University Press, Oxford.

Scott K (1999) *The Immigrant Experience: Changing Employment and Income Patterns in Sweden, 1970–93*. Lund University Press, Lund.

Slavnic Z (2000) *Existens and temporalitet. Om det samtida flyktingskapets komplexitet*. [Existence and temporality. On the complexity of future refugee status] Thesis, Department of Sociology, Umeå University.

Slavnic Z (2002) "Informell ekonomi and välfärdssamhället" [Informal economy and the welfare society] in Rosing A, Sundin E & Råberg C (ed.) *Marginalisering eller integration. Invandrares företagande i svensk retorik and praktik. En forskningsrapport*. [Marginalization or integration. Immigrant business ownership in Swedish rhetoric and practice. A research report] NUTEK, Stockholm.

SOU 1996:55 *På väg mot egenföretagande*. [On the road to self-employment] Swedish Ministry of Labour, Stockholm.

SOU 1999:49 *Invandrare som företagare. För lika möjligheter and ökad tillväxt*. [Immigrants as business owners. For equal opportunity and increased growth] Norstedts, Stockholm.

SOU 2003:92 *Unga utanför. Slutbetänkande av Utredningen om unga utanför*. [Young outsiders. Final thoughts on the study concerning young outsiders] Swedish Ministry of Industry, Employment and Communication, Stockholm.

Spalloni BC (1994) "Akademikers arbetsvillkor" [Working conditions for academics] *Invandrare and minoriteter*, [Immigrants and minorities] 21 (3), pp. 8–11.

Storstadskommittén (1997) *Delade städer. Underlagsrapport från Storstadskommittén*. [Divided cities. Background report from the National Committee on Metropolitan Areas] SOU 1997:118, Norstedts, Stockholm.

Wadensjö E (1994) "The earnings of immigrants in Sweden" presented at The Sixth EALE Conference in Warsaw, September 22–25.

Waldinger R (1996) *Still the Promised City? African-Americans and New Immigrants in Postindustrial New York*. Harvard University Press, Cambridge Massachusetts and London.

Weiss L (1998) *The Myth of the Powerless State. Governing the Economy in a Global Era*. Polity Press, Oxford.

Vilhelmsson R (2002) "Ethnic Differences in the Swedish Youth Labour Market" in Vilhelmsson R (ed.) *Wages and Unemployment of Immigrants and native Swedes in Sweden*. Swedish Institute for Social Research, Stockholm.

Vogel J (2002) "Inkomst and fattigdom" [Income and poverty] pp. 35–56 in Vogel J, Hjerm M & Johansson S-E (ed.) *Integration till svensk välfärd? Om invandrares välfärd på 90-talet*. [Integration into Swedish welfare? On immigrant welfare in the 1990s] Statistics Sweden (ed.), Stockholm.

Ålund A (1985) *Skyddsmurar. Etnicitet and klass in invandrarsammanhang*. [Protective walls. Ethnicity and class in an immigrant context] Liber, Stockholm.

Ålund A & Lundqvist C (2004) "Ungdomar, eget företagande and utbildning" [Young people, self-employment and education] project description, Department of Ethnic Studies, Norrköping.

CHAPTER 7

Disability and working life

Stig Larsson

Knowledge concerning disability in various power and diversity perspectives is conspicuous by its absence. This applies not least to working life and its organisation.

Stig Larsson writes that views on disability have altered dramatically since the end of the Second World War. Swedish policy in the field appears to have incorporated this new basic outlook, where civil rights, diversity, mainstreaming and full participation are the watchwords. The disability studies conducted to date in Sweden have helped put the focus on lack of participation, but not on power or diversity perspectives. The debate has been dominated by political and ideological arguments rather than attempts to formulate measures on a scientific basis.

In this chapter we will discuss a number of fundamental work science issues in the disability field, such as the definition of the concept and the measures that can be adopted to make it easier for people with disabilities to work. The effects of the essentially different efforts undertaken to assist people with disabilities in getting or keeping jobs can vary over time and from country to country, but they vary most from context to context, both workplace-related and individual. This is where most work is needed to build a scientifically sound body of knowledge, according to Stig Larsson.

Who is disabled? How many people with disabilities are there in Sweden?

In this chapter I will endeavour to discuss a number of fundamental work science issues in the disability field. One is: how is disability to be defined? Another is the issue of whether a comprehensive discourse exists that is based in part on welfare policy, where it is necessary to define in precise legal terms what conditions warrant specific benefits. Important elements in defining the concept of disability status include the UN's declaration of human rights and the international standard rules in the disability field that have been formulated in the spirit of that declaration.

Another key question has to do with how many individuals with functional disabilities there are who are of working age. I will confine myself mainly to Sweden. The number of people with disabilities is probably connected with the way in which society accepts them as a group. It is reasonable to assume that the most important changes are attributable to developments in the area of public welfare.

Third, I will attempt to summarize the status of Swedish working life research in this particular field. I will also tie in international disability research, which is consistent with Swedish research in many important respects.

Conceptual development in terms of policy

The modern view of people with disability has evolved gradually, and is in stark contrast to the

old view, which was characterized by institutional thinking and segregation. No studies have been conducted concerning how the modern concept was formulated as a result of the efforts of the disability movement, various types of scientific contributions, public welfare policy or demand for international harmonization. But all these factors are important for understanding how various perspectives on disability have taken shape. Sweden and the other Scandinavian countries have been pioneers in many important ways. A significant break with traditional thinking in terms of disability policy occurred back in the mid-1960s as a result of the Swedish Social Policy Committee's report, in which a number of principles were formulated that became important cornerstones of modern disability policy, including the idea that people with disabilities must be factored into all aspects of society: social planning, residential construction, schools and colleges, the labour market, social insurance systems and cultural life.

During the 1960s people with disabilities were pushed into the spotlight in the equality debate engendered by organisations for the handicapped. The central committee of the Swedish Association for the Handicapped (HCK) formulated the *environment-related conceptual definition of handicap*. In its 1972 programme, HCK asserted that: "handicap is, in large measure, a result of deficiencies in society. Handicap can consequently be eliminated. This can be accomplished by changing society." In its final report, the Swedish Disability Commission [*Handikapputredningen*] adopted this viewpoint. The phasing out of homes for the disabled, the introduction of allowances for housing adaptation, municipal disability councils and state funding to provide transportation services for the disabled were all results of the study. This laid the groundwork for modern disability policy.

However, the foregoing cannot be analyzed in isolation from other aspects of social policy. There were also dramatic reforms in the social insurance field during the 1950s. Public health insurance was introduced and, in the social insurance reform of 1962, improvements for people with long-term illnesses were introduced. Handicap compensation and care allowances paid to parents with functionally impaired children were expanded later.

An ambitious effort was launched in terms of labour market policy even before the end of the Second World War, through a certain government committee. The committee's efforts had a major impact on the introduction of various measures to enhance the ability of individuals with functional impairments to work. The committee also introduced the term "*normalisation principle*," i.e. the principle that no measures were to be undertaken specially for the people with disabilities before an attempt had been made to adapt measures undertaken in the labour market.

Following the Second World War, many other countries formulated active policies for rehabilitating those who had been injured during the war. Rehabilitation methods and the development of technical aids become important fields of endeavor. These efforts also had an impact on Sweden. As active labour market policy made its presence felt during the 1960s, and the conditions for occupational rehabilitation and support for people with occupational handicaps improved. Since then, the Swedish Employment Protection Act and the Swedish Work Environment Act have strengthened the position of people with disabilities in the labour market. The Swedish Act to Prevent Occupational Discrimination against Persons with Disabilities was introduced in 1999. This Act establishes that individuals with disabilities are entitled to work on the same terms as others.

Internationalisation of the concept

In 1982 the UN general assembly adopted its world action programme for the handicapped, and dedicated a special decade to handicap issues. The UN held an evaluation conference in Stockholm in 1987. One of the conference resolutions was a call to prepare for a convention on the rights of the people with disabilities. The Swedish government attempted to promote the idea of such a convention in cooperation with a number of other countries, but was unsuccessful. The UN's Economic and Social Council and the Social Development Commission were called upon to create a work group to formu-

late standard rules with a view to giving people with disabilities equality and participation in society. These standard rules were adopted by the UN general assembly in the fall of 1993. A world conference on human rights held that same year announced that special attention should be devoted to ensuring that people with disabilities were not discriminated against, and that they were accorded equal treatment in terms of human freedom and rights in all segments of society.

Many countries, including the US, Australia, the UK and South Africa subsequently adopted laws to prevent discrimination on the basis of functional impairment. The US is the country that has gone the farthest, with the adoption of the Americans with Disabilities Act (ADA) in 1990. The Act addresses three main areas: the labour market, states and municipalities, and commercial enterprises. The underlying principle of the Act is that discrimination against anyone on the basis of a functional impairment is forbidden. The definition of discrimination also includes denial of access in the environment and in business, also known sometimes as indirect discrimination. The ADA empowers private persons to sue companies and government agencies on the grounds of discrimination. When a suit involving discrimination based on denial of access is heard in court, consideration is given to the magnitude of costs for undertaking adaptive measures in relation to the principle's financial resources. The UN's standard rules have played a very major role both in putting handicap issues on the political agenda in other countries and as a means of developing certain minimum standards in the area of disability policy. This has been the case in Sweden as well. For instance, the efforts of the Swedish handicap ombudsman have been based on the UN's standard rules. An intensive effort has been under way in the UN for several years to bring about an international convention with regard to prohibitions of discrimination against people with disabilities.

There has been extensive discussion among researchers in recent years regarding the disability concept, based in part on efforts to achieve international harmonization undertaken by the World Health Organisation (WHO). The new WHO classification, i.e. the International Classification of Functioning (ICF), attempts to harmonize medical and social views on disability in what may be termed a *biopsychosocial model*. Each aspect is described in terms of the interplay between what are viewed as the individuals' innate characteristics and her social and physical surroundings. ICF emphasizes participation, and attempts to show the complexity of the interplay between various perspectives on disability, as illustrated in Figure 7.1. Human activity stands at the centre, but the disability can be viewed against the background of the importance of the body function, health conditions, participation, and environmental or personal factors.

Like other people, those with disabilities may belong to groups that are socially more or less clearly oppressed or marginalized. Terms such as "double oppression" or "double discrimination" are sometime used. However, criticism has been levelled at this usage, in that it is considered to be indicative of some sort of hierarchy between different marginalized structures despite the fact that they actually interact (Hill 1994). The term *simultaneous oppression* (Stuart 1992) has gained favour as an alternative.

How many people are disabled?

The proportion of the population that belongs to this group varies greatly, depending on how one defines those with disabilities. The incidence of functional impairments also varies strongly between different age groups. Functional impairments are the rule rather than the exception among those over 80. Disease conditions, functional disabilities and handicaps are often combined in most attempts to estimate the number of people with disabilities. This was the case to some extent in the most recent attempt to obtain a general overview of the situation facing individuals with disabilities, which was conducted within the framework of the so-called *Välfärdsbokslutet* [Swedish Welfare Commission report] (SOU 2001:56). The breakdown according to this study is presented in Table 7.1.

The study that may best elucidate the incidence of functional impairments is a supplement to the Labour Force Surveys (LFS). The first such was conducted in the fourth quarter of 1996. The survey has since been repeated every two years, in the same

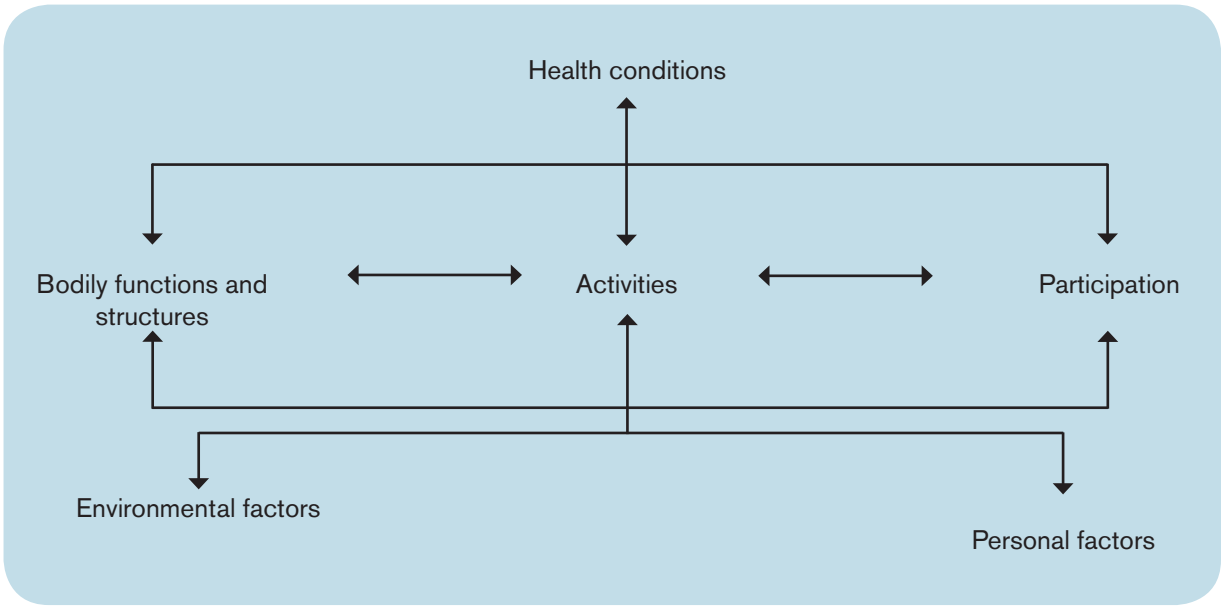

Figure 7.1. Diagram of International Classification of Functioning, Disability and Health (ICF). Source: WHO (2001).

quarter. The latest results are presented in Figure 7.2. As Figure 7.2 shows, roughly 20% of Sweden's working-age population indicated that they had some form of functional impairment. The respondents were asked to answer the following question:

> *Do you belong to the group that has a disability? A disability includes impaired vision or hearing, voice or speech problems, restricted mobility, allergies or any sort of mental functional disability. Such problems may also include diabetes, heart/lung problems, gastrointestinal problems, psoriasis, epilepsy, dyslexia or something similar* (SCB 2003).

Table 7.1. Proportion of the population with various functional impairments, 1998 – 1999.

	16–64 years old, %	65–84 years old, %
Impaired hearing	8.5	27.7
Impaired vision	0.7	6.2
Restricted mobility	2.5	21.2
Chronic mental disorder	3.1	2.9
Has at least one of the foregoing functional impairments	13.3	44.8
Restricted mobility of arms/hands	7.3	25.5

Source: Statistics Sweden's Survey of Living Conditions (ULF)

I myself have, in other contexts, presented a methodological critique of the survey design (Larsson 2000), which makes it likely that the proportion of individuals with functional impairments is greater than the survey would indicate. The inclination to admit in an interview-based survey that one has a functional impediment may shed light first and foremost on the social and medial climate facing the people with disabilities. Today there should be no doubt that 20 – 25% of the working-age population say that they have some form of mental or physical disability. The gender breakdown is roughly the same as that of the population as a whole. On the other hand, there are differences between the genders with respect to certain types of disabilities, as shown in Figure 7.3.

A greater share of women than men suffer from restricted mobility, asthma/allergy or some other form of hypersensitivity. A higher proportion of

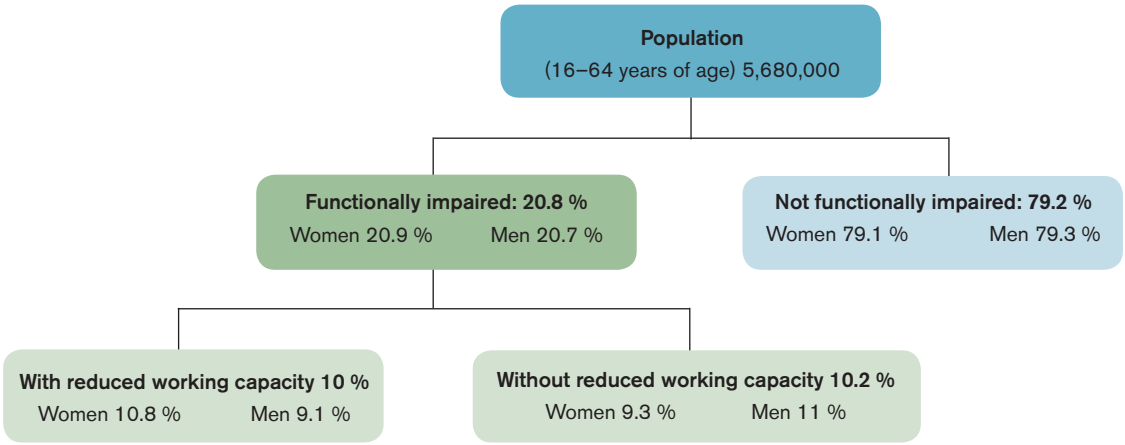

Figure 7.2. Segment of population with some type of functional impairment. Source: Statistics Sweden (2003).

men than women report hearing loss, cardiovascular disease, diabetes and lung disease. The figure also shows that every 20th person of working age (5.1%) suffers from asthma/allergy or some other form of hypersensitivity. Both the latest and earlier surveys confirm that restricted mobility is the most common type of disability in the working-age population.

Figure 7.2 shows that about half of those who consider themselves to have, in their own view, a disability; this accounts for nearly 10% of the entire working-age population, or roughly 560,000 people. But there are other metrics for this group. Those who take early retirement have, by definition, an occupational disability, and they totaled roughly 540,000 as of December 2004. Added to this is the group of those who are sick-listed long-term. At that same time, there were 239,672 cases of illness that had lasted longer than 30 days. The number of those taking early retirement and those sick-listed long-term are thus clearly higher than the figures arrived at by Statistics Sweden. There are also other groups that that have occupational disabilities by definition, namely those with "occupational handicaps" (a somewhat odd and imprecise term that is used in the National Labour Market Board [AMS]). There are roughly 25,000 people working in Samhall who are "occupationally handicapped," and there are roughly 50,000 who receive wage subsidies (only a small portion of them can have been sick-listed long-term, be on partial early retirement or receiving sickness benefits). There are also a number of other "occupationally handicapped" individuals involved in other types of labour market policy measures who were neither sick-listed nor retired during the period in question. People of working age with occupational disabilities, as validated by comparison with official statistics, thus yield a significantly higher figure, 15% rather than 10%. One reason for the discrepancy may be that people with some mental i.e. psychiatric disabilities, feel ashamed and are thus unwilling to admit that they are disabled.

Working life research

Even though the proportion of working-age people with disabilities may be as high as 25%, and even though more than one-fifth of working-age people are supported totally or partly through subsidies and benefits, there has been fairly little research in this area. But this does not mean that many of the research initiatives that have been undertaken have not shed light on an area where many are fumbling in the dark. Instead of trying to formulate measures on a scientific basis, the debate has been dominated by political and ideological arguments. A burden of shame has consequently often been structurally imposed on those who personally contribute to the high incapacity rate. The public debate is sometimes

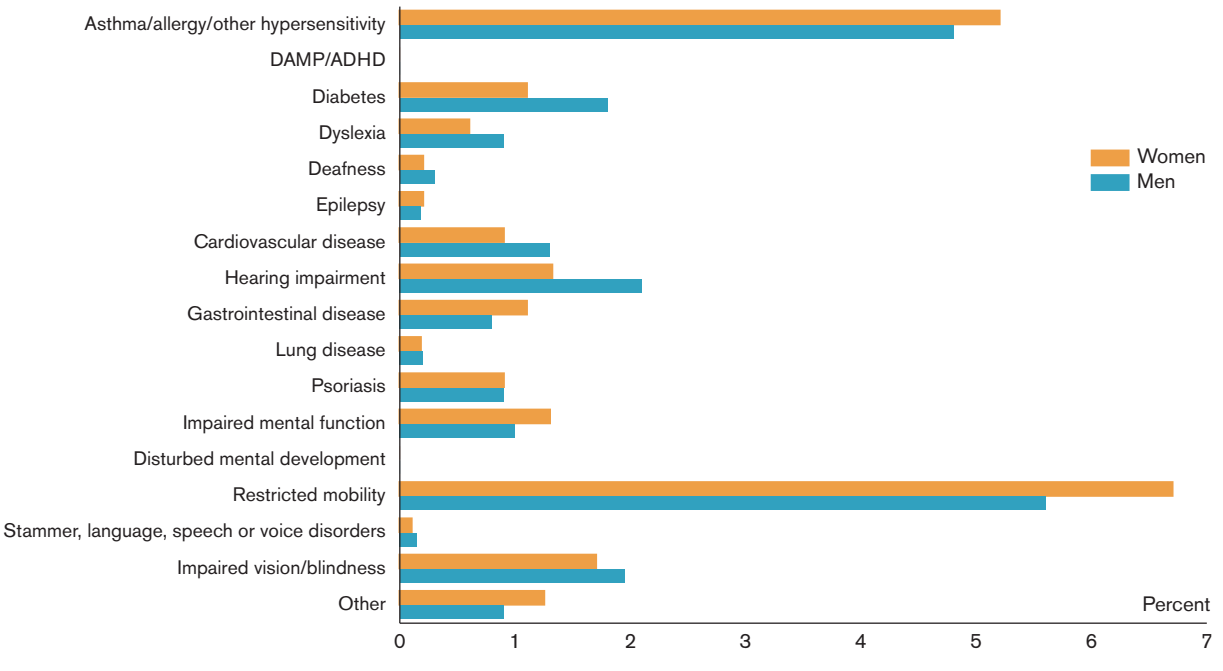

Figure 7.3. Breakdown by type of functional disability and gender.

politically populist and heated, but it is seldom driven by the important research which, despite everything, does exist.

The overview conducted by Backenroth-Ohsako et al. (1996) indicates that working life research on functional impairments was fairly limited until about ten years ago. However, a recently published overview based on the novel theme "A working life for all" by the National Swedish Institute for Working Life does point to a degree of growth (Norlén 2005). The overview was intended to provide some idea of the publications and projects funded by research organs that are available regarding the working lives of people with disabilities. The overview asserts that:

> *..given the large share of the population that believes itself to have a disability, there are relatively few publications I find that address the combination of working life and functional impairment. The number of publications incorporating an employer/organisation perspective is particularly low* (Norlén 2005).

An evaluation of the Swedish disability research that the Swedish Council for Working Life and Social Research [FAS] had done points clearly to a strong bias toward pedagogical and psychological research. This is likely due in part to the fact that research on disability has had mainly to do with developmental disorders and impaired intellectual function, areas where the behavioral sciences, i.e. pedagogy in general and special education in particular, hold a strong position. A Swedish and Nordic network of disability researchers has also emerged among those who have been focused on research concerning developmental disorders. As a result, research in terms of culture, family life, politics and working life has been underrepresented, especially when the subtext has had to do with entitlement to equal treatment. In contrast to research on gender or ethnicity, Swedish disability research has partly neglected these sociologically key fields.

Working life and disability constitute large fields, which both individually and jointly entail different levels of abstraction with different delimitations.

The researcher is scientifically involved in multiple disciplines and can approach problems at the macro, meso or micro level.

Human performance capacity in relation to society's level of technological advancement creates the conditions for working life. People with disability and their participation in the workforce are limited in the same way. The institutional limits and framework for working life determine how people with various shortcomings (read: disabilities) are excluded from or included in working life.

As noted, the general incapacity rate has been at the heart of the political debate in recent years. Many consider the number of people who are sick-listed long-term or have taken early retirement (referred to as sickness compensation or activity compensation since 2003) to be far too high. Roughly one in ten people of working age currently receives activity or sickness compensation, even though far from all of them receive full sickness benefits; many receive 25, 50 or 75%. Many are older than 55. The increase in the number of people taking early retirement and those sick-listed long-term is attributable in part to demographic factors. The share of the population that is reaching retirement age, i.e. those who are older than 55, is increasing. The older the labour force, the more it will, understandably, be affected by disease and functional impairments.

Another well-known correlation is the one between economic conditions and functional disabilities. The proportion of disabled people decreases when labour is scarce, and increases correspondingly when the economy is weak (Larsson 1996). This correlation depends mainly on the ways in which the political and social systems are structured. It is obvious that sickness and unemployment insurance schemes are interdependent. Each individual who does not have access to a reasonable job will try to find his or her most rational solution, which may be unemployment compensation or sickness compensation.

The simplest way to reduce the proportion of people who are dependent upon social welfare support is of course to make such support so unattractive that one will avoid becoming dependent on it at all costs. What is usually overlooked in the debate is the fact that it has taken a long time for the working population to obtain solid financial security when faced with chronic disease or disability. The right to not have to work when one is ill or functionally impaired, and to be able to receive reasonable compensation have been obvious goals, as has independence from employer assessments. The question is whether this goal is about to be abandoned.

In Sweden, differences between social insurance and labour market policy have, in part, determined attitudes toward disability. One mantra has been "stay at the labour market's disposal," i.e. so that you can be included in labour market policy initiatives. If, on the other hand, you are sick (sick-listed or receiving sickness compensation, or "on early retirement" in previous terminology), you cannot remain at the labour market's disposal.

The research in this area has often been determined by this administrative categorization. Two people who are both, for example, visually impaired and have identical educational backgrounds and occupational experience will be treated entirely differently, depending on whether they are living on unemployment insurance or sickness compensation. In the former instance they will be eligible to participate in labour market policy initiatives, while in the latter they will be entitled only to whatever is offered in the context of sickness compensation. In some cases the differences are not all that great, while in others they can be dramatic.

These administrative boundaries pertain not only to these two sociopolitical areas, but also to the lines between, e.g. municipality, county council and Swedish state. This has sometimes had astounding consequences. One notable case involved a vision-impaired individual who was denied instruction in Braille because of how administrative boundaries had been drawn up (Larsson 2003).

Some of the studies conducted at the Swedish Institute for Labour Market Policy Evaluation (IFAU) have also been delimited by such administrative divisions. For instance, an international comparison indicates that the labour market policy initiatives for the so-called "occupationally handicapped" stand out as being effective (Bergeskog 2001), but the studied group did not include two major groups, i.e. those who have been sick-listed long-term and those who have taken early retirement. When we discuss

research on disability in working life, it is thus important to be aware of which administrative domain is used as the starting point, and whether there is any movement between different areas.

Disability and work

The disability concept is diffuse, and acquires content only in relation to different situations, such as the supply of and rights to financial compensation and support under the law. In this sense it may be relevant to speak of the nature and degree of disability. In the area of occupational injury insurance, and in many individual insurance schemes, the authorities often employ the term "degree of invalidism," by means of which they attempt to assess the financial impact of different functional disabilities on a case-by-case basis. The degree of functional disability seldom serves as the starting point in the debate concerning, for instance, working life-oriented initiatives. On the other hand, groups are studied fairly often, such as the vision-impaired, those with restricted mobility, the deaf and the hearing-impaired. Some of the studies have been initiated by various associations for people with disability. However, they seldom maintain particularly high levels of scientific quality. They usually consist of questionnaires directed to the organisation's own members. There are, however, also numerous examples of ways in which work science researchers can successfully use various diagnostic groups as a starting point.

A working life that includes people with disability has two basic characteristics. First, it must come to terms with the labour force which, due to illness or accident, has sustained a functional impairment and may require vocational rehabilitation. Second, people with functional impairments should have the same opportunities to get work as other people. In theory, it may be said that there are eight different institutional ways to promote an inclusive working life, as shown in Table 7.2.

Table 7.2 shows the theoretical approaches that have been identified. They are evident in the laws of many countries. Legislation against discrimination is not the same thing as countering discrimination. For instance, it has been shown that gender discrimination targets seldom achieve success. It is safe to assume that things are no easier in the disability arena. The role that legislation can play in the process of creating standards is an entirely different matter.

Table 7.2. Methods for achieving increase participation of people with functional impairments in working life

Method	Example
Anti-discrimination legislation	Currently exists in Sweden
Protected jobs	Currently exist in Sweden via Samhall
Subsidies to employers	Wage subsidies
Adaptation of the labour force	Labour market training
Adaptation of the workplace	Technical aids, training
Subsidies to individuals	Start individual subsidies
Quotas	Used in, e.g. Germany
Monopolized jobs	e.g. ONCE in Spain

Scheduled jobs can be provided in various forms. In Sweden, Samhall has had a monopoly over the last few decades. With its roughly 20,000 occupationally handicapped people, Samhall has contributed to creating jobs for people with functional impairments, mainly by procuring production assignments, primarily on a subcontracted basis. The design of the scheme has been criticized in Sweden because it is fairly expensive (Samhall had received more than 100% in financial support per occupationally handicapped person), because it is inflexible or because it competes with regional businesses. There are those who maintain that it could be more flexible, and that different work-cooperative solutions could be introduced into the system.

Scheduled jobs have met new regulation in Sweden in 2006. The same is true of the most important support provided to employers, i.e. wage subsidies. But subsidies for employers can come in many different forms; they can also pertain to what is termed "labour force adaptation" in the figure, which usually consists of training. Relocation, in which a person is given a job that he or she can manage despite a functional impairment, pertains to adaptation of the workplace, which can also be encouraged in many

different ways. Different fee or tax systems will stimulate companies to adapt their working environments in order to, for instance, reduce absenteeism due to illness. In the table, we will concentrate on steps taken to solve the problems of individual companies and employees from a micro- or meso-perspective.

Subsidies to individuals are not used to any great extent as a means of stimulation in Sweden. One example is a subsidy for starting a new private enterprise, which is not specifically for people with disability. However, in its extended form it does, according to the regulatory framework, apply to particularly exposed groups, including women and those with functional disabilities.

Sweden has no quota system, i.e. requirements imposed on employers to hire a certain percentage of people with functional impairments. Germany, like many other places in Europe, does have such quotas, and the legal requirement there is 4%. Those employers who fail to meet the quota are subject to fines. Quota systems have not been viewed as particularly successful in some countries, but the disability organisations in Germany want to keep the quota rule in force.

In Sweden we do not at present have monopolized jobs that are reserved for people with functional impairments. Such arrangements were in place a number of years ago when, for instance, municipalities would reserve certain kiosk sites or store sites for business owners who were functionally impaired. In Spain, the national organization for the vision-impaired, ONCE, was granted the privilege of running a revenue-generating nationwide lottery.

The effects of these, in principle, different efforts to help people with disabilities get or hold jobs can vary over time and from country to country, but they vary most from context to context, both workplace-related and in terms of individuals with disability. There is still much to be done to establish scientifically sound knowledge for evidence-based initiatives. The National Swedish Institute for Working Life's initiative under the theme "A working life for all" may help to shed light on the interplay between support factors, businesses and functional impairments among employees and potential employees.

Parts of working life research in general have, understandably, major importance to particularly vulnerable groups. Political initiatives and agreements in working life that are intended to create a safe and meaningful working life are often especially important to people with disabilities.

Attitudes toward handicap have altered dramatically since the end of the Second World War. Swedish disability policy appears to have incorporated this new basic outlook, where civil rights, diversity, mainstreaming and full participation are the watchwords. The national goals for handicap policy (Gov. bill 1999/2000:79) state that such policy must work toward bringing down obstacles to the full participation of people with disability in society. These national goals are formulated as follows:

- A social community based on diversity
- A society structured so that people of all ages with functional impairments will be full participants in society
- Equality in terms of living conditions for boys, girls, men and women with disabilities

The policy further states:

> *Disability policy is ultimately a question of egalitarianism: society must be based on the perception that all people are of equal worth, have the same basic needs and should be treated with the same respect, that diversity enriches, and that each individual, with their knowledge and experience, is an asset to society* (Gov. bill 1999/2000:79).

The disability research conducted to date in Sweden has helped shift the focus to insufficient participation, but knowledge of disabilities in different power and diversity perspectives is conspicuous by its absence. This is true not least with respect to working life and how it is organised.

References

Backenroth-Ohsako G, Hjelmquist E, Rönnberg J & Wadensjö E (1996) *Funktionshindrades villkor i arbetslivet. En översikt över forskning and utvecklingsarbete.* [Conditions of the functionally impaired in working life. An overview of research and development work] Swedish Council for Work Life Research and The Swedish Council for Social Research , Stockholm.

Bergeskog A (2001) *Arbetsmarknadspolitik för personer med funktionshinder – en länder jämförelse.* [Labour market policy for people with disabilities – a country comparison] Institute for Labour Market Policy Evaluation, Uppsala.

Hill M (1994) "They are Not Our Brothers; The Disability Movement and the Black Disability Movement" in Begum N, Hill A & Stevens A (ed.) *Reflections*. Central Council for the Education and Training of Social Workers, London.

Larsson S. (1996) "De funktionshindrade and arbetsmarknaden" [The functionally impaired and the labour market] in Tideman M (ed.) *Perspektiv på funktionshinder and handikapp*. [Perspectives on functional impairment and handicap] Johansson & Skyttmo förlag, Stockholm.

Larsson S. (2000) *Nya fält and former på arbetsmarknaden för personer med funktionshinder.* [New fields and forms in the labour market for people with disabilities] Centre for Disability and Rehabilitation Research, Lund University.

Larsson S. (2003) *Punktintensiven. Om att lyfta sig själv i håret för att kunna läsa*. [Braille intensity. On pulling yourself up by your own bootstraps to be able to read] Centre for Disability and Rehabilitation Research, Lund University.

Norlén C (2005) "Ett arbetsliv för människor med funktionshinder. En litteraturöversikt". [A working life for people with disabilities. A literature survey] National Swedish Institute for Working Life South, Malmö.

Government bill 1999/2000:79 *Från patient till medborgare – en nationell handlingsplan för handikappolitiken*. [From patient to citizen – a national action plan for handicap policy]

SCB (2003) *Situationen på arbetsmarknaden för personer med funktionsnedsättningar – 4:e kvartalet 2000*. [The situation in the labour market for people with functional disabilities – 4th quarter 2000] Statistics Sweden (ed.), Stockholm.

SOU 1964:43, *Social omvårdnad av handikappade.* [Social care of the handicapped] A comparison made in the Social Policy Committee, Fritzes, Stockholm.

SOU 2001:56, *Funktionshinder and välfärd.* [Functional impairments and welfare] Partial report from the Swedish Welfare Commission, Fritzes, Stockholm.

Stuart O (1992) "Race and Disability: What Type of Double Disadvantage?" *Disability, Handicap and Society*, 8 (3), pp. 249–264.

Stuart O (1992) "Race and Disability: What Type of Double Disadvantage" *Disability, Handicap and Society*, 8 (3), s 249–264.

Workplace organisations and employment contracts in a gender segregated working life

CHAPTER 8

The growth of project organisation and its effects on working conditions

Niklas Arvidsson and Eskil Ekstedt

Greater personal accountability for results, strict demands in terms of social skills, and increased personal responsibility for companies' financial risks. These are the realities facing increasing numbers of employees when companies use project-based working methods.

According to Niklas Arvidsson and Eskil Ekstedt, more and more people are working more and more often on a project basis. This is one of the most important long-term changes in Swedish business life, noting that, on one hand, project-based work can be engaging and inspiring, but that it is also characterized by specific time frames and performance requirements that create stress. Swedish companies are changing rapidly in order to adapt to, or rather survive in, a neo-industrial economy. But projects impose an entirely new set of demands on employees, who are compelled to take individual responsibility for their advancement and careers, sometimes even to the point of assuming the company's business risks. Project-based work puts the emphasis on performance, and a special sort of leadership evolves in this context that does not necessarily incorporate human or social aspects.

The Swedish business community is changing rapidly in order to adapt to a neo-industrial economy. We will discuss how companies are organizing their operations internally to be internationally competitive in this new situation, and how these changes are affecting working conditions. Our conclusions indicate that a new sort of division of labour is emerging between manufacturing companies and project-based business-related service companies, and that project solutions are also becoming increasingly common in manufacturing companies. This is leading to greater involvement among employees, while at the same time producing periods of substantially elevated stress. Work is becoming more performance-oriented, and employees are assuming greater financial risks.

In the following we will on one hand discuss projectification related to a new division of labour between manufacturing companies and project-based business related service companies, and on the other hand projectification in manufacturing companies.

A new division of labour in a new society?

There is much to indicate that international working and business life has undergone a major transformation over the last few decades. The industrial society in which we lived during much of the last century has been replaced by something else (Bell 1976, Touraine 1971). Piore and Sabel (1984) refer to this as "the second industrial divide," pointing to the flexible specialization in the network-based Ital-

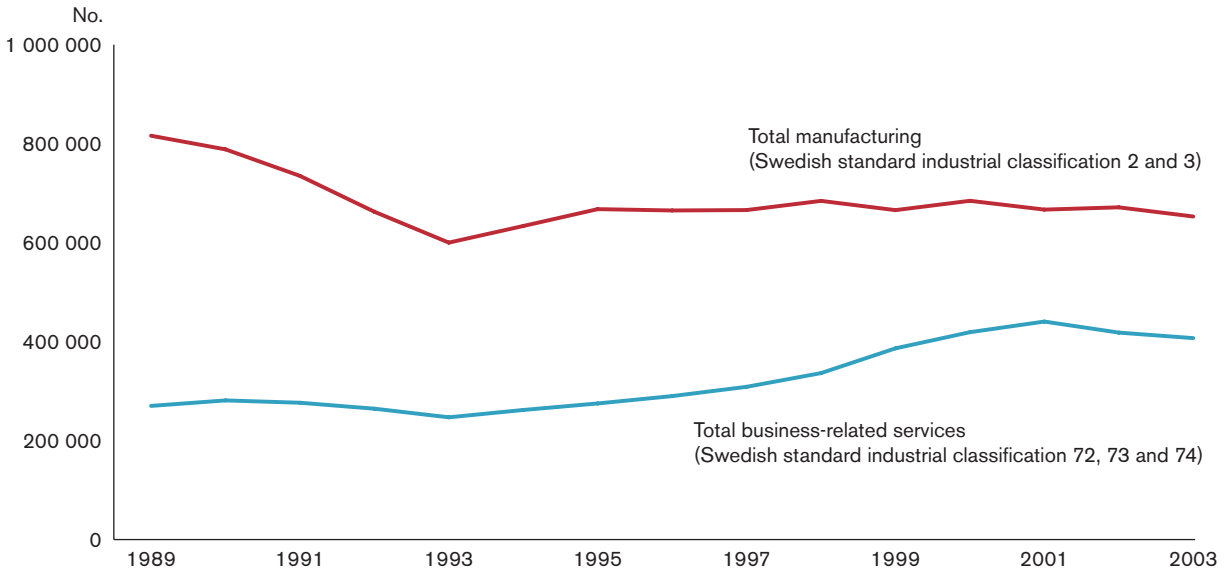

Figure 8.1. Employment in manufacturing industry and business-related services, 1989–2003.

ian business community to illustrate what they mean. Castells (1996) has built on Piore and Sabel's work, describing business in the new society as a network-based cooperative relationship between companies and other players. Putnam (1992) considers social capital, i.e. mutual trust and confidence, to be at the heart of these networks. There are also indications that individuals and organisations are, in their roles as consumers, citizens and companies, becoming more demanding and acquiring greater influence over how products and services are designed and conformed (see Beck 1992, Inglehart 1990, Normann 2001, Zuboff & Maxmin 2002). This trend applies perhaps mainly to trade between companies, known as "business-to-business". Companies can no longer trust solely in the traditional managerial capitalism type of industrialism's recipe for success, i.e. technical research and development, large-scale production and smart marketing, but must be more oriented towards its business environment in order to understand what creates value for customers (Normann 2001).

The Swedish companies that made themselves highly competitive internationally during the era of traditional industrialism must change in order to maintain their positions. A great deal has already happened. Parts of industrial production have moved to Eastern Europe, India and China. In light of such developments, we will study the changes in the Swedish business world from an organisational perspective and, most importantly, discuss their conceivable impact on how companies organize their operations internally to be internationally competitive, and what potential effects this could have on working conditions at these companies.

Developments in the Swedish business community

How is the organisation of operations in the Swedish business community affected? The number of those employed in industry has clearly declined since the mid-1960s in Sweden, as a result of automation and technical advancements, but jobs in industry-supporting service businesses have simultaneously increased in number, just as in many other countries, and over a number of decades (Singelman 1978, Ullström 2002). The long-term decline of industrial companies has thus been offset by growth among knowledge-intense service companies. There seems

to be a complementarity between manufacturing and service activities.

Statistics Sweden's figures on the numbers of people employed in industry and industry-related services reveal a noteworthy trend during the latter part of the 20th century: since 1993, the number of those employed in business-related services[1] has increased by 50%, from 270,000 people to 407,000. Over that same period, employment in industry[2] rose from a historically very low level of roughly 600,000 to nearly 653,000 employees in 2003 (see Figure 8.1). The increase for industry must be considered in light of the dramatic decline in the early 1990s, following a major economic crisis, and is in part attributable to an economic rebound. The total number of people employed in Sweden rose from 3,748,000 to 4,095,000, which indicates that the growth among business-related services accounts for nearly 40% of Sweden's total increase in number of people employed[3]. Growth on the part of industry accounts for 9% of the total increase over the same period. The two sectors together thus account for half of the total increase from 1993 to 2003, which may be compared to their shares of the total number of employed persons, i.e. roughly 25%. The number of people employed in business-related service jobs over the last decade has thus risen dramatically.

To understand the effects of these changes on the organisation of work and working conditions in the Swedish economy, we must deepen our analysis of the segment of the economy in which jobs are growing fastest, i.e. business-related services. But we will also discuss the manufacturing industry, since it is closely related to these business-related services. One reason for the increase is that services that were formerly carried out in industry are now being operated by specialized service companies instead. But this is about more than just jobs moving from one statistical group to another, from industry to services. The fact is that total employment figures in both of these branches rose notably during the late 1990s, and that the service content is important in both branches.

This trend also entailed real changes in terms of how work is being organised, which impacts both internal and external efficiency in both these types of enterprises, and may lead to additional growth in these sectors.

It is difficult for us to say whether similar tendencies exist in other segments of the economy, but it is not inconceivable.[4] We have taken our examples from service companies and major corporations. Smaller businesses, mainly subcontractors to major companies, are affected only indirectly, since they are usually tied to the larger companies (Sundin 2003). Nor will we address time-limited jobs, so-called "project positions" in this chapter.[5] In other words, we will concentrate on forms of organisation rather than forms of employment.

Project-based business-related services

Our basic question has to do with how operations in companies that provide business-related services are organised. Studies have been conducted in the areas of computer and IT-related service businesses (Swedish standard industrial classification code 72), research (code 73) and consulting and other business services (code 74) that indicate that project-based organisation is the method most commonly used to organize operations there. Söderlund (2005) stresses that the IT industry and research organize their activities mainly on a project basis. According to Sydow et al. (2004), project-based organisation is also common in the consulting business with respect to bookkeeping, marketing, advertising, architecture, law, technical consulting for IT systems, organisation and management development and PR activities. Activities in the cultural sector, e.g. the fashion, film production, video game and publicity industries, are also organised mainly on a project basis, just as high-tech businesses, including software, hardware and multimedia development (Sydow et al., 2004).

Business-related service companies are thus usually organised on a project basis. Because most of these companies' customer services are organised in project form, projects assume inordinately high strategic importance. Other supporting functions such as human resources, marketing and distribution usually reside in the more enduring and permanent parts of the overall organisation (Lindkvist 2004). That these companies use the project model is the

result of their characterising features. Business-related services are generally focused on development or change, and based on personal, albeit professional, relationships between individuals as buyers and sellers, making the advantages of project-based organisation decisive for success. The project managers become a direct link to the customer organisation's buyers, and the project results are a direct measure of how well the work has been done. All in all, the trend shown in Figure 8.[1] points toward increased use of project-based organisation, because the fastest-growing sector, business-related services, is also the sector that is, in large measure, organised on a project basis. This sector grew, in terms of the proportion of the total number of people employed in the Swedish economy, from 6% in 1989 to 10% in 2003.

The results from our interviews and our own experiences from having worked in companies classified as business-related services also support these conclusions. Business-related services, i.e. "project-based organisations" use the project model to organize their offerings to customers. The projects, which often also involve customer representatives, are direct income generators, and thus very important to these companies. In one of the business-related service companies we studied, the objective is that 100% of work hours should be spent on internal or external projects. Another company indicated that nearly 90% of its total work hours are spent on external or internal projects, with roughly 10% organised on the basis of a permanent structure. This 10% comprises support functions and products that can be sold using the industrial business logic (see Normann 2001).

We can thus clearly see that a substantial segment of the economy, business-related services, very often uses the project model in organizing its activities, and that the use of project-based organisation has increased over the last ten years as these industries have grown in scope. Even though the statistical indicators from Statistics Sweden are rough measures of project-based organisation, we believe that it is reasonable to conclude that project-based organisation is increasing as business-related services grow in Sweden.

Manufacturing companies

There are also many indications that companies in industries whose primary operations are volume-based or operations-oriented are employing the project model more and more often as well (Hobday 2000, Midler 1995), even if there is little relevant data (Söderlund 2005). One study that focused on project-based organisation (Whittington et al., 1999) indicates that companies in Europe increased their use of the project model during the period 1992 – 1996, and that this seems to be one of the most important changes to occur in corporate management and organisational structure. The study also confirms that companies are becoming less hierarchical, cutting down on "middle management," focusing on their core activities and outsourcing whatever is not considered strategic. Another study (Svensson 1996) indicates that Swedish industry is often organised on a project basis, and that a large share of Swedish exports is related to complex projects. Other studies indicate that projects are commonly used in companies in the automotive, defence, aviation, telecommunication and pharmaceutical industries (Söderlund 2005, p. 60), among subcontractors to divisions of major corporations, and in managing complex systems in the construction industry, the telecom sector, and in building other infrastructure (Sydow et al., 2004).

Major development and design initiatives commonly lead to more frequent use of the project model, since such work benefits from bringing together expertise from several different functions. It has also been shown that both limited and pervasive renewal efforts in companies and groups of companies are being carried out in project form (Ekstedt et al., 1999). As noted above, the reorganisation of a company can lead to increased emphasis on project-oriented activities. During Ericsson's severe downsizing of its workforce in the early 2000s, major portions of the company's production and assembly operations were outsourced to international component manufacturers, while the staff that remained began working increasingly according to the project model (cf. Pettersson 2004).

Our interviews support these findings. In the industrial companies we studied, it is estimated that over 50% of the total number of man-hours worked

per year are spent on projects, while less than half are spent working in a permanent line organisation. In one company, 70% of the work hours were budgeted to be spent on projects, while some individual workers may spend 80% and even up to 90% of their time on projects. Projects usually aim to simultaneously develop both their internal organisation and the company's goods and services. Even though there is little concrete data indicating the actual growth of project-based organisation in industry, there is much evidence that its scope is large and increasing. Nor have we found any research to indicate the opposite.

Reasons for increased use of the project model

The sector of the business community that has traditionally always used the project model, i.e. business-related service, has grown dramatically at the same time as the use of the project model in industry is extensive. We might then ask why the impact of project-based organisation is so great.[6] Project-based organisation has long been common in the construction industry (Ekstedt et al., 1999, Söderlund 2005) which, it is worth noting, is not included in the statistics in Figure 8.1. This means that the total use of the project model in the business community is underestimated in the figure. The construction sector uses the project model because its work is limited in terms of both space and time. Only parts of such operations can be carried out in large-scale series, but even simpler recurrent activities are quite often organised on a project basis. This mode of operating seems to be spreading to other parts of the Swedish economy. Temporary projects involving people from several different functions and even several different permanent organisations can better meet customer demand, something that industrially organised companies seem to find problematic (Normann 2001). "Projectification" can be interpreted as a means of coping with increasingly sophisticated and well-informed demand, not least between companies (Hobday 1998).

> *Today it is, for instance, not uncommon for development units to have nearly a hundred projects going at once. The reasons being that they must be able to respond continuously to changing customer preferences, and to exploit technical advancements. In brief, this leads to increased projectification; more and more individuals are working in project-based organisations* (Söderlund 2005, p. 37).

There are other reasons for using projects as an organisational form. When it comes to development and renewals efforts, a project can be considered an experiment in which long-term costs are avoided, which is understandably a major advantage in the event that the initiative proves unsuccessful. Projects can also break down psychological barriers or glass walls that exist between old, traditional organisations (Sydow et al., 2004), thus favouring innovation. Nor is it uncommon for corporate managements to organize certain activities in project form to gain control over costs and results. Permanent flow organisations are, however, preferable for certain activities, most often those that are long-term and routine. Such activities may include production in long series, which offers economies of scale and requires major capital investment, such as in the pulp and paper industry, or component manufacturing. The same applies in cases where availability is critical, such as the call centre business. But even activities such as marketing and distribution can be carried out in permanent organisations (Sydow et al., 2004). This holds true for parts of the knowledge development process that takes place in such organisations as well. A permanent organisation may be essential for transferring knowledge developed in one project to a future project (Ekstedt et al., 1999, Martinsson, forthcoming) by converting the project members' private expertise into shared organisational competence. In other words, it is often not a matter of choosing a permanent or temporary organisational model, but rather of determining which activities within the company are suitable for each approach, and dealing with the challenge of adapting the two elements to one another.

So far we have pointed mainly to changing patterns in terms of demand as the reason why companies organize their activities on a project basis. Customers are gaining greater purchasing power, more differentiated behaviour and greater sophistication. But it is also very likely that altered conditions and

assumptions in terms of production are fuelling this trend. The spread of modern information technology coincides with this "projectification" process. IT facilitates communication between different producers, and between producers and consumers, thereby providing invaluable support for, e.g. project managers. It is also a prerequisite for project architects who are designing the technical logistics and unifying languages (e.g. SDL) in major and complex projects in industry and the construction sector. New means of coordinating activities that are being carried out in parallel by different organisations within larger systems and with a common goal thus promote specialization, which is another strong driving force. The trend seen in Figure 8.1 can be viewed in part as a process of specialization wherein, e.g. certain types of services are being performed to an ever-increasing extent by service companies, while other, more technically oriented jobs are handled by industrial companies. We consequently view IT as a force that makes it possible to realize the organisational changes that we have discussed above.

Projects – a major impact on the new division of labour

All projects create temporary systems for carrying out assignments (DeFillippi 2002, Lundin & Söderholm 1995). Projects can be tied directly to customers' specific demands, making them a strong cohesive force when different functions and organisations work together. But they can also be oriented toward more uncertain future demand, as is the case with many research, development and change projects. These efforts are usually organised in the project form to meet time limits and budget restraints. A project manager who leads a team assumes responsibility for the completion of the task and fulfilment of the objectives. Projects are often characterized by concrete action to achieve a specific goal, as is very obvious, for instance, in construction and IT projects, but less so in development or renewal projects. Still in the latter cases there is a goal, although it may take the form of a vision (Ekstedt et al., 1999).

But the term "project" is vague, and there are major differences between different types. Engwall (1995) believes that "projects" should be viewed as a family of terms rather than a single unambiguous one. The characteristics associated with a "project" are usually described in terms of a stated goal, a chronological framework based on several deadlines, and the fact that a project is usually carried out by a designated team. There are also those who maintain that these characteristics do not describe how project-based work appears in practice, but rather an idealized image of a project (see e.g. Blomberg 1998 and Sahlin-Andersson 1992).

Ekstedt et al. (1999) distinguish between recurrent and unique projects to elucidate their distinct functions and principles. Recurrent projects are routinized and led by project managers trained in accordance with "best practice" standards, which reduce uncertainty regarding the end result and work processes. Project-based activities, such as those in the construction sector, consist mainly of recurrent projects in which the tasks, areas of responsibility and even member compositions do not vary much. It is, on the other hand, more difficult to prepare oneself through professionalized training for unique projects, where there is greater variation in terms of tasks, goals, areas of responsibility and membership. Because few people have experience from renewal projects, companies often contract consultants with experience from renewal initiatives from a number of different organisations for these types of projects. Unique projects, and particularly renewal projects, do not always proceed on the basis of clearly defined goals, nor do they lead to results that are as concrete and action-oriented as those seen in recurrent projects. They do, however, usually entail a great deal of rhetoric, directed toward players both inside and outside the organisation (Ekstedt et al., 1999). All projects, regardless of type, are intended to achieve a result in the future based on an objective set in the present.

The result that a project is to achieve can vary (Söderlund 2005). There are two types of objectives for project work within an organisation. One type involves business projects performed on assignment for outside customers who set the requirements for and are recipients of the end result. This type is common in, e.g. the building and construction industry and energy production, and among IT and

management consultants. The other type consists of internal development or change projects that often have to do with the development of technology, products, services or systems, and are based on the integration of multiple functions, i.e. production, research, logistics and sales, to solve a problem. This type also often requires changes in the organisation, its competence and its work processes. The main players are internal entities such as research and development units, marketing departments and the management.

It is common for projects to involve a number of different organisations. From a corporate perspective, this often means that one company has sold a project, such as advice on customer orientation or technical renewal, to another company, and needs to cooperate with various subcontractors and specialists to bring about the expected result.[8]

Another type of projects consists of development projects financed with public funds. These can include regional development projects funded by, e.g. the EU or Vinnova, with a view to bringing together several organisations (such as in a Triple Helix approach) to foster growth and development in one or more regions. We will not address this type of project here, but rather focus on how projects are used in business-related services and in industry.

Methodology

This chapter is based on other studies of the development and organisation of business activities supplemented with 25 interviews conducted at eight organisations in the construction sector, industry and business-related services. The interviews were all semi-structured, and focused on how the companies organize their operations. Our main questions concern whether they use permanent or temporary forms, and the consequences for the business and its employees. We have interviewed individuals holding positions as CEOs, HR managers, line managers, project managers and project employees. The companies are leaders in their industries, and many of them are publicly traded. However, for reasons of confidentiality, we have chosen not to identify the companies or the interviewees. At one of the industrial companies we interviewed eight people and were allowed access to both internal written descriptions of the organisational model and external reports, which resulted in the description of an industrial company offered below. The other example is the corporate group in which one of the authors was employed and worked for during four years, i.e. participatory observation. The case histories are based on written material, interviews as well as our own experiences, and illustrate how different people in these companies perceive project-based organisation and its effects on the companies and their employees.

We will present descriptions of two archetypes of companies to illustrate how operations are organised in the business-related services and in industry, which we will then use to discuss the effects on the business and the companies' employees.

Project-based organisations – the business-related services example

Because industrial companies often focus their operations on technologically-based work, a large market has emerged to provide consulting on how such activities should be organised and managed. One company, which we will call Development, works as a business development consultant. Its consultants initiate, manage and realize the introduction of new forms and principles concerning, e.g. how an industrial company can develop is offering. Development is a medium-size company in its industry, with some 20 employees and a good international reputation. Its customers come from all of Europe, but mainly from Sweden. They consist mainly of industrial companies and the public sector.

Each senior consultant at Development is, in practice, an income-generator who sells ideas to potential customers and then creates a project to deliver the result. The consultant guarantees the future outcome through her role as project and key account manager. In some cases the customer buys the project based on Development's brand name, but in many cases the qualifications and personal contacts of the individual consultant are the decisive factors. As a result, Development has a complex structure for making decisions and allocating power. The company is headed formally by a CEO,

who is aided by a secretary. The CEO also has the right to make demands on the staff's unused time, i.e. the time during which they are not working in income-generating activities, for internal projects, such as marketing and knowledge development. To the employees, unused time is something they prefer to avoid, since it sends a signal to the CEO that the person in question is not "pulling their weight." As a result, internal work is constantly down-prioritized and deferred in favour of present and future customer assignments.

In practice it is the board of directors, in which all the shareholders, including the CEO, are represented, that is the real centre of power. The shareholders are the most important power-holders, mainly because one can become a shareholder only after having worked successfully as a senior consultant for a long time. As a result, the shareholders consist of senior consultants, who consequently also are the key figures in the daily operational work. The goal of the business is to deliver profitability for its shareholders, and to create interesting and instructive jobs that develop and enhance both customers and employers. Sometimes personal learning is prioritized, other times strictly financial outcome, depending on the owners' interests. Each individual senior consultant is responsible for their own and their project group's learning, which also determines how attractive those individual will be in the internal competence market.

Customer jobs mainly take the form of projects, and projects are the source of Development's income. Each individual project is expected to cover its own direct costs plus parts of the company's shared, non-project-related costs, and also to enhance the company's profitability. The project manager sells jobs to customers and takes responsibility for their completion, the internal project group and the customer relationships. Each project also has a steering group that includes representatives from the customer, the project leader and someone from the project group. The steering group has the task of evaluating, on an ongoing basis, how the work is contributing to meeting the pre-defined goals.

To the extent that the employees have alternative, parallel projects to work on, internal markets often arise in which various project managers compete with one another for the most competent employees. Bottlenecks develop around individuals with key competence, which means in turn that these people can pick and choose their projects and increase the compensation they receive. Making a career at Development demands project experience and, most importantly, project management experience, as a result of which employees can quickly find themselves in vicious or virtuous cycles, depending on whether they are employed in projects early in their careers. Those hired during an economic boom tend to climb the corporate ladder quickly.

Most of the employees also receive bonuses based on how much they work in customer projects and thereby assume part of the company's business risk. Their compensation increases once the assignment is sold and completed but decreases if no projects are sold. Conversely, the company's earnings are relatively stable in down periods, because its fixed costs are low, and high, but not extremely high, during up periods, since the adjustable compensation paid to the employees then increases.

Development's project managers are aiming to completing projects that create good value for the customers. The results are key, and it is important that customers are pleased, while leadership with regard to "the human element" is neglected. Project members are subject to stress and a fast work pace, with special peak periods during which additional demands are made on their performance and presence. Delivering a good result on time is crucial. The employees are also affected by the pressure to always be working on customer projects. This stress works in two ways: time pressure is stressful, as is the need to demonstrate competence in order to be attractive to the project managers in order to be used in future projects. There is a link between these two factors, since time pressure stemming from a current project makes it difficult to ensure that one will be involved in future projects.

This lead to situations where consultants tend to accept new assignments until they have reached their capacity limit, and are thus tied up until these projects are completed. During this time, they cannot accept new assignments, and a gap often occurs between old and new projects during which the consultant will not be employed. This is potentially a

good time for recovery, but overly long recovery periods create the second type of stress, since the consultant is not involved in projects, and thus cannot improve his or her qualifications, and may even receive lower compensation. It is obvious that such a system is extremely rewarding for those who succeed, but those who do not fit in are soon culled or choose to quit. Conversely, for Development and those who are able to perform under such conditions, and for the company's customers, this system provides a high level of customer satisfaction, high compensation and excellent learning opportunities.

Project use in industry – the manufacturing company example

Many companies in industry endeavour to engage in advanced and development-oriented work, since it often tends to be the most profitable. Such companies sometimes outsource simpler, more routine activities and service activities that are supportive but not critical. Following a major crisis in the early 2000s, one company, Innovation, chose to focus its activities on creating systems and services ancillary to the products they had formerly manufactured. Major parts of the production are now being handled by other companies. Innovation is a large, publicly traded international company with nearly 50,000 employees in a highly globalized industry that is characterized by heavy research intensity and large development projects.

Innovation's inner structure is based on its history as an industrial company, with extensive research and development and large-scale production. It has created an organisational matrix with business areas on one axis and customers and markets on the other. Over the last decade, projects have become an important mean of integrating numerous areas of knowledge in work with specific customers and problems. A third organisational axis has emerged, the purpose of which is to integrate products and markets from a customer and problem-based perspective. This third axis can, for instance, coordinate activities within a calendar year or on the basis of a technical standard, using the project model as the basis for organisation. These projects circumvent the basic organisational structure by bringing together people and competence from different functions, product areas and markets. The entire company is ultimately managed by the group-level management, with its staffs and support functions. The ownership is essentially anonymous, imposing clear demands in terms of profitability, with the exception of one dominant owner, who has overall responsibility for the company's long-term growth.

Most of the employees at Innovation generally spend 70% of their time on various projects. The rest of their time is spent in the line functions, where they have their permanent positions. Despite this, the purpose of the projects is to support, with an emphasis on development and renewal, the line operations. Line managers are, by tradition, responsible for the company's revenues, and consequently decide the projects' starting dates, budget sizes and goals. The line functions are also evaluated financially based on their contribution to overall profitability. In addition, it is executive and management experience gained in line positions that counts when top executives are to be appointed. This has led to internal conflicts between those who work mainly on projects and those who work mainly in line positions. It appears as if the firm has developed two different types of internal environments with different attitudes toward work, and internal conflicts often rise between those who prefer projects and those who prefer the line approach. This is most obviously manifested in strong competition for the most competent employees between projects and lines.

Innovation's division between projects and lines also entails a division among the leadership in terms of performance versus human elements. Project managers are responsible for performance and goal-fulfillment, while the line managers are responsible for employee learning, competence development and career advancement, health, stress and other personal factors. Stress results from heavy workloads, and from the uncertainty that arises as a result of the organisation's two parallel structures and cultures. Many people we spoke to expressed deep frustration over being uncertain as to which career path was best, and what sort of experience would be rewarded long-term. Projects are said to offer a holistic view and a performance orientation, while line positions are considered to improve the ability

to lead people and create a long-term perspective. The competition between these two views creates frustration and stress. All in all, projects were said to be excellent for creating new products and services, while at the same time creating new demands in terms of leadership and new problems for line managers and support functions.

Consequences of increased use of projects organisations

It is important to point out that "no project is an island" (Engwall 2003), and that each project has a process before it begins, parallel processes while it is under way and another process after it has been completed. These contextual forces, which can come both from other parts of the same organisation or from other organisations, affect the project and the employees involved (Grabher 2004). For the organisation, the most important forces are connected with prioritizations and conflicts between different goals, and with issues concerning who is to have disposal over critical resources, most importantly the employees' time. Project workers often feel that they cannot simultaneously fulfil their obligations within and outside of the ongoing project, which generates stress. Projects can thus become pawns in internal political power struggles in which managers attempt to influence project results to achieve personal goals. At the same time, project members acquire more or less unique competence by working in advanced projects, and can use such knowledge as a means of advancing their own career interests, since the systems in place to convert individual knowledge into commonly shared knowledge are often ineffective (see e.g. March 1995 and Martinsson forthcoming). All in all, much of the responsibility traditionally assumed by the company, primarily through its management systems and HR function, now resumes with the individuals in the company (Packendorff 2002).

The most important consequences of the increased use of the project model can be described in terms of three critical dimensions (Söderlund 2005). First, projects are characterized by their pre-defined time limits, which produce time pressure, and in goals that change once the project is completed. This demands a high tolerance for stress, and an ability to face new job duties and goals at regular intervals. The second characterizing feature is that one's colleagues in the project group are not seldom unfamiliar. The project workers may not know one another at all before the project starts, and the work group is dissolved as soon as the project is completed. This puts demands on people's social skills, and on their ability to work intensively, focused and goal-oriented in temporary teams comprising more or less unfamiliar faces. The third characterizing feature is a high level of uncertainty: one must solve difficult problems and cope with expectations that are often unclear, since those specifying the requirements cannot properly assess what may await them. This entails that those who work on projects must be willing to learn, and be able to cope with work that involves uncertainty. We will discuss the effects of these three dimensions, based on organisations in which the employees hold permanent positions but work mainly on projects.[9]

Time and stress

Projects' pre-defined deadlines and budgetary restraints, objectives and focus on individuals create a risk that stress levels rise, particularly for those who generally spend the bulk of their time working on projects and are not given the time for reflection that line work often offers. Projects often lead to heavy workloads and mental stress reactions. On the other hand, involvement increases among employees who are doing project work (Zika-Viktorsson et al., 1998). One important challenge facing the employees is to use the intervals between projects to rest and reflect, and not to start the next project right away, something that can be hard to do when one's status depends on how many projects one has been involved in, and which particular ones.[10] It is also important to understand which employees who enjoy working in projects and who does not.

On the other hand, there is a much-cited misconception that projects automatically lead to a short-term approach. Organisational planning nowadays is often based on quarterly, semi-annual and annual reports. This results in a planning horizon that does not usually extend beyond a year, and which is also

heavily controlled by the calendar year. Projects can range anywhere from a few months to 25 years in length, which means that in these cases it is the nature of the project that determines the planning horizon. Compared with a calendar-based planning cycle, the horizon in project work can in some cases be shortened, and in other cases lengthened. It is indisputable that the project model leads to a planning horizon that is more business-oriented and reflects the business's nature than is the case with calendar-based planning, which reflects mainly bureaucratic considerations.

Social skills, leadership and loyalty

Another effect of the increased use of the project model and its focus on competence may be that those who work on projects become more loyal to their project than to their company. Each individual often places major emphasis on the relationships around which each project is built. Getting to know new employees quickly and making sure both to take their specialized expertise into account and to assert one's own are becoming key traits for successful people. This is most important for project managers, but also for project participants, who must demonstrate their competence in order to advance and be included in exciting future projects. This places new demands on people in terms of their social skills in relation to project managers, other project participants and outside persons and groups, since the entire group's results will be the ultimate indication of how well a project has been carried out.

Another effect of the increasing prevalence of projects involves changes in leadership. Our interviews showed that a more permanent organisational form, such as a line-based organisation, produces relationships between managers and subordinates that tend to be more personal and long-term, and have to do with both knowledge development and security. The line-based organisation also gives the subordinates a fairly good idea of how their own careers are likely to progress, since the career ladder and associated requirements are clearly defined and relatively enduring.

Organisations that use the project model extensively have, in principle, separated the managers' responsibility for financial results, employees' competence development as well as their job security. Employees usually have a permanent line position, at which the spend perhaps 20 – 30% of their time at work, and where their supervisor is responsible for their learning, career, social issues and other security and comfort-related matters. They also spend 70 – 80% of their time with project managers, who are responsible only for their performance in each individual project. The project leader(s) under whom one works can also vary over time. This leadership is thus entirely performance-oriented. As a result, traditional roles such as those of manager and subordinate have changed in character and become more complex. In one company we studied there was talk of the existence of one leadership for "human elements" and another for "results." In essence, line managers often have control of and responsibility for resources (including employees), while project managers have control of and responsibility for results.

We have also observed situations in consulting firms where project managers were more loyal to their teams, customers and projects than to the company as a whole, a phenomenon also seen in other studies of professionals and their relationships to organisations and bureaucracies (see e.g. Scott 1966). In one company there were clear strategic guidelines for which types of industries and issues the company was to work with while, at the same time, certain individual consultants also had strong personal interests in connection with certain customers and issues, with the result that, in the event of a conflict between the company's strategy and their own personal convictions, they usually chose their own convictions. There are also other types of studies that indicate that employees can feel a greater sense of belonging to their profession and interest-based groups (e.g. Internet-based "communities) or projects (Söderlund & Bredin 2005) than to their company. Teigland (2003) notes, for instance, that programmers at IT companies often solve company-related problems in the company with the help of outside interest groups, regardless of whether sensitive company information is being disclosed to outsiders.

When the project model is used, individuals in a company tend to be more clearly divided into roles based on competence rather than administrative roles or roles based on function. An employee with an academic degree who previously had been working as a marketing manager may instead be classified as a project manager with special competence in marketing. The distinction may seem minor, but it is actually dramatic. The focus on expertise combined with use of the project model means that each person's competence is subject to internal competition in each new project. When a new project is being staffed, personnel are sought on the basis of various roles. If the project needs a project manager, a project administrator and three experts in three different fields, each and every one of these roles must be filled based on availability and level of competence. The company has to constantly find the competence needed for each specific project, while at the same time creating groups and working methods in which the participants feel secure and comfortable, so that they can apply their competence fully.

It is necessary for those working in this system to cope with the increasing internal, and sometimes also external, competition, which requires the ability to constantly improve oneself, and to have social skills so that one can "sell" oneself in the system. This salesmanship is based on the success of and attention surrounding projects in which one has participated, and on how one's own contributions to the project are rated. Individual learning occurs throughout a project, based on the problems and tasks for which each individual is responsible. The training that companies organize outside project work consequently diminishes in favour of such "on-the-job training." This creates noticeable obstacles to the newly employed and others who lack experience in project-based work. The system obviously emphasizes the importance of personal human capital in the form of expertise in some area, and social capital in the form of a good reputation among important contact-creating people. If we take this tendency to its extreme, we see that competition will occur between individuals in various areas of specialization rather than between companies with more or less fixed human resources.[11] This tendency is characterized by Ekstedt (1988) as a transition from organisation-based to individual-based knowledge.

The result from this trend is that each individual must assume more responsibility for their own career than has previously been the case. To put this in more dramatic terms, business risk, i.e. the risk of receiving no income (or rather performance-based pay) is being shifted from companies to individuals. When the project model is used and salaries and compensation are tied to each person's contributions in various projects, these people become, in a sense, "self-employed" within the framework of a company. There are IT companies that have explicitly called upon their employees "to act like they were self-employed." If compensation levels are tied to the time a person is employed in projects and these projects also constitute income sources for the company, i.e. are pure customer assignments, these people will assume a large part of the company's business risk. This is quite common in management and strategy consulting firms, and changes the individuals' risk status considerably compared with a situation in which they hold permanent positions with fixed salaries. We see no clear indications that this is about to happen in industry, but the obstacles in its way are, as a result of the advent of the project-based approach, fairly insignificant. As noted, it is likely that individuals will favour their projects, their project group and perhaps even themselves more than the organisation as a whole. One way of countering this would be to develop the HR function so that it better meets the needs of individuals in a project-based company, and manages the conflicts between the project-based and line-based organisations (Söderlund & Bredin 2005).

The roles of employer and employee are changing dramatically. No one is "giving" work, or employment, to another person who is "receiving" it or is being employed. Each worker must instead constantly arrange for their own supply of work by being attractive to project managers, while project managers, who need competent workers, must at the same time be attractive to the project workers they need in their projects. Project workers compete against one another, while project managers have to compete with other project managers and possibly also with line managers for access to the most competent

personnel. This clearly means that those who have difficulty selling themselves and being competitive will have problems finding assignments. People who have mainly worked in and enjoyed line-based positions may have a difficult time adapting to a new, project-based working life. There is an obvious risk that working life will become increasing polarized. The same greater flexibility that may benefit certain attractive individuals can also lock in or exclude others (cf. Allvin et al 2006).

In conclusion: project-based organisation can meet the market's need for flexibility that will enhance organisations' growth opportunities and long-term survival, even if it also imposes demands in terms of organisational learning (cf. the discussion of a "transformation dilemma" in Ekstedt et al., 1999). This trend also places new demands on those who work at these companies. Mobility in the labour market, on the other hand, may increase when people work on short projects involving various members, and in which people from other organisations are also involved, rather than in fixed groups in a traditional line-based company. The level of mobility is also likely to increase when new inter-organisational and inter-personal interfaces arise. This applies mainly to the group of people who are able to meet the demands of the new work environment. The opportunities available to this group in terms of growth, stimulating work and high pay are good, while the prospects for those who cannot meet the new demands are less favourable. One key challenge for the labour market as a whole may be its ability to manage the transition to these new organisational forms for those who are not currently working on a project basis.

Summary conclusions

- A new division of labour between traditional industrial companies and business-related services is emerging. The lengthy decline of industry has been offset by the growth of business-related services, which are usually organised on a project basis.
- The prevalence of project-based organisation in industrial companies is also extensive, and is becoming increasingly formalized.
- Project-based work can be engaging and inspiring on one hand but, on the other, characterized by specified deadlines and performance demands that create stress.
- Project-based work puts the focus on performance, and a special sort of leadership for this is emerging that does not include "soft," human or social aspects.
- Individuals have to assume more risk. They are assuming higher responsibility for their own financial compensation, development and advancement, as well as their future employability.

Notes

1. This includes Swedish standard industrial classification code 72, which pertains to computer and related activities, code 73, which pertains to research and development, and code 74, which applies to other business activities, i.e. services in the areas of law, patent issues, bookkeeping, audits, tax consulting, market surveys and opinion polls, technical consultants, advertising agencies, advertising, organisation, management and strategy issues, HR services, office services and other business-related services.
2. This includes Swedish standard industrial classification code 2, wood products, pulp, paper, publishing, coal, chemicals, metal, rubber, plastic, minerals and machinery, and code 3, which applies to electricity, optics, shipping and other manufacturing.
3. Other major changes occurred in sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel (Swedish standard industrial classification code 5), which grew by 85,000 employees, but also in education, healthcare, social services and veterinary activities (code 8), other social and personal services, and household services (code 9), each of which grew by roughly 30,000 employees from 1993 to 2003.
4. For example, Jessen (1994) obtained similar results in a study of several industries and entities administered by the government.
5. It is important to point out that project-based employment is not the same thing as project-based organisation. They may coincide, but do not necessarily do so. Most of the people in the industrial companies we studied were permanent employees who spent the bulk of their time on activities organised on a project basis. For a discus-

sion of project positions and their effects on health, see Aronsson (2004).

6. Our interviews in the healthcare sector paint a different picture. In the healthcare organisations we studied, projects are used mainly for internal development work, and accounted for less than 5% of the total number of man-hours worked annually. This is attributable mainly to the business logic in the healthcare field.
7. Project Management Institute (PMI) in the US provides training in project management considered by many practitioners to constitute "best practices", and has thus set the standard for how efficient project management should be carried out in companies.
8. For further discussion of companies, so-called "prime movers", who organize a network of other organisations in order to deliver an offering to their customers in project form, see Ramirez and Wallin (2000).
9. For an extended discussion, see Söderlund and Bredin (2005).
10. In some US-influenced consulting firms, "at the beach" (subtext: and drinking) is used to describe time not devoted to customer-based projects. This gives a sense of what the work culture embraces in these environments.
11. There are already websites, such as www.guru.com, where one can hire specialists for specific projects via the Internet in given areas of competency based on the individuals' characteristics and experience.

References

Allvin M, Aronsson G, Hagström T, Johansson G and Lundberg U (2006) Gränslöst arbete – socialpsykologiska perspektiv på det nya arbetslivet [Work without borders – social psychological perspectives on the working life], Liber: Malmö.

Aronsson G (2004) "Hälsa and utvecklingsmöjligheter i tidsbegränsade anställningar" [Health and opportunities for growth and advancement in time-limited positions], p. 215–235 in Gustafsson RÅ & Lundberg I (ed.) *Arbetsliv and Hälsa* 2004. National Swedish Institute for Working Life, Stockholm.

Beck U (1992) *The Risk Society: Towards a New Modernity.* Sage, London.

Bell D (1976) *The Coming of Post-Industrial Society: A Venture in Social Forecasting.* Basic Colophon, New York.

Blomberg J (1998) *Myths about projects*. Nerenius & Santérus förlag, Stockholm.

Castells M (1996) *The Rise of the Network Society.* Blackwell, Malden, MA.

D Fillippi RJ (2002) "Information Technology and Organizational Models for Project Collaboration in the New Economy" *Human Resource Planning*, 25/4, pp. 7–18.

Ekstedt E (1988) *Humankapital i brytningstid* [*Human capital in transition periods - knowledge accumulation and renewal in companies].* Allmänna Förlaget, Stockholm.

Ekstedt E, Lundin RA, Söderholm A & Wirdenius H (1999) *Neo-industrial Organising: Renewal by Action and Knowledge Formation in a Project-intensive Economy.* Routledge, London.

Engwall M (1995) *Jakten på det effektiva projektet.* [The hunt for the efficient project] Doctoral thesis. Nerenius & Santérus Förlag, Stockholm.

Engwall M (2003) "No Project is an Island: Linking Projects to History and Context" *Research Policy*, 32, pp. 789–808.

Grabher G (2004) "Temporary Architectures of Learning: Knowledge Governance in Project Ecologies" *Organization Studies*, 25(9), pp. 1491–1514.

Hobday M (1998) "Product Complexity, Innovation and Industrial Organisation" *Research Policy*, 26, pp. 689–710.

Hobday M (2000) "The Project-based Organisation: An Ideal Form for Managing Complex Products and Systems?" *Research Policy*, 29, pp. 871–893.

Inglehart R (1990) *Cultural Shift in Advanced Industrial Society.* Princeton University Press, Princeton.

Jessen SA (1994) "The Use of the Project Approach in Norway: An Investigation Into the Diffusion and Adoption of the Project Concept in a Small, Modern, Welfare Oriented Society" in Lundin RA & Packendorff J (ed.) *Temporary Organizations and Project Management.* Proceedings from the IRNOP Conference, College of Business at Umeå University.

Lindkvist L (2004) "Governing Project-based Firms: Promoting Market-like Processes in Hierarchies" *Journal of Management and Governance*, 8, pp. 3–25.

Lundin RA & Söderholm A (1995) "A Theory of the Temporary Organization" *Scandinavian Journal of Management*, 11, pp. 437–455.

March J (1995) "The Future, Disposable Organizations and the Rigidities of Imagination" *Organization*, 2(3–4), pp. 427–440.

Martinsson I (forthcoming) "Knowledge Transfers between Projects" College of Economics, Stockholm University.

Midler C (1995) "Projectification' of the Firm: The Renault Case" *Scandinavian Journal of Management*, 11, pp. 363–375.

Normann R (2001) *Reframing Business – When the Map Changes the Landscape*. Wiley & Sons Inc, London.

Packendorff J (2002) "The Temporary Society and its Enemies: Projects from an Individual Perspective" in Sahlin-Andersson K & Söderholm A (ed.) *Beyond Project Management: New Perspectives on the Temporary-Permanent Dilemma*. Liber & Copenhagen Business School Press, Malmö.

Pettersson KH (2004) *Det exploderande företaget – om företag and politik i 2000-talets samhälle*. [The exploding company – on companies and politics in the 21st century society] SNS förlag, Stockholm.

Piore M & Sabel CF (1984) *The Second Industrial Divide: Possibilities for Prosperity*. Basic Books, New York.

Putnam RD (1992) *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton University Press, Princeton.

Ramirez R & Wallin J (2000) *Prime Movers: Define Your Business or Have Someone Define it Against You*. Wiley, Chichester.

Sahlin-Andersson K (1992) "The Social Construction of Projects: A Case Study of Organizing an Extraordinary Building Project – The Stockholm Globe Arena" *Scandinavian Housing and Planning Research*, 9, pp. 65–78.

Scott RW (1966) "Professionals in Bureaucracies – Areas of Conflict" in Vollmer HM & Mills DL (ed.) *Professionalization*. Prentice-Hall, Englewood Cliffs, NJ.

Singelman J (1978) *From Agriculture to Services*. Sage, London.

Sundin E (2003) "Små företag – lösning på vad and för vem?" [Small companies – solution to what, and for whom?] pp. 253–270 in von Otter (ed.) *Ute and inne i svenskt arbetsliv. Forskare analyserar and spekulerar om trender i framtidens arbete*. [Outsiders and insiders in the Swedish working life. Researchers analyze and speculate on future work trends] Arbetsliv i omvandling [Work life in transformation] 2003:8, National Swedish Institute for Working Life, Stockholm.

Svensson R (1996) *Svenska företags projektverksamhet i utlandet*. [Swedish companies' project-based operations abroad] Report from International Council of Swedish Industry, Research Institute of Industrial Economics, Stockholm.

Sydow J, Lindkvist L & DeFillippi R (2004) "Project-based Organisations, Embeddedness and Repositories of Knowledge" *Organisation Studies*, Editorial, 25(9), pp. 1475–1489.

Söderlund J (2005) *Projektledning and projektkompetens – perspektiv på konkurrenskraft*. [Project management and project competence – perspective on competitive capacity] Liber, Malmö.

Söderlund J & Bredin K (2005) *Perspektiv på HRM – nya organisationsformer, nya utmaningar*. [Perspectives on HRM – new organisational forms, new challenges] Liber, Malmö.

Teigland R (2003) *Knowledge Networking: Structure and Performance in Networks of Practice*. Doctoral thesis, Institute of International Business, College of Economics, Stockholm.

Touraine A (1971) *The Post-Industrial Society*. Random House, New York.

Ullström J (2002) *Det svenska nyföretagandet* 1986–1997 – *förändringar i företagsstrukturen and sysselsättningseffekter*. [The new Swedish enterprise, 1986-1997 – changes in corporate structure and effects on employment] Vinnova, Stockholm.

Whittington R, Pettigrew A, Peck S, Fenton E & Conyon M (1999) "Change and Complementarities in the New Competitive Landscape: A European Panel Study, 1992–1996" *Organization Science*, 10(5), pp. 583–600.

Wikman A (2004) "Indikatorer på förändrade arbetsförutsättningar" [Indicators of changed conditions for work] pp. 37–74 in Gustavsson RÅ & Lundberg I (ed.) *Arbetsliv and Hälsa* 2004. National Swedish Institute for Working Life, Stockholm.

Zika-Viktorsson A, Nordqvist p. & Hovmark p. (1998) *Psykosocial arbetsmiljö, ledning and effektivitet i projektgrupper*. [Psychosocial work environments, management and efficiency in project groups] Report no. 99, Department of Psychology, Stockholm University.

Zuboff p. & Maxmin J (2002) *The Support Economy. Why Corporations are Failing Individuals and the Next Episode of Capitalism*. Allen Lane, London.

CHAPTER 9

Gender segregation in education and working life

Hanna Westberg

The gender-segregated labour market is driven by gender-marked notions of characteristics, qualifications and occupations. These are decided by structural factors, which in turn determine our educational and career choices.

In this chapter, Hanna Westberg discusses how gender segregation arises in different segments of trade and industry as well as various occupations. The career choices of both adults and young people depend to a large extent on how gender identities are constructed. There is certain support for the theory that educational and career choices are rational, but this rationality is partly based on the fact that careers are gender-marked and that the labour market is gender-segregated, which tends rather to support the idea that our choices are socially conditioned.

Overall, there is less gender segregation in the labour market. However, this is not because of all the attempts made to integrate women into male-dominated areas; it is because women themselves are trying to enter these areas. In contrast, men are not to any major extent seeking to move into female-dominated professions. Part of the problem may be solved by viewing equality of opportunity as a knowledge issue – by establishing a learning process at workplaces in politics, organisations and institutions, as well as among individuals, she writes.

How is gender segregation created and perpetuated in different segments of trade and industry as well as various occupations in Sweden? Are the career choices of the young paving the way for greater equality of opportunity in working life? These are the issues I will discuss in this chapter. One conclusion is that the gender-segregated labour market is perpetuated because our gender-marked notions of characteristics, qualifications and occupations are largely based on structural factors and determine our educational and career choices.

In the next few years, the elderly population will grow and the burden of support will weigh more heavily on those who are working. People born outside Sweden, or with at least one parent born outside Sweden, will also increase in number. Budget belt-tightening measures and greater demands on the welfare state have led to a striving for efficiency and a trend to increased privatization. In both public and private sectors, a persistently high level of part-time working is evident. Numbers of part-time workers are high, but part-time working has nevertheless de-

clined quite appreciably among women, although it as risen somewhat among men (if from an extremely low starting level). Temporary and contract working is increasing all the time. Sweden's solidarity-based pay policy, founded on central pay negotiations, is becoming weaker and weaker, and pay is more and more often being set individually and locally. These changes are inter-related and are caused by ideological changes and by the increasingly competition-led and international nature of the Swedish economy.

When working conditions change in this way, it brings considerable demands in terms of flexibility and adaptability. Gender division of work – i.e. when gender is linked to occupations and qualifications – constrains this flexibility and prevents the best use (being made) of human resources.

Several changes in labour legislation have made it easier to employ people on a temporary basis. Since 1 July 1993, the law has allowed private employment agencies to be established and agencies that hire out staff for temporary assignments. As a result of the new conditions in the labour market, new forms of temporary employment have come about, in particular to enable businesses to take on staff for temporary peaks in workload or for a specific assignment. To employees, this makes it considerably more difficult to plan and combine working and family life. More women than men have temporary jobs and are more likely to feel that they want to adapt their working life to needs of their family – despite the fact that they are subject to exactly the opposite requirements in their working life.

Much gender-based research has demonstrated that gender is a fundamental factor that in many cases explains discrimination. There are many reasons to apply a gender perspective to working life. One is that many people believe that women and men are in the same situation in their working life, although the above example clearly demonstrates that their conditions differ.

The concept of gender perspective focuses on gender relationships, how gender is viewed as a social structure. By seeing the concept of gender as socially constructed, we focus our attention on structural aspects of gender – that is, the fact that gender is present in most structures in society, irrespective of whether one or both genders are represented.

Equal opportunity as a concept and political issue has existed for about 30 years. The importance of equal opportunity is historically and culturally specific, and it changes over time. I will use the term in an analytical and practical way in an attempt to extend knowledge and prepare the ground for a better explanation and understanding of the relationships between women and men.

The way we perceive equal opportunity is in reality determined to a great extent by the linguistic garb in which we clothe it – how we think about it, talk about it, share in it and put words to it, in interaction with others.

The equal opportunity discourse now existing in society was formulated back in 1994, a society in which women and men enjoy the same opportunities, rights and obligations in all important aspects of life.

A discourse is a particular way of talking about or understanding a certain aspect of the world, in this case the prevailing way in which equal opportunity is perceived. Certain aspects will be highlighted and emphasized strongly during one period, while the same issues will be more neglected during another. There is a superficial perception that equal opportunity has been achieved in Sweden, but on the other hand – and on a deeper level – people attribute different meanings to the term "equal opportunity" and it is not uncommon for different interests and agendas to be pursued in connection with equal opportunity and work towards that end.

In the following, I will discuss how gender segregation comes about and is perpetuated in different segments of trade and industry as well as various occupations in a Swedish context. I will also address the issue of whether the career choices of young people are preparing the ground for greater equality in working life.

Work sector/industry segment/occupation/work function

During the past two years, two government-commissioned reports have been presented SOU 2004:43 and 2005:66. These reports survey and analyze the situation with regard to equal opportunity and gender segregation in Sweden. Research-

Table 9.1. Gender distribution in the labour market 2004.		
	Number	Percent
Men	2,186,000	80
Women	2,027,000	76

Källa: AKU 2004.

Table 9.2. Gender distribution in the private and public sectors.			
Sector	Gender	Number	Percent
Public	men	353,900	16
	women	973,600	48
Private	men	1,832,000	84
	women	1,053,200	52

Källa: AKU 2004.

ers were involved in both inquiries and the latest on the research front is included. In SOU 2004:43, Åsa Löfström concludes that gender segregation has declined mainly in occupations that demand a higher education. This is because women are seeking to enter occupations that have been male dominated, rather than because men are seeking to enter occupations that are dominated by women. But Löfström expresses a fear that some of the occupations that have shown clear male dominance may instead become clearly female dominated. A study of gender segregation patterns conducted at the Swedish National Institute for Working Life indicates that unemployment may rise and fall without causing any major changes in gender segregation in the occupations. Not even the most accentuated changes in employment in occupations lead particularly often to shifts in the level of segregation. However, changes do take place within the occupations – the gender boundaries are moved and the result is division of work functions by gender (Tyrkkö & Westberg 2001).

Gender segregation in the labour market is highly complex and shows through on all levels – horizontal, vertical and internal. *Horizontal* segregation is where women work in certain occupations and industry segments and men in others. When women are employed at lower levels in organisations than men, this is known as *vertical* segregation. *Internal* gender segregation is where women and men are employed in the same occupation (and in some cases by the same employers) but carry out different work functions. This means that even an apparently gender-integrated occupation may actually be highly gender-segregated in practice (Härenstam *et al* 2000, SOU 2005:66, Tyrkkö & Westberg 2001).

In many situations, we stare blindly at the idea that if only the numbers of women in an occupation, organisation, company, board of directors or in the government or *Riksdagen (Parliament)*, etc. become more equal, then gender segregation will decline and society will become more equal. But research shows that the values and processes that result in occupations becoming gender-marked and gender-segregated do not change especially when more women enter what was previously a clearly male-dominated area (Gonäs 2005).

Gender segregation is not synonymous with *gender marking* – a process that renders an occupation typically female or male (Bradley 1989, Westberg-Wohlgemuth 1996). I like to use the term gender marking, since, in my view, if we can deal with gender marking, gender segregation will fade away. Notions and ideas about what is feminine and masculine legitimize the placement of women and men in different occupational categories or the same occupational categories, but with the content differently defined. This leads to notions that "female" qualifications and qualities differ from "male". The gender structure of the workplace is underpinned by the kind of generally shared perceptions of which requirements are posed by various jobs and by notions of which skills are possessed by women and men (Fürst 1988, Gunnarsson 1994, Westberg-Wohlgemuth 1996). Such qualities do not necessarily come from the individual; they may also be associated with what a particular job attributes to the individual, such as power, status and pay.

Gender segregation is the process in which women and men end up in different types of occupation, so that two different types of labour market may be said to exist, female and male. Gender marking and

Table 9.3. Percentage of people in employment, by degree of association with the labour market and by gender and industry (overall level).

	Men, permanently employed	Women, permanently employed	Men, permanently employed & self-employed, out of total number of women and men employed	Women, permanently employed & self-employed, out of total number of women and men employed	Men, temporary employment, out of total number of women and men employed	Women, temporary employment, out of total number of women and men employed
Agriculture, forestry and fishing	22	6	71	18	8	2
Manufacturing, mining and quarrying, energy production	66	22	70	23	5	2
Of which						
Engineering industry	71	18	75	19	4	2
Construction	65	6	84	7	8	1
Trade and transportation	45	29	55	31	7	7
Of which						
Trade	40	31	52	35	6	8
Financial intermediation, business services	41	33	53	37	5	5
Education and research	21	59	22	60	6	12
Nursing and care	12	68	13	69	4	14
Personal and cultural services, cleaning	27	31	36	40	9	14
Public administration etc.	42	48	42	48	5	5
No information	47	26	56	26	15	6
Total	39	38	46	40	6	8

Källa: AKU 2004.

Table 9.4. People in employment, by gender and industry, and by proportion of men and women in each industry.

Industry	**Men**		**Women**	
	Number	Percentage	Number	Percentage
Trade and transportation	494,600	62	300,100	38
Of which, trade	303,900	57	225,400	43
Of which				
Sales of motor vehicles, service	65,600	84	12,200	16
Wholesale and commission sales, not motor vehicles	145,800	71	59,300	29
Department stores, shops with wide range of goods	27,500	33	56,300	67
Specialist shops	55,600	38	91,800	62
Retail, not shops	4,600	48	5,000	52
Repair workshops for domestic appliances etc	4,800	86	800	14

Källa: AKU 2004.

gender segregation interact, and are determined by the social structure of gender.

So gender marking takes place by a process in which the qualifications and characteristics of an occupation become associated with gender. This gives us an idea of which gender a person should have for a particular job. Gender marking becomes apparent when occupations become female or male. In theory, gender segregation may be seen as a result of gender marking of qualifications, characteristics, occupations and work functions (Westberg-Wohlgemuth 1996). However, there is interplay between the gender-segregated society in which we live and the gender-marking process, one result of which is that the conditions that lead to gender marking change over time.

Experiments have been made to increase the number of girls and women in non-traditional areas both in school and in working life. But changes in values have not been on the agenda. To be able to carry out such experiments, project supervisors have nearly always had to be able to offer concrete proof that the organisation will genuinely profit in some way from participating. Arguments that sick leave in gender-integrated occupations is lower, that the work environment is better and that organisations gain financially from gender integration are considered acceptable.

Many experiments have been successful while they are in progress, but their longer-term effects have turned out differently from the ones anticipated. Abrahamsson, in her research (2000), coined the term *restorer*. According to her, a gender order usually exists in an organisation, that is, an existing state of gender segregation and gender marking, which means that the system is restored once the change has taken place in the organisation. The organisation does perhaps not appear to be exactly the same after a change, but the gender order is restored.

The gender division of work is developing and shifting constantly, and work functions are changing all the time. In report SOU 2004:43, the authors conclude that gender segregation has decreased, mainly as a result of a higher proportion of women in many male-dominated occupations that require higher education. On the other hand, in male occupations requiring a lower level of education, the gender pattern is more or less unchanged. This also applies to the female occupations, but unlike women, boys and men show no interest in any type of female occupation, whatever the level of education required. The report also pointed out an imbalance – the occupational categorization of ordinary male occupations is in many cases much more detailed than the categorization of female occupations (SOU 2004:43, Tyrkkö &Westberg 2001).

Gender distribution in different sectors and in trade and industry

At the same time, workforce participation offers a *limited picture of the actual conditions for women and men in the labour market. Working and employment conditions, pay, patterns of working hours and placement in the labour market are factors that must be taken into account in any analysis of the conditions for women and men in the labour market and their ability to support themselves financially.* (Jämställdhetsutredningen (Equal Opportunities Report) SOU 2005:66).

Women work nearly as much as men, but women and men are unevenly distributed in the private and public sectors. Just over four out of five men work in the private sector, while an almost equal proportion of women work in the public sector. However, to better understand the stratifying role of gender, we must break this statistic down into finer detail. We discover that internal gender segregation is evident even from a fairly crude classification of trade and industry. Branches of industry that appear to be male-dominated may include niches where women are in the majority, or *vice versa*, and it may also be that gender distribution is equal in one part of an otherwise highly gender-segregated occupation.

Trade and transportation may serve as an example. First, let us look at the numbers of men and women in a crude division. Then we can make a division of the trade and industry in detailed levels.

When the gender split is 40 percent of one and 60 of the other, this is a result that Swedish society accepts as an official limit for equal opportunity to exist. According to this definition, the sector "trade" is entirely gender-integrated – but at a higher level of detail certain areas of trade are to a greater or lesser extent female- or male-dominated. Consider,

Table 9.5. Percentage of temporary employees out of total number of employees.

Industry	Total	Of whom, men	Of whom, women
Trade and transportation	15	50	50
Of which, trade	16	41	59
Of which	Total	Of whom, men	Of whom, women
Sales of motor veh-icles and service	10	75	25
Wholesale and commission sales, not motor veh.	09	65	35
Department stores, shops with wide range of goods	23	28	72
Specialist shops	25	29	71
Retail, not shops	23	10	90
Repair workshops for domestic appliances etc.	19	15	85

Källa: AKU 2004.

Table 9.6. Temporary employees 20–64 years, by type of employment 2003. Figures in thousands.

Form of employment	**Women**	**Men**
Temporary replacement	116,000	43,000
Ad hoc recruitment	64,000	37,000
Project employment	40,000	43,000
Trial or work experience employment	26,000	34,000
Holiday, seasonal	24,000	25,000
Other	14,000	16,000
Sum total	284,000	198,000

Källa: SOU 2005:66, s 154.

for example, the categories "motor trade and service" and "department stores and shops with a wide range of products". In the first-mentioned category, men represent just over 80 percent, while in the second two out of three employees are women.

As I mentioned earlier, highly gender-segregated jobs may be a constraint to human resources being used in the right way. One barrier to women choosing a type of job that is highly male-dominated but that they might actually feel comfortable in and would be excellently suited for, or vice versa for men – that they might choose a type of job that is highly female-dominated – may be the workplace culture and the fact that the dominant gender may have difficulty in accepting the other gender in their circle. So the gender-segregated labour market sets limits to personal choice and makes it difficult to achieve equal opportunity.

Several studies show that non-traditional choices are both perceived differently and have different consequences to women and men. Men in female occupations are met with expectations that they can offer something beneficial, both occupationally and socially, even if their choices may arouse suspicion and uncertainly, especially with regard to their sexual orientation, while women in male occupations often have to prove their occupational skills and their personal value. Both genders feel highly conspicuous when they are in a minority. In addition, those who make a non-traditional choice often face demands to explain their choice (Nielsen Steen & Rieck Sørensen 2004, Westberg-Wohlgemuth 1996).

Working hours and under-employment

I have here reported statistics indicating that the labour market is still very gender-segregated. In some cases, gender segregation has declined on a highly aggregated level, but when the figures are broken down, we can see that the statistics are fairly deceptive.

It is also possible to analyze the conditions for women and men in different categories. The gender distribution in temporary jobs in trade and transportation may serve as an illustration.

In all cases, the proportion of women in temporary jobs exceeds their proportion in the occupation (see Tables 9.4 and 9.5). In all categories, women are overrepresented in temporary employment.

In trade, part-time working is commonplace. In "The entire project", Anita Nyberg demonstrated that the statistics render women's unemployment invisible and marginalizes it. Part-time working is more common among women than men, and many more women are part-time unemployed than full-time unemployed. The figures on which Anita Nyberg bases her observations date from 2003. They show that around 222,000 women are full or part-time unemployed, compared to roughly 137,000 men (Nyberg 2003, SOU 2005:66).

The official Swedish Labour Survey counts only full-time unemployment as unemployment. Part-time unemployment is reported in these statistics as part-time employment, offering an over-estimate of women's unemployment and an under-estimate of women's unemployment (Nyberg 2003, SOU 2005:66).

Pay differentials

Temporary jobs and part-time working are also a problem in terms of women's financial independence. Not having a fixed or full-time income reduces women's freedom of action. In 2003, it was estimated that a little more than 480,000 people in Sweden were in temporary employment, of whom approximately 284,000 (60 percent) were women. The most common form of temporary employment for women is as a temporary substitute for specific employees. Such employees are recruited on an *ad hoc* basis. Temporary substitute employment is three times as common among women as among men.

Certain temporary jobs involve high-level duties that call for a high level of education and are largely on a trial and/or project basis. Others are simple jobs that do not require any education at all and are mostly temporary or *ad hoc* recruitments. The least secure types of employment are fairly common and are more likely to be held by women than men. Most employees are young people of both genders, and middle-aged women (Gonäs 2005, Härenstam *et al* 2000, Westberg 1999).

The work environment for temporary employees may be considerably worse, since people who are temporarily employed or recruited are mostly needed during production peaks and are subject to pressure of time and high workloads (Gonäs 2005, Härenstam *et al* 2000, Westberg 1999).

A project in which the living and working conditions of women and men were compared also showed that factors that are structural by nature, such as classification of position, favour men. To be more exact, men more often occupy a high position in the socio-economic classification and are highly paid without being highly educated. In contrast, women are often highly educated without having a high position or being highly paid (Härenstam *et al* 2000).

A study in Östergötland County investigated whether changes in the gender composition of occupations1 bore any correlation to the trend of pay for women and men. The results indicated that men were higher paid than women, irrespective of the gender distribution. The most favourable trend of pay was recorded for men in the best-integrated category. It also seemed that men's pay increased regardless of the trend for a particular occupation, i.e., whether equal opportunity rose or fell in that occupation. To women, on the other hand, the most favourable trend of pay was in the occupations that changed least in terms of segregation. The poorest trend of pay for men was noted in female-dominated occupations (Gonäs 2005, Westberg & Bildt, to be published).

These findings support the *theory of value discrimination* (see SOU 2005:66, page 160). Value discrimination is when a job that is female-dominated is valued and paid lower than a job that is male-dominated but has similar qualification requirements. Another manifestation of value discrimination is that when a male-dominated occupation becomes female-dominated, the relative level of pay generally falls.

The above examples and the results of the study of pay trends reveals a further effect of value discrimination: when an occupation is gender-integrat-

ed at overall trade and industry level, but internally is gender-segregated at occupational or work-function level, lower levels of pay are shown for female-dominated groups in the occupation. Value discrimination associated with an occupation via the gender marking process, in which history, culture, language, standards and values are incorporated, also has the effect that in female-dominated occupations men receive lower pay than men in occupations where more men are employed.

Attitudes and values

To better understand the processes that lead to gender segregation, it is important to apply quantitative alongside qualitative methods. Qualitative research helps us to understand the very complex mechanisms that lead to gender segregation and gender-stereotyped work functions in the same occupation.

In SOU 2004:43, it is hypothesized that gender-segregating structures may partly be explained by the issue of power. Many apparently gender-neutral areas, such as the labour market, educational system and organisations, produce different results for women and for men, without any explicit gender-separating purpose being discernible. This is perceived by many as a logical consequence of the situation and is indicative of an invisible influence – *immanent pedagogy* – and ultimately an issue of power. "Immanent pedagogy" is the invisible influence to which the person is exposed in the family and in our institutions, which permeates everything from school to organisations and the media and which is incorporated into the structures of society. This invisible influence is manifested in fundamental values that for example result from communal, unexpressed notions that exist in our surroundings and that we carry with us, often throughout our life (Fürth *et al* 2002, Westberg-Wohlgemuth 1996).

The process by which values change is slow. This applies not just to individuals – only extreme circumstances affect the values of an adult person – but also to the collective level, where values move slowly. Superficial values shift more quickly. "Superficial" values include attitudes, trends and opinions. There is an interaction between the society in which we live and our values. As we grow up, society moulds our values, but we also shape society via our values. So, for a transformation to come about, changes at both structural and individual level are necessary. An initial step is to expose the implicit and in many case invisible notions that exist in society and among individuals.

In two reports, I have described a couple of experiments where the indirect aim was to influence the gender-segregated labour market and the direct aim was to initiate a change of attitude towards equal opportunity issues. The experiments aimed to provoke a discussion of fundamental values, occupational roles and attitudes towards people among employees (Westberg 2003, 2004). In both projects (regional mainstreaming projects at the Swedish Labour Market Agency), surveys were carried out before the projects and one year after start-up. The question was whether the projects led to any changes, among the employees participating in the projects, in notions of women and men and their approach to work. The employees were asked to respond to a number of statements. Some of these addressed attitudes, notions and points of view. Other statements centred more on knowledge and/or built on the person's own experiences of his/her work, although they also dealt with attitudes. According to the theory of valuation research, it should be easier to influence attitudes and points of view that are based on knowledge and experience and that are formed at adult ages than those notions and viewpoints that we are brought up on.

The results demonstrated that the attitudes of the employees changed. In certain cases, the responses may be interpreted such that those who participated in the projects perceive greater gender differences. In other cases, the responses may be interpreted as indicating lack of awareness of the importance of gender affiliation to both the person's own and other individuals' attitudes. However, the responses may also be interpreted as indicating that the person's awareness of his/her own viewpoint had increased, which absolutely does not necessarily – but still could – mean that the individuals had acquired a more equality-based perception and had also began to act in a more equality-based way. This could at least be a step on the way to a more equal society.

Differences in educational choices

What affects the educational and occupational choices of girls and women and of boys and men? One theory says that educational and occupational choices are made rationally. Another theory starts from the assumption that boys and men are socially conditioned directly into their occupational role, while girls and women are socially conditioned to relate to both working and family life at the same time. As a result, girls and women often choose a strategy of adaptation when they make their occupation-based educational choices. They may perceive a conflict between studying and professional career and their responsibility for the family (Alsbjer 1990, Elgqvist-Saltzman *et al* 1983, Elgqvist-Saltzman 1998, Nielsen Steen & Rieck Sørensen 2004).

In a Danish project, the researchers focused their interest on the importance of gender to the notions of 20-21 year old women and men vis-à-vis their future labour market, about the influence of their parents and about whether their programme coordinators and counsellors were aware of gender differences. The researchers' intention was to identify barriers to equal opportunity in the labour market (Nielsen Steen & Rieck Sørensen 2004).

The study did not conclude that any one single factor explained the gender-stereotypical choices that young people make. Instead, several factors interact. The conscious educational and occupational choices are controlled by a series of factors that are to a greater or lesser extent unconscious, such as parent's education and social background, the educational ideology of society, entry requirement factors and, last but not least, cultural expectations. All this contributes to the gender marking of educational programmes and occupations. The role of parents in these choices is important, while the role of counsellors is less significant (Nielsen Steen & Rieck Sørensen 2004).

The interviews show that gender is an issue that the young can relate to. Like counsellors and parents, they have fairly fixed notions of gender and work functions, and they have specific experiences of the fact that gender comes into play while they are in education, work experience or work. In work and education, the young are met by expectations that are determined by whether they are female or male. The links are strong between subject qualifications and individual qualifications and between notions of feminine and masculine characteristics (Nielsen Steen & Rieck Sørensen 2004).

The young individuals who make non-traditional choices meet reactions from their surroundings that force them to create a new gender identity or to redefine the gender-marking of the job. Women in male-dominated occupations tend to try and fit it as men, while men in female-dominated occupations more often try and fit in by changing the profile of the occupation. Men grasp the gender-marking of the occupations and try to eliminate it, while women do not challenge the gender-marking of the occupation and instead seize on their own attitude towards their gender. The findings of the Danish study are partly confirmed by studies I mentioned earlier, at the Swedish Labour Market Agency, and experiences acquired in the "Equal Opportunity Partnership" in Gävleborg County.

The young people of today feel they enjoy equal opportunity. Both adults and young people consider that equal opportunity prevails among young people. The picture is often painted that the young generation is the generation of equal opportunity that has accepted the equal opportunity discourse more than adults. According to Ericsson (1999), a picture is presented in the media that post-modern man will dismantle the gender roles while the older generation will live on with its old values. But this reflects hope rather than the way reality looks on the ground. Girls and boys still make different educational and occupational choices, and this perpetuates the gender-segregated labour market, with different working conditions and different pay.

Gender distribution in educational choices

If we examine the statistics in Sweden on how young people make educational choices, the impression is reinforced that there is a long way to go until a labour market of equal opportunity – in particular of equal gender opportunity – is achieved.

SOU 2004:43 concludes that gender segregation has decreased as a result of higher participation by women in higher education. But if we examine vocationally-oriented educational choices by young

Table 9.7. Students, by subject 2003/2004 and comparison with 2002/2003.					
Subject	**Total**	**Percentage**		**Percentage change**	
		Women	Men	Women	Men
Humanities/Theology	107,000	63	37	4	3
Of which, Swedish/Nordic languages	20,200	71	29		
English	16,800	60	40		
Philosophy	5,165	42	58		
Law/Social Science	214,000	63	37	1	0
Of which, Business Administration	50,900	50	50		
Law	33,900	59	41		
Psychology	18,300	74	26		
IT, Computer and System Science	23,800	33	67		
Economics	18,126	46	26		
Science	86,000	44	56	2	0
Physics	17,700	30	70		
Technology	76,200	31	69	0	2
Of which, Computer Science subjects	21,500	21	79		
Electronics	16,700	17	83		
Bachelor of Engineering programme	29,300	26	74		
Master of Engineering programme	16,100	25	75		
Medicine/Dentistry	29,600	76	24	11	10
Of which Biomedicine/Medical Science	11,379	80	20		
Preclinical Medicine	1,247	58	42		
Nursing/Care	38,100	87	13	4	9
Of which Nursing	29,752	88	12		
Physiotherapy	2,444	78	22		
Nursing programme	17,000	86	14		
The Arts	15,700	57	43	–6	2
Of which Sport and Physical Welfare	2,747	49	51		
Art	4,164	58	42		
Other areas	7,500	53	47	3	–1
Total	397,700	60	40	3	3

Källa: UF 20 SM0501 Högskoleverket och SCB 2005.

people at upper secondary school level more closely, the outlook does not seem especially bright. The main reason why gender segregation has fallen lies in a higher proportion of women in many male-dominated occupations that demand higher education. On the other hand, the gender pattern in "male occupations" with lower educational requirements is largely unchanged. This also applies to "female occupations", but unlike women, boys and men are uninterested in all types of female occupation in this category, irrespective of level of education. The report also points out an imbalance: the classification of occupations that are mainly held by men are detailed, which is reflected by the number of vocational specializations at upper secondary school. Vocational specializations oriented towards boys are more numerous than those aimed at girls. Jonsson (SOU 2004:43, Appendix 6) takes the view that as upper secondary schools offer more vocational specializations to boys, boys will already have received vocational training to a higher degree than girls before they go on to higher education.

Jonsson concludes that gender segregation increases at upper secondary school, even if not by much. He also shows that the educational level between women and men is not gender-segregated, but the orientation of education remains clearly gender-segregated. In many programmes, equalization has taken place, while in others gender segregation has, if anything, risen. In science, there has been gender equalization, while in nurses' training gender segregation has increased.

Of all upper secondary school pupils in autumn 2003, 51 percent were boys and 49 percent girls. Science, media studies, hotel and restaurant management, and specially designed/ individual programmes were the only programmes where the gender distribution was relatively even (by the 60/40 principle). In the nationally offered programmes, the proportion of women varied between 87 percent in nurses' training and 2 percent in electricity and energy (Swedish National Agency for Education, 2004).2

Choices in higher education are not as gender-segregated as at upper secondary school. The number of students at colleges and universities increased up to the 2003/2004 academic year. In higher education, women dominate, at nearly 58 percent of the total. In 2004, half of all 25 year old women had started higher education, but just 38 percent of all 25 year old men. It is important to take into account here that many more young men than women already have vocational training, and for that reason not have the motivation to seek higher education.

Jonsson considers that when determining gender distribution in a particular area of study, we should take into account the fact that the proportion of women who are students in higher education is greater than the proportion of men.

Table 9.7 shows that gender segregation remains high. In technology, the proportion of women was 31 percent in the 2003/2004 academic year. This is a two percentage increase from 2002/2003. If we look at certain areas of technology, the proportion of women is a great deal lower than this, and the proportion of women in the higher education engineering programme declined. In nursing and care, the proportion of women is 87 percent – numbers rose for both men and women, but the increase for women was higher. The least gender-segregated specialization in nursing and care was physiotherapy, with 22 percent men. In IT, the proportion of new students who were women was 18 percent in 2003/2004. In physics and economics, the proportion of new students who were women was 28 percent and 44 percent, respectively. It seems that the proportion of men has increased in these areas. In psychology, new students who were women represented 77 percent of the total. The proportion of new students in Swedish and Nordic Languages who were women shows a drastic decline, relative to the proportion of women overall.

One area that has become sharply feminized is biomedicine and medical science, even if the number of new students who are women has decreased relative to the proportion of women overall. The table also clearly indicates that internal gender segregation is not in the process of diminishing, and indeed exists are practically every level.

With the need for training in the labour market constantly rising, we are acquiring an education system that is becoming more and more adapted to the vocational needs of the market. The education sys-

tem gives the members of society their rights to education and on equal terms. In the education policy that is being conducted, there is a perception that equal opportunity can be achieved through education. However, through its link to the vocational requirements of the market, the system instead often functions as a tool of social and gender stratification, for example, in that education is discussed in terms of input and output, with the emphasis on throughput to the labour market (Ve 1999, SOU 2005:66).

Conclusion

The occupational choices of both adults and young people are largely determined by the way in which gender is constructed. There is a certain amount of support for the theory that educational and occupational choices are rational, but this rationality is largely based on the fact that occupations are gender-marked and that the labour market is gender-segregated, which further underpins the notion that our choices are socially constructed.

Overall, gender segregation has declined in the labour market, but not because of all the attempts that have been made to integrate women into typically male-dominated areas. It is because women themselves are seeking to enter these areas. In contrast, men are not (trying) to any major extent trying to enter female-dominated professions. It is for this reason, among others, that Åsa Löfström (SOU 2004:43) suggests that greater efforts should be made to integrate men into, for example, nursing occupations. While it is true that various studies (including the Danish one) show that men are received in a positive way when they choose female-dominated occupations, more needs to be done if an equal opportunity labour market is to be achieved.

A major barrier to an equal opportunity labour market lies in the fact that gender-marking of work functions does not lessen when gender segregation decreases on a more aggregated level. The gender marking process is more determined by factors that give rise to value discrimination and values attributed to gender, i.e. culture, standards, history and so on. If we do not try to bring about changes in the gender-marking process, we will not achieve equal opportunity and gender-integration in the labour market.

Much of what I have described points to structural differences and it is structural factors that favour men rather than women. In a recently concluded project, "Gender and work", studies were carried out at labour market, organisation and individual level. One conclusion was that the knowledge of gender structures that are identified in study after study should be acted upon (Gonäs 2005).

So part of the problem can be resolved by viewing equal opportunity as an issue of knowledge. But traditional education is not enough; education must be turned into practical action. This is best done by connecting education to reality, that is, by adapting education to the players and structure for which it is destined; by establishing a learning process in workplaces, in politics, at institutions, in organisations and at individual level. The time needed to turn theory into practice should not be underestimated.

Notes

1. Wholly segregated male-dominated occupations (where 90–100 percent of the total number of people in the occupation are men), moderately segregated male-dominated occupations (where 60–89 percent are men), integrated occupations (40–59 percent of the same gender), moderately segregated female-dominated occupations (where 60–89 percent are women), wholly segregated female-dominated occupations (where 90–100 percent of the total number of people in the occupation are women). Shifts between the categories may be possible (Tyrkkö & Westberg 2001).
2. As a result of extensive re-coding, the figures for 2003 are not comparable with those of previous years.

References

Abrahamsson L (2000) *Att återställa ordningen – Könsmönster och förändring i arbetsorganisationer. (Restoring order – gender patterns and change in working organisations)* Boréa Bokförlag, Umeå.

Alsbjer V (1990) *Kvinnor i vuxenutbildning: En kunskapsöversikt. (Women in adult education – a survey of knowledge)* Rapport 89:23, Swedish National Board of Education, Stockholm.

Bradley H (1989) *Men's Work, Women's Work. A Sociological History of Sexual Division of Labour in Employment*. Polity Press, Cambridge.

Elgqvist-Saltzman I, Eriksson G-M & Kim L (1983) *Utbildningsdrömmar och utbildningshinder: En enkät- och intervjuundersökning av kvinnor i studentårgångarna 1957, 1962 och 1967. (Education – dreams and barriers: a questionnaire- and interview-based survey of women in student years 1957, 1962 and 1967)* UHÄ/FOU Project Report 1983;5, National Swedish Board of Universities and Colleges, Stockholm.

Elgqvist-Saltzman I (1998) "Why are We Standing Still? Reflections from History" pp 20–30 in Macinnon A, Elgqvist-Salzman I & Prentice A (ed.) *Education into the 21st Century. Dangerous Terrain for Women?* Palmer Press, London.

Ericsson M (1999) "Ung jämställdhet idag" (*Equal opportunity among young people today*) Dnr 434-424/99, Swedish National Board for Youth Affairs, Stockholm.

Fürst G (1988) *I reserv och reservat: om villkoren för kvinnors arbete på mansdominerade verkstadsgolv. (Reserve and reservations: the conditions for women's work in male-dominated areas)* Department of Sociology, Gothenburg University.

Fürst G (1989) "Om villkor för kvinnors arbete i mansjobb" (*The conditions for women's work in men's jobs*) Stencil.

Fürth T, Holmberg I, Larsson O & Raaterova M (2002) *80-talisterna kommer – om kollektiva egoister, självuppoffrande livsnjutare och andra ungdomar. (The yuppies are coming – collective egotists, self-sacrificing enjoyers of life and other young people)* Konsultförlaget, Uppsala.

Gonäs L (red) (2005) *På gränsen till genombrott? Om det könsuppdelade arbetslivet. (On the verge of a breakthrough? Gender segregation at work)* Agora, Stockholm.

Gunnarsson E (1994) *Att våga väga jämnt! Om kvalifikationer och kvinnliga förhållningssätt i ett tekniskt industriarbete. (Dare to weigh equally! Qualifications and female attitudes in a technology-based job in industry)* Doctoral thesis 1994:157 D, Luleå University of Technology.

Härenstam A, Westberg, H, Karlqvist L, Leijon O, Rydbeck A, Waldenström K, Wiklund P, Nise G & Jansson C (2000) *Hur kan könsskillnader i arbets- och livsvillkor förstås? Metodologiska och strategiska aspekter samt sammanfattning av MOA-projektets resultat ur ett könsperspektiv. (How can gender differences in working and living conditions be understood? Methodological and strategic issues and a summary of the findings of the MOA Project from a gender perspective)* Arbete och Hälsa 2000:15, Swedish National Institute for Working Life, Stockholm.

Nielsen Steen B & Rieck Sørensen A (2004) *Unges valgaf uddannelse og job – udfordringer og veje til det kønsopdelte arbejdsmarked. (Young people's educational and job choices – challenges and the way to the gender-segregated labour market)* Centre for Ligestillingsforskning (Equal Opportunity Research Centre), Roskilde University.

Nyberg A (2003) "Deltidsarbete och deltidsarbetslöshet – en uppföljning av DELTA utredningen (SOU 1999:27)" *(Part-time working and part-time unemployment – a follow-up on the DELTA inquiry)* Working paper from HELA-projektet *(Project: THE WHOLE)* 2003:1. Swedish National Institute for Working Life, Stockholm.

SCB (2005) *Arbetskraftsundersökningen 2004. (Labour force survey)* Statistics Sweden, Stockholm.

Skolverket (2004) *Beskrivande data om förskoleverksamhet, skolbarnomsorg, skola och vuxenutbildning 2004. (Descriptive data on pre-school activities, care of school-age children, school and adult education)* Swedish National Agency for Education, Stockholm.

SOU 1993:7, *Löneskillnader och lönediskriminering. (Pay differentials and pay discrimination)* Allmänna förlaget, Stockholm.

SOU 2004:43, *Den könsuppdelade arbetsmarknaden. (The gender-segregated labour market)* Fritzes, Stockholm.

SOU 2005:66, *Arbetsmarknad och arbetsliv. (Labour market and working life)* Fritzes, Stockholm.

Sveriges officiella statistik *(Official Statistics – Sweden)* (2005) "Statistiska meddelanden UF 20 SM 0501" *(Statistical Bulletins UF 20 and SM 0501)* National Swedish Agency for Higher Education & Statistics Sweden, Stockholm.

Tyrkkö A & Westberg H (2001) *Förskjutningar i segregationsmönster på yrkesnivå. Bearbetningar av folk- och bostadsräkningarna 1970–1990 och arbetsmiljöundersökningarna 1989–1995. (Shifts in patterns of segregation at occupational level. Extrapolations of the population and housing censuses 1970–1990 and the work environment surveys 1989–1995)* Working life in transition 2001:6, Swedish National Institute for Working Life, Stockholm.

Ve H (1999) "Women and Citizenship. The case of education in the Scandinavian welfare state" Paper presented at *Women's Worlds 99*. Tromsø june 20–26 June.

Westberg-Wohlgemuth H (1996) Kvinnor och män märks. *Könsmärkning av arbete – en dold läroprocess. (Women and men are marked. Gender-marking of work – a hidden learning process)* Doctoral thesis, Department of Education, Stockholm University, Work and Health 1996:1, Swedish National Institute for Working Life, Solna.

Westberg H (1999) "Var finns kvinnorna på dagens arbetsplats?" *(Where are women in the workplace of today)* pages 27–58 i Kilbom Å, Messing K och Bildt Thorbjörnsson C (ed.) *Yrkesarbetande kvinnors hälsa (The health of working women)*. Swedish National Institute for Working Life, Solna.

Westberg H (2001) "Könssegregation och lärande i arbetslivet", (Gender segregation and learning in working life) in Tedenljung D (ed.) *Pedagogik med arbetslivsinriktning (Educational methods designed for working life)*. Studentlitteratur, Lund.

Westberg H (2003) "Att integrera och säkra jämställdhetsaspekten i det dagliga arbetet på arbetsförmedlingar och länsarbetsnämnden i Värmlands län" *(Integrating and securing the aspect of equal opportunity in day-to-day work at employment exchanges and the County Employment Board in Värmland County)* Arbetslivsrapport (Working Life Report) 2003:22, Swedish National Institute for Working Life, Stockholm.

Westberg H (2004) "Med fokus på jämställdhet. En utvärdering av en studiecirkel i jämställdhet vid länsarbetsnämnden i Gävleborgs län" *(Focus on equal opportunity. An evaluation of a study group on equal opportunity in the County Employment Board in Gävleborg County)* (Working Life Report) 2004:6, Swedish National Institute for Working Life, Stockholm.

Westberg H & Bildt V (kommande) "Könssegregeringens praktiska konsekvenser med avseende på löneskillnader och andra arbetslivsvillkor" *(The practical consequences of gender segregation in terms of pay differentials and other working conditions)* Swedish National Institute for Working Life, Stockholm.

The effects of the social institutions on the supply of and demand for labour

CHAPTER 10

Education and the supply of skills to the labour market

Dan Grannas and Jonas Olofsson

Do upper secondary school pupils and university students receive an education that fits the needs of the labour market? Swedish education has changed radically in the past 15 years. Vocationally-oriented courses at upper secondary schools have been transformed into three-year programmes that lead to qualifications to enter higher education, while at the same time the percentage of young people in higher education has doubled. In addition, demands for knowledge and skills in the labour market have risen.

Dan Grannas and Jonas Olofsson discuss the interconnectedness of educational levels, the orientation of education and employment. The authors points out that too few people are choosing courses based on technology, construction, nursing and care, while more people are taking media studies, art, music and drama, and social science subjects than are demanded by the labour market. The authors identify the same mismatch in higher education. Only about 50 percent of students at university level take final examinations. Something is fundamentally wrong when such a high proportion of students become unemployed after their education. The authors also point out that those who fail to complete upper secondary school education are heavily overrepresented among people in the age bracket of 20-24 years who are dependent on social benefits. One main conclusion is that the government's target of 50 percent of a cohort in some form of post-upper secondary school education might lead educational policy in the wrong direction at a high social cost.

Major changes have taken place in the Swedish education system in recent years. Vocationally-oriented courses at upper secondary schools have been transformed into three-year programmes that lead to qualifications for studies at higher education level. At the same time as the structure of upper secondary education has changed, a dramatic increase has taken place in the numbers of students at post upper secondary level.

One important explanation for changes in the organisation of education is that demands for knowledge and skills in the labour market have increased. Even if the notions held about greater demands for mobility in the labour market are often highly exaggerated – the average period of employment at one and the same company has, for example, not declined – there is much to indicate that the labour market demands greater adaptability than before (Auer 2005). Structural changes are reducing the scope for jobs with low educational requirements (Åberg 2004). At the same time, there has been an increase in jobs in service-producing sectors, with

Table 10.1. Educational models at secondary school level		
A. A business-linked model	**B. A government-directed model**	**C. A voluntary model**
Government apprenticeship legislation	School-based vocational education	Emphasis on general education
Collective bargaining determined provisions on education	Integrated organisation of education	Integrated organisation of education
Highly standardized programme	Limited local influence Highly standardized	Major local influence Marked differentiation
Highly developed collaboration between businesses and labour market parties	Scope for influence by parties	Vocational education a voluntary matter for individual businesses
Split educational organisation		
Social political link	Social political link	Weak social political link
Examples: Germany, Austria and Denmark	Examples: Sweden and France	Examples: the US and UK

higher demands for knowledge and skills (Carnoy & Castells 1997, Schön 2000). With the breakthrough of the service and information society, production today employs far less wage-earners than the occupations associated with the technical and replicate prerequisites for production, ranging all the way from product development, distribution and sales to education and child and elderly care. Another result is changes to work place organisations, greater individual influence on the working process, and generally higher requirements as to qualifications.

In this chapter, we will analyze the relationship between, on one hand, levels and orientation of education and, on the other hand, the needs of the labour market. Within a ten-year period, 30 to 40 percent of the current labour force will leave their jobs. Regardless of whether the number of jobs rises of falls – the population forecast anticipates a certain increase in the number of people of working age by 2015 – the result will be to create a demand for intensive matching of young and recently trained applicants to job vacancies. Today, there is much to suggest that this process of matching will become more difficult, partly because of a high proportion of dropouts and partly because of imperfect matching of educational programmes at various levels to needs of the labour market.

Before we address the main issue of how the education system and the workforce line up against the qualification requirements in the labour market, we would first like to report on the Swedish experience in a wider context. How do the organisation of education and the provision of skills differ between various – otherwise comparable – countries? How do the different educational models affect the way young people establish themselves in the labour market, and, finally, how do educational levels, educational orientation and employment interact?

Educational models and establishment in the labour market – international experiences

An international survey shows that the organisation of education bears a close relationship with conditions in the labour market and with what is a little loosely called industrial relations (Thelen 2004). The central players are the government and employer and trade union organisations. In the following, we will deal with the different circumstances relating to educational programmes at upper secondary school level.

The way education is organised at upper secondary level differs from one country to another, but it is possible to discern a number of main models (Olofsson 2005). The differences between these models arise from different traditions, for example, with regard to the freedom of education relative to the labour market, the role of the government in the economy and the relative political strengths of wage-earner and employer organisations. In addition to the Swedish tradition of school-based vocational education under the auspices of the public

sector, we will refer to the industry-organised German model and the North American tradition of mainly academically-based education at upper secondary level (see Table 10.1). In the first two models mentioned, the government and parties in the labour market have traditionally exercised a major role in skills provision, while businesses themselves have had to bear the main responsibility in the US. However, the models are not static. The Swedish educational model is, as mentioned above, in a process of intensive change. The general or academically-based educational content is becoming more and more emphasized at upper secondary level. Furthermore, the decision-making expertise is increasingly decentralized as a result of schools being brought more under local authority control in the early 1990s. The educational programmes have become much less standardized.

On occasion, the terms "cooperative", "government-directed" and "voluntary" are used to distinguish between the various systems from the vocational viewpoint (ILO 1998). The important point lies in the differences in responsibility for financing of vocational education. In the cooperative model, responsibility for vocational education is shared by industry, the labour market parties and the government. The same applies to financing. In the voluntary model, the government plays a very small part in the organizing and financing of vocational education. Responsibility for vocational education rests mainly with individual businesses, and the same is true of financing. There is no close cooperation between businesses and the labour market parties to encourage vocational training. The term "government-directed model" is used to denote a system in which the government takes responsibility for most of the organizing and financing of vocational education. The models represent different ways of tackling the market failures that are commonly associated with investments in education, i.e. the uncertainty as to the way the costs and benefits of this education are shared. In the voluntary model, the responsibility and risk-taking is transferred to the individual business and the individual vocational student, while the cooperative and government-directed models represent two different ways of determining both responsibility and relative shares.

The differences between the education systems in the US and Germany – here representing the voluntary and the cooperative models, respectively – are reflected in different understandings of the concepts career, employment and occupation. The concept of career relates to a person's growing experience and rising status over time. Unlike the perception in the US, the German understanding of the concept centres on a regulated professional career in a company or a bureaucratic organisation. In Germany, the concept of employment is linked to profession, whereas in the US it can either mean job or profession. The concept of profession in the US is linked to college or university education, while employment – in the sense of a job – is assumed only to require minimal education or limited training at the workplace itself. Consequently, in Germany, the notion of professional identity is central. It is laid down via the education at secondary level and is assumed to characterize the person's employment throughout his/her period of working age, at different levels, in different organisations and businesses (Heinz 1999).

These differences may of course also be understood from the perspective of various segmentation patterns in the labour markets. In the US, at least high school education is required, and in most cases also post-upper secondary school education, for career opportunities to open up in internal labour markets. For those with a lower level of education, jobs in secondary labour markets await. These consist mostly of low-paid work in the service sector, i.e. jobs not demanding any particularly prior knowledge or skills. In Germany, the individual's career follows established career paths in which experience from apprentice training is absolutely central, not to say a prerequisite. As in Sweden, a considerably narrower wage/salary spread has the effect of countering the growth of low-paid jobs in the service sector. In Sweden's case, it is also possible to distinguish a clear pattern of segmentation, in which above all young people, immigrants and those with a low level of education are finding it more and more difficult to compete for jobs.

So, while the differences between the organisation and orientation of the education system are and have been substantial, there have been tendencies

for education models to converge in recent years. In the US and the UK, this has been manifested in that basic vocational education has expanded at secondary level. At the same time, efforts are being made in Germany to extend the dual system to cover new parts of the labour market as well as embracing a greater content of traditional academically-based education.

A broad consensus exists on the importance of knowledge provision to the ability for businesses to develop, to productivity and to economic growth. Furthermore, it is not especially controversial to assert that the volume and spread of human capital affect individuals' conditions in the labour market and, by extension, the way income and life opportunities are distributed. In the EU, the rate of employment in the age bracket of 15–64 years is just less than 20 percentage points lower for low-educated women and men – defined as those with their highest education at primary school level – than for those with upper secondary school education. Unemployment is slightly under 50 percent higher, while the proportion of those totally outside the workforce is 20 percentage points higher among low-educated people than the average for those with upper secondary school education (European Commission 2003).

In addition, labour market conditions for low-educated people have worsened considerably over the past few decades (Wadensjö 1997). There are several explanations for this. One basic explanation for lower employment and higher income differentials that is usually singled out lies in higher demands for qualifications, for example, in the wake of new technology and changes to work organisations. Moreover, further reaching economic integration has reduced the competitiveness of the relatively highly paid workforce in the old industrialized countries (Autor *et al* 1998, Machin & van Reenen 1998, Mellander 1999). There is also much to suggest that weakening of the trade union organisations in many countries has partly been responsible for creating a situation in which people with the lowest education are offered less skills development in the labour market while at the same time employment conditions have become less and less secure.

International research on youth transition from school to work suggests that different educational models affect young people's ability to find jobs and to support themselves. Countries with a regulated transition from school to working life, via a highly developed vocational education system, generally get fewer dropouts, lower youth unemployment, fewer young people outside both the education system and the labour market (fewer inactive people) and a narrower income spread (Machin & van Reenen 1998, Olofsson 2005). The reverse is true of nations with a more generally oriented education system with less standardization, i.e., where the differences in educational orientation and quality vary sharply from one school to another. The latter situation applies in the US, while Germany is usually held up as an example of the first, regulated model (Ryan 2001).

In Sweden, youth employment has fallen dramatically over the past 15-year period, above all because of higher student numbers and extended periods of study, but also because of higher unemployment. Higher numbers of students and unemployed people have also been a factor in wider income differentials, both within the youth category and between young and middle-aged people.

New jobs and required qualifications

Research and political debate on skills provision in the labour market centre on issues such as how closely the education of the workforce matches the nature of and qualifications required for the jobs on offer. A common perception is that more people need to increase their level of knowledge, but at the same time warning signals are coming from certain quarters about the negative impact of over education. The standard of education among the working-age population has risen dramatically in recent years. Upper secondary school has to all intents and purposes become compulsory, and the number of places in higher education has expanded markedly since the mid-1990s. This means that the levels of education are considerably higher among those entering the labour market than among those who are leaving it. The trend may be regarded as beneficial, in that the demands on jobs are rising. As already mentioned, globalization is bringing intensifying competition, a development that threatens above all low-productivity jobs in the manufacturing sector.

In the media, widespread coverage has been given to odd cases of relocation of production and jobs to countries with lower levels of pay costs. But this is far from a new phenomenon. It is, rather, a logical part of the structural transformation in which price-sensitive production is being phased out and gradually replaced by production with a higher degree of value added and higher knowledge content, i.e. the kind of production that can sustain higher pay costs and meet demands for generous social security.

It is also somewhat noteworthy that the media debate about the "job drain" rarely mentions when Swedish-owned companies decide to relocate production to Sweden. The reason why certain companies are bringing production back to Sweden lies partly in unique expertise, strong traditions in research, healthy workplace relations and a plentiful supply of skilled labour (ISA *et al* 2005). These examples also underline that one of Sweden's outstanding competitive advantages is a highly educated workforce.

But opinion among researchers nonetheless diverges as to whether employers' educational demands truly match the work functions to be performed in the labour market. Various methods are available to measure how closely the requirements of employers for education match those of the jobs. Researchers who have chosen to study Statistics Sweden's surveys of living standards conclude that the level of education of employees rose considerably more rapidly than the qualification requirements for jobs in the period between 1974 and 2000 (le Grand *et al* 2004). Another method is based on matching the educational level of employees against the educational qualifications required for the jobs according to the Standard for Swedish Occupational Classifications. By this method, the result is the opposite, indicating that a fairly high proportion of people are undereducated for their jobs, mostly older members of the workforce (ITPS 2001).

It is open to dispute which methods and materials deliver the best picture of the conditions in the labour market. However, the forecasts published by the Swedish National Labour Market Board on jobs in the future give a clear idea of the qualification requirements for different jobs. The knowledge element will increase in many occupations. As a result of the reorganisations and rationalizations of recent years, personnel have more and more been required to master different, related work functions, and this is also creating a demand for a broader educational background. Alongside occupational expertise, strategic and social skills are increasingly demanded. Changes in organisations and rising qualifications among employees are also leading to a reformulation of employer roles and working organisations. Decentralization and functional flexibility are held up as increasingly essential, as described in more detail in Chapters 12 and 14. However, the process of changes has been slow for many employers, which may be attributable to uncertainty and skill shortages (Swedish National Labour Market Board 2005a).

During the 1990s, employment increased above all in the knowledge-intensive service sector, where education requirements are high, while employment levels in the other sectors fell. Particularly hard hit were jobs in labour-intensive industrial and service sectors. According to the Swedish National Labour Market Board, demands for renewal and development at individual businesses and public authorities to exert pressure on costs and raise competitiveness will intensify. Production processes will become automated and more complex, while at the same time the life cycle of products in the markets will become shorter, which must be seen as a response to the ever-increasing competition.

These, then, are some of the factors arguing that the demands on skills will increase. However, this will involve not only a need for education away from the workplace but also to an equally high degree an increased need for workplace-based training.

Training requirements and training standards

The government has established a target to the effect that 50 percent of a cohort will have started post-upper secondary school education before the age of 25 years. So what kind of a labour market exists for those who have completed higher education? As a rule, the labour market has been good for graduates, but in recent years has declined somewhat. The generally weaker demand situation in the labour market has led

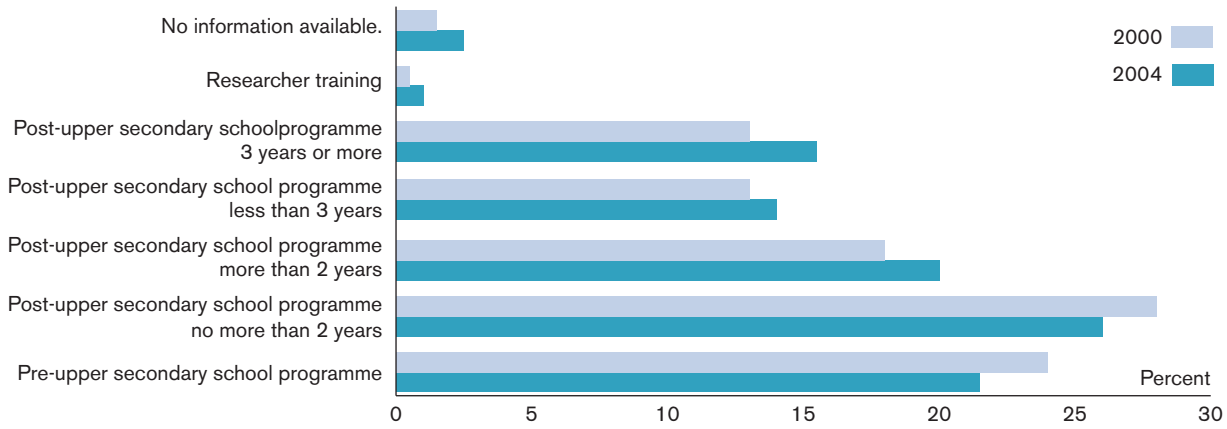

Figure 10.1. Educational levels among population aged 16–64 years. Sources: Statistics Sweden, LFS.

to a stiffening of competition for jobs, which affects highly educated young people who lack sufficient occupational experience. But the relative difficulties for people with post-upper secondary school education must not be exaggerated. Unemployment remains considerably higher among the lower-educated. A person's actual participation in the workforce is also clearly linked to his or her educational background. In 2004, an average of three percent of the population with extensive post-upper secondary school education was unemployed, while just over ten percent were not part of the workforce. These figures should be compared with those for people with at most a compulsory comprehensive school education, where unemployment averaged four percent and a substantial proportion, nearly 30 percent, were outside the workforce (Statistics Sweden, LFS). In addition, if we look more closely at the percentage of people who are participating in labour market policy programmes, we can ascertain that low-educated people and the long-term unemployed are overrepresented. For example, if we consider people of 25 years and less, we find that the imbalance – that, the open unemployed plus those occupied in labour market policy programmes – in 2004 was 20 percent in the case of those with only compulsory comprehensive school education and 9 percent for those with some higher education (Swedish National Labour Market Board 2005b).

Whether or not the nature of jobs has changed at such a pace as to demand a higher and higher level of education, the fact remains that education is becoming more and more important to those who seek employment. Today, upper secondary school proficiency or higher is demanded in most occupations. Several reports show that young people who have dropped out of upper secondary school or who do not have a full upper secondary school certificate have obvious difficulties entering the labour market (Swedish National Labour Market Board 2003, Ds 2003:33, Olofsson 2005, SOU 2003:92).

In 2004, more than 350,000 jobs of more than 10 days' duration were registered with the employment service.[1] Of these jobs, just under two percent were some form of management work. Around 15 percent of the jobs required extended higher education, while just over 18 percent required a shorter period in higher education. According to the AMSYK[2] Job Classification System, more than one in two jobs registered with the employment service required some form of upper secondary school education, while around 9 percent of the jobs stated no requirement whatsoever as to formal education. If management work is defined as a job that requires a higher education qualification, the proportion of jobs with requirements for some form of higher education was approximately 35 percent in 2004.

As illustrated in Figure 10.1 – and also as mentioned earlier – the level of education among the population in the age bracket 16–64 years has clearly

risen over the past few years. The proportion with a pre-upper secondary school education or no more than two years of upper secondary school education has fallen, while a steadily rising proportion is shown for people with three years of upper secondary school education or some form of post-upper secondary school education. Thus, in 2004, just over 30 percent of the working-age population had post-upper secondary school education. Even if no direct causal relationship is involved, the fact should be viewed against the background that around 35 percent of the jobs registered with the employment service in 2004 required some form of higher education qualification. According to Statistics Sweden's statistics on gainfully employed people in the 16-64 year age bracket in 2003, 5 percent of those employees were in management positions. 17 percent were in work that required specialist theoretical proficiency, while 18 percent were employed in an activity requiring a shorter period in higher education and 48 percent were working in a job with qualification requirements corresponding to upper secondary school education. No information was available for 5 percent of the employees (Statistics Sweden 2005b).[3]

It is questionable how closely the SSYK Swedish Standard Classification of Occupations corresponds to the level of education that is actually required to perform the work concerned. However, this statistic supports the notion that, both among the jobs already in existence today and those registered with the employment service, a large proportion require upper secondary school and post-upper secondary school education, and that there is a clear demand for a highly educated workforce. The question is whether research and the debate about the need for education at upper secondary school and post-upper secondary school level should not focus more on whether the education initiatives are taking place in the right areas/orientations of education, rather than concentrating on over education. We will return to this question later.

It is also important to take the large proportion of dropouts in the education system into account. Out of all pupils who started upper secondary school in autumn 1999, 74 percent had obtained a leaving certificate in four years (Statistics Sweden 2005a). Thus, one in four does not obtain a leaving certificate in four years, a worryingly high figure. Out of the students who started in higher education in 1995/1996, 43 percent graduated after seven years, indicating that a very high proportion of university students never achieve a degree.

Despite the fact that for many years the problem has been observed that periods of study are lengthening because many people decide to take adult education courses before starting at higher education level, all of 28 percent of new higher education students in the 2003/2004 academic year had nevertheless studied both at upper secondary school and adult education level (Statistics Sweden 2005a). The rate of transfer from upper secondary school to higher education within a year is relatively low, having averaged around 18 percent over the past few years. If the education system offers too many diversions, the risk is that periods of study will lengthen unnecessarily, in turn delaying a person's entry into the labour market. In the current labour market situation, with a plentiful supply of labour, delayed entry into the labour market is not especially important. But in future, when the composition of the workforce changes because of large numbers of retirements in parallel with weak growth in the population of working age, it will be absolutely critical for a higher proportion of students to be able to complete their degree within a reasonable period.

Imbalance between different educational orientations

As stated earlier, the Swedish National Labour Market Board and Statistics Sweden have presented several reports showing that supply and demand of labour with certain educational orientations are not perfectly in balance. In the present situation, in which general demand for labour has been weak for an extended period, the shortages are minor. However, just a few years ago, the imbalance in the labour market was fairly substantial and businesses had clear problems in finding labour with the appropriate education and skills (Nutek 2000). As for the future, both Statistics Sweden and the Swedish National Labour Market Board paint a picture that foresees major shortages of educated labour in

certain occupational sectors if there is no change in current volumes of students in various educational orientations.

Statistics Sweden's labour survey describes the recruitment situation and the supply of recent graduates and occupationally experienced labour. The 2004 labour survey indicates that a shortage existed of both recent graduates and occupationally experienced labour in a range of occupations: doctors, veterinary surgeons, dentists, specially trained nurses, dispensers, pre-school teachers, recreation instructors and specialist teachers, qualified mechanical engineers, qualified agricultural and forestry engineers, qualified energy engineers, qualified construction engineers, qualified automotive and transport engineers and qualified heating, ventilation and sanitation engineers. This indicates that not only are occupations involved that require a long period of higher education – especially those in nursing and care – but also education at both upper secondary school and post-upper secondary school level in technology and science (Statistics Sweden 2004a). How is it that – in view of the current expansion of upper secondary school education – shortages are arising in upper secondary school educated labour in a situation when the labour market is very weak and unemployment is high, not least among young people? How will the ability to recruit personal in future be affected when it will become necessary to increase the level of replacement recruitment because of the high numbers of retirements?

Occupations also exist where a major surplus of labour prevails; these include caretakers, PC coordinators, sales personnel, bookkeeping and accountancy assistants, network technicians, care assistants, warehousemen, children's nurses and secretaries. A report in which Statistics Sweden examined in more detail the occupations where employment was most common in 2001 – relative to upper secondary school education completed – shows that 63 percent of those with training in child care and recreation supervision were working as nursing and care personnel. Among those with an upper secondary school education in art, music or drama, people were found most commonly to be working as nursing and care personnel (15 percent) or in a sales capacity in retailing (12 percent). The most common occupation for those with a media education was sales in retailing (10 percent), followed by nursing and care (8 percent) (Statistics Sweden 2004b). In addition, people with education in these categories not only have difficulty in finding a job in their "target" occupation, but also have problems gaining a foothold in the labour market. The proportion of those in gainful employment is in fact low in the last-mentioned categories.

Even though there are already clear signs of an imbalance between the demand in the labour market for upper secondary school educated candidates, vis-à-vis the types of educational orientation offered by those upper secondary school leavers, this negative trend is expected to continue. According to the forecasts from the Swedish National Labour Market Board and Statistics Sweden, the new supply of school leavers with qualifications from the media and art, music and drama programmes is expected to exceed demand, which will lead to a dramatic increase in the labour reserve.

The reverse is true in other categories of upper secondary school education. Over the next few years, it is anticipated that the recruitment demand will outstrip the supply of qualified construction engineers and a shortage is expected to arise. The supply of qualified energy and heating, ventilation and sanitation engineers will also fall short of the recruitment demand over the next few years. The development of alternative energy sources and the adjustment to such sources, along with a growing interest in environmental issues, is likely to continue to fuel strong demand for personnel in this category (Statistics Sweden 2004b).

Even if a major rise in employment does not materialize by 2010, the recruitment demand will, as indicated above, grow in many industry and educational categories as a result of high numbers of retirements. According to both Statistics Sweden and the Swedish National Labour Market Board, the shortage of nursing personnel, for example, will become more serious in the next few years. High numbers of retirements are to be expected as a result of the high average age in many of the personnel categories. It is also foreseen that the rapid growth in the numbers of the elderly will lead to expansion of demand for personnel in both healthcare and eld-

erly care. The Swedish National Labour Market Board report on the future supply of personnel in nursing and care emphasizes the substantial demand for higher education qualified personnel in the nursing occupations. However, the greatest need is anticipated to be for qualified carers, in view of the weak interest in the care programme being shown in upper secondary schools (Swedish National Labour Market Board 2002). It is in itself a welcome trend that the number of places in both medical and nursing training has increased over recent years. This is expected to result in a rise in the number of graduates over the next few years. But, despite this favourable development, it is not expected that the supply of new personnel to the labour market will be sufficient to meet the growing recruitment demand. As a result, the shortage may become very substantial, especially of doctors and nurses with specialist skills (Statistics Sweden 2004b).

As a result, the mismatch at upper secondary school level between demand and supply of different educational categories also shows through clearly in higher education. The same types of educational category and orientation are also found in occupations with surpluses and deficits. The shortage of higher education qualified people that today exists is found above all in nursing, schools, technology and science, while a major surplus exists of people with humanities and social science qualifications. In the latter categories, conditions in the labour market may become problematical.

In view of imminent levels of retirements, it is worrying that the number of new students in engineering programmes at master level in the 2003/2004 academic year was the lowest for ten years. The number has nearly halved since peaking in 1998/1999 (Statistics Sweden 2005a). In the undergraduate engineering programme, too, the number of new students has fallen. The Swedish National Labour Market Board has analyzed the future recruitment need in the nursing and care sector, the technology and industry sector, building and construction and in the education sphere and concludes that projections based on current volumes in education suggest a steadily increasing shortage of labour in several occupations requiring post upper secondary school education.

Rounding off and proposals

In this chapter, we have emphasized that the changes in the labour market are leading towards higher educational and qualification requirements. At the same time, we have pointed to the dramatic changes that have taken place in the sphere of education over the past 10–15 years. These have involved not only vigorous expansion in education but also changes in the composition of the courses concerned. It could be assumed that these changes are interconnected, that higher qualification requirements generate changes in the education system. To a certain extent, this is of course true. But the trend is far from straightforward.

We have established that there are clear problems in matching the education on offer with the demand for labour. At upper secondary school level, pupil numbers are too low in programmes oriented towards technology, industry, construction, nursing and care. On the other hand, numbers are too high vis-à-vis labour market needs in more generally-oriented programmes such as media studies, art, music and drama and social science. The same pattern is discernable in post secondary education. The volumes represented by technology and science are too low while those represented by generally-oriented, social science and humanities-based courses are too high, relative to the qualifications demanded in the labour market.

We have also pointed out the major dropout-problems that characterize both upper secondary school and higher education. At upper secondary school level, the numbers of dropouts has risen dramatically since the introduction of the three-year upper secondary school programme, while figures from Statistics Sweden show that in higher education only around 50 percent of pupils take a final examination. Of course, the dropout-problem must be seen as a factor that is aggravating the problems of matching the education on offer to the demand for labour.

What conclusions can we draw from this?

Firstly, our view is that changes in upper secondary school education are needed. Today, there is an imbalance between vocationally and more generally

oriented education. This cannot be explained away by the right of pupils to freedom of choice. To begin with, free choice at school is circumscribed. Vocational programmes are under-represented in the course offerings in many parts, mainly because the costs of such programmes are high. Programme organizers therefore have an incentive to offer pupils relatively cheaper generally-oriented programmes. In addition, it is not tolerable – either from a socio-political or a socio-economic perspective – that such a high proportion of pupils should be unemployed on completion of their studies. Furthermore, the problems with dropouts also contribute to the unacceptably high proportion of young people who become unemployed or are totally excluded from the labour market.

We advocate vocational education that is closely linked to the labour market, where the ambition should be to offer more fully qualified people and where the requirement for higher education qualification does not have the same decisive impact on the design and content of the programme. Experience argues that, if designed in this way, vocational education programmes become more attractive and the dropout rates falls. A further benefit is to combat the trend towards growing social marginalization among the young.

Secondly, we propose that young people between 16–24 years who become unemployed should be offered activities at special labour market and learning centres. These initiatives should be targeted mainly at those who lack a full upper secondary school qualification. Labour market and learning centres of this type should be able to offer both an employment service and education facilities, and ought to replace the current municipal youth programmes and the youth guarantee. A work and study plan should be drawn up promptly after the start of any period of unemployment. Another important function would be to maintain contacts with the local business community and to organize apprenticeships for the young unemployed who are in need of practical experience of work.

Our third proposal is that young people between 20–24 years to whom income support is their main form of income should be attached to these training and learning centres. Those with only pre-upper secondary school qualifications are strongly over-represented among those who are long-term benefit-dependent. The proportion of those who are benefit-dependent in the 20–24 year age bracket is more than ten times as high than among those with a full upper secondary school qualification. Thus, in our view, income support should be made more clearly conditional. A work and study plan tied to the labour market and learning centre should be drawn up as above.

Fourthly, and finally, it is our view that the government's target of 50 percent of a cohort in post-upper secondary school education is questionable. The major increase in volume that has taken place at post secondary education level threatens to erode the quality of the education offered. Major problems also exist in the composition of the educational orientations. The shortages of students in technology and science, as well as in teaching programmes, for example, may create serious problems in the long term. These programmes must therefore be made more attractive. We cannot solve the problem by setting up defined volume targets. It can only be dealt with via intensive study counselling, changes in work environments and pay differentiation in the labour market that reflects real differences in supply and demand in different occupational and educational categories.

Notes

1. Of all new jobs that come into being during a year, the Swedish National Labour Market Board's share is estimated to represent just over 30 percent.
2. Swedish National Labour Market Board's own classification of jobs registered with the employment service. The structure is based the SSYK Swedish Standard Classification of Occupations.
3. Occupations are classified according to the SSYK Swedish Standard Classification of Occupations.

References

AMS (2002) *Den framtida personalförsörjningen inom vård och omsorg.(Future supply of personnel in nursing and care)* Ura 2002:3, AMS, Stockholm.

AMS(2003) *Arbetsmarknaden för personer som avbrutit sina gymnasiestudier.(The labour market and those who have dropped out of upper secondary school studies)* Ura 2003:8, AMS, Stockholm.

AMS (2005a) *Var finns jobben 2005?(Where are the jobs 2005?)* Ura 2005:1, AMS, Stockholm.

AMS (2005b) *Arbetsmarknadsutsikterna för år 2005 och 2006. (Labour market outlook for 2005 and 2006)* Ura 2005:2, Swedish Labour Market Agency, Stockholm.

Arbetskraftsundersökningarna(Workforce surveys) (LFS), Statistics Sweden.

Auer P (2005) *Protected Mobility for Employment and Decent Work: Labour Market Security in a Globalised World.* ILO, Geneva.

Autor D H, Katz L F & Kreuger A B (1998) "Computing Inequality: Have Computers Changed the Labour Market?" *The Quarterly Journal of Economics*, November.

Carnoy M & Castells M (1997) "Sustainable Flexibility. A Prospective Study on Work, Family and Society in the Information Age" Working Papers nr 29, OECD, Paris.

Ds 2003:33 *Skolmisslyckande – hur gick det sedan? (Failure at school – what happened next?)* Fritzes, Stockholm.

European Commission (2003) *Employment in Europe 2003. Recent Trends and Prospects*. European Commission, Brussels.

Heinz W R (1999) "Transition to Employment in a Cross-National Perspective" in Heinz W R (ed.) *From Education till Work. Cross-National Perspectives.* Cambridge University Press, Cambridge.

ILO (1998) *World Employment Report 1998-99. Employability in the Global Economy. How Training Matters.* ILO, Genève.

ISA, Nutek & Vinnova (2005) *Kostnad eller kompetens? En fallstudie av företag som flyttat produktion från utlandet till Sverige.(Expense or expertise? A case study of companies that have relocated production from abroad to Sweden)* ISA, Nutek & Vinnova, Stockholm.

ITPS (2001) *Under- och överutbildning på 2000-talets arbetsmarknad. (Under- and over-education in the labour market of the 21st Century)* Swedish Institute for Growth Policy Studies, Stockholm.

le Grand C, Szulkin R & Tåhlin M (2004) "Arbetslivet halkar efter: de enkla jobben försvinner inte" *(Labour market lagging behind: the simple jobs are not disappearing) Sociologisk Forskning*, (Sociological Research) Issue 1.

Machin S & van Reenen J (1998) "Technology and Changes in Skill Structure: Evidence from Seven OECD Countries" *The Quarterly Journal of Economics*, November.

Mellander E (1999) *Multi-Dimensional Demand for Labour and Skill-Biased Technical Change*. Industriens utredningsinstitut (Swedish Research Institute of Industrial Economics), Stockholm.

Nutek (2000) *Kompetens en bristvara? Företagens syn på kompetensförsörjning.(Skills in short supply? The view of businesses on skills provision)* Nutek, Stockholm.

Olofsson J (2005) *Svensk yrkesutbildning – vägval i internationell belysning.(Vocational education in Swedish – crossroads in international illumination)*. Swedish Centre for Business and Policy Studies, Stockholm.

Ryan P (2001) "The School-to-Work-Transition" *Journal of Economic Literature*, March.

SCB (2004a) *Arbetskraftsbarometern 04. Utsikterna på arbetsmarknaden för 74 utbildningar.(Workforce survey 04. Outlook in the labour market for 74 programmes)* Information om arbetsmarknad 2004:4, (Labour Market Information) Statistics Sweden, Stockholm.

SCB (2004b) *Utbildning och arbete. Tillskott och rekryteringsbehov för olika utbildningsgrupper till 2010.(Education and work. Supply and recruitment needs of various educational categories)* Statistics Sweden, Stockholm.

SCB (2005a) *Utbildningsstatistisk årsbok 2005.(Education Statistics Yearbook)* Statistics Sweden, Stockholm.

SCB (2005b) *Yrkesstrukturen i Sverige 2003.(Structure of Occupations in Sweden)* AM 33 SM 0501. Statistics Sweden, Stockholm.

Schön L (2000) *En modern svensk ekonomisk historia. Tillväxt och omvandling under två sekel. (A modern economic history of Sweden. Growth and transformation over two centuries)* Swedish Centre for Business and Policy Studies, Stockholm.

SOU 2003:92, *Unga utanför. (The young on the outside)* Fritzes, Stockholm.

Thelen K (2004) *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States and Japan*. Cambridge University Press, Cambridge.

Wadensjö E (1997) *Arbetsmarknaden och välfärdspolitiken. (The labour market and welfare policy)* Swedish National Board of Health and Welfare, Stockholm.

Åberg R (2004) "Vilka jobb har skapats på den svenska arbetsmarknaden under de senaste decennierna?" *(What jobs have been created in the Swedish labour market in recent decades) Ekonomisk Debatt*, (Economic Debate) Issue 7.

CHAPTER 11

Complementary benefits in connection with loss of income and their effect on the work principle[1]

Gabriella Sjögren Lindquist and Eskil Wadensjö

Social insurance is not the only option. Most of the debate on benefits in connection with loss of income centres on the social insurance schemes in place, despite the fact that there are many complementary benefits that play an important role.

Gabriella Sjögren Lindquist and Eskil Wadensjö present new research in a neglected area.

Do these complementary benefits have the same effect as the social insurance schemes? Do they strengthen or weaken the work principle? There is no simple answer say the authors: different benefits are designed in different ways and have different effects. But there is good reason to examine these issues in greater detail, and reason for trade unions, employers and the organisations that represent them to review the way the systems are structured.

Social insurance schemes are not the only form of income compensation

Most debate on benefits in connection with loss of income centres on the social insurance schemes that are in place, despite the fact that there are many complementary benefits that pay out large sums of money. The benefits established by agreements between the parties in the labour market are the most important, although not the only ones.

Against that background, it is important also to take these complementary benefits into account when discussing the effects of social insurance schemes on labour supply and mobility. Do they have the same effects as the social insurance schemes? A follow-up question is whether the complementary benefits accord with the work principle. Do they strengthen or weaken it?

Many benefits that are now complementary have a very long history. Pensions and benefits in the case of illness, occupational injury or unemployment existed before the social insurance schemes and have largely influenced them.[2] On the other hand, the social insurance schemes have affected these other benefits. So a strong mutual relationship exists.

Many complementary benefits arose through agreements between the parties in the labour market. Such agreements may come about either via the establishment of a *collective agreement insurance* scheme or if the employer contracts to pay the benefits – *collective agreement benefits*. Under a collective agreement insurance policy, premiums are paid to an insurance company, which then pays benefits to any person entitled to receive it. But a collective agreement may also require the employer to pay the benefits.

Table 11.1. Men and women employees in various sectors 2003.					
	Men		Women		All
Sector	Number	Per cent	Number	Per cent	Number
Central government	111,762	52	104,047	48	215,809
Municipalities	161,113	21	596,351	79	757,464
County councils	44,406	20	176,694	80	221,100
Private sector: white-collar workers	692,800	56	539,000	44	1,231,800
Private-sector: blue-collar workers	782,300	70	341,100	30	1,123,400
Total	1,792,381	50.5	1,757,192	49.5	3,549,573

Source: Statistics Sweden.

Agreements may be established at various levels: between central organisations, between negotiating cartels, between trade union organisations or between a local trade union branch and an employer. The agreements do not apply solely to members of the signatory trade union organisations, but also to other individuals covered by the collective agreements. An employer may also commit himself under an individual employment agreement to contract an insurance policy – for example, a pension insurance policy – on behalf of the employee. This extra benefit is particularly important to high-earning employees. Alongside the individual employment agreement, employers may provide a unilateral commitment to pay a certain level of benefit in the event of loss of income.

The trade union organisations also offer member *insurance schemes*. While benefits established via collective agreements extend to all employees at a workplace, member insurance schemes, of course, only cover the members of the union. There are two main types of member insurance. One covers all members of a trade union or all members of the union in a specific area. This type of insurance is called *compulsory* member insurance and is paid for through membership or compulsory fees. The second type of member insurance offers the members of a union the option of contracting insurance, for example, accident or complementary sickness insurance. Those who take up the option pay an insurance premium. This kind of insurance is called *optional* member insurance or *group insurance*. Furthermore, people can take out entirely *private insurance*, which they themselves contract with insurance companies. This is important in the pension sector and such insurance is encouraged by the government in that contributions are tax-deductible.

Differences between collective agreement sectors

Collective agreement-based benefits in most cases fall into one of the following four sectors:

1. Central government employees
2. Municipal and county council employees
3. White-collar employees in the private sector, and
4. Blue-collar employees in the private sector.

Table 11.1 shows the number of employees in each sector. Not everyone who works in a sector needs to be covered by collective agreement-based benefit systems. In the private sector, there are businesses that have not signed up to collective agreements or otherwise contracted collective insurance.

The table shows that women are in a clear majority in municipalities and county councils, at 79 and 80 percent, while 70 percent of employees in the private sector are men.[3] The distribution is more even among private-sector white-collar employees (44 percent women) and central government employees (48 percent women). The self-employed, most of whom are men, are excluded from these systems. Women are more or less equally often employed in the private and public sectors, while men

are predominantly employed in the private sector. Thus, complementary benefits affect more women than men in the public sector, but more men than women in the private sector.

The reason why collective agreement insurance and collective agreement benefits are generally organised in four major (and some minor) areas, is that most collective agreements were concluded, or acquired their main features, when centralized pay negotiations were dominant. Now, pay negotiations are conducted per industry in the private sector. It is more complicated than before to change the systems for collective agreement benefits, which generally cover wider areas than the pay agreements. As a result, new complementary benefit systems are coming into being and are being shaped, mainly at industry level. In turn, this also means that the systems differ from industry to industry. One clear example of the increased variation that has arisen is to be found in the agreements on complementary benefits for parental leave.

What forms do the complementary benefits take?

As we have seen, social insurance schemes are complemented by other forms of benefits. So what forms do they take? Benefits fall into three main categories.

The first type of complementation is to increase the level of compensation for pay components *up to the ceiling* for each social insurance scheme. In many cases, the increment is a specific number of percentage points, often ten, for example from 80 to 90 percent. However, in other cases, the complementary benefit is contribution-defined; for example, the charge will be two or three percent of the person's salary/wage, and the degree of compensation will thus not be known in advance. The ceiling varies among the social insurance schemes. It is lower in unemployment insurance than in sickness and pension insurance. Moreover, unemployment insurance has two different ceilings, depending on the period of unemployment.

The second type of complementation is compensation for pay components *above the ceiling* for each social insurance scheme. The compensation level from the complementary benefit above the ceiling is in general greatly higher than the extra compensation provided up to the ceiling. In many cases, this results in the total compensation being the same, or nearly the same, above and below the ceiling.

The third type of complementation is for the benefit period to be extended (when the period of benefit under the social insurance scheme is limited). One example is extended benefit periods for those who are out of work. Another is collective agreement pensions that may be paid out before the standard retirement age, thus extending the pension period. Extensions of this kind were considerably more common earlier, when under collective agreements many groups benefited from a retirement age lower than 65 years (before 1 July 1976 lower than 67 years). The formal retirement age is now more flexible than before. The national pension system has no fixed retirement age, and Sweden's law of employment protection has been amended to the effect that the earliest age at which retirement is compulsory is 67 years. On the other hand, age limits remain for other types of benefits, such as those paid under unemployment insurance.

Under these complementary benefits, compensation is highest for pay components above the ceiling in the social insurance schemes. There are exceptions. For several types of loss of income, benefits are not paid above the ceiling to blue-collar workers in the private sector, and the complementary benefit paid with a retirement pension is only the same amount as that up to the ceiling for this category.[4]

Many people are paid a salary or wage above the ceiling under the social insurance schemes. Among men employed in central government and at county councils, or as white-collar employees in the private sector, 50 percent or more receive a salary above the ceiling. There is also a high proportion of women with salaries above the ceiling in these sectors, relative to the corresponding percentages for women in other sectors, but these shares are considerably lower than for men in the same sectors. Among municipal and private-sector employees, the proportion with salaries above the ceiling is considerably lower than in other sectors. Nevertheless, nearly 10 percent of employees in the private sector have a salary above the ceiling, and for certain people in this cat-

egory, benefits based on income components above the ceiling may be important.

A characteristic of the Swedish social insurance system is that the right to receive a benefit is linked to the person, not the workplace. In terms of benefits, it is neither an advantage nor a disadvantage to remain in a job or to change jobs if the pay is the same. So the Swedish social system does not work against mobility. And, to a major extent, the complementary benefits are also not affected by whether a person changes employer. The collective agreement benefits are the same in major areas covered by collective agreements, and people's entitlements are as a rule not affected by any change of employer within a collective agreement area. This is largely also true of any change of employer that at the same time represents a change of collective agreement area. Qualifying periods are generally short, and it is possible for example to transfer a credit balance in one collective agreement pension system to another. Nevertheless, there are some barriers to mobility (mobility-related costs) as well as barriers to various combinations of jobs in the labour market. We will return to these later.

What types of loss of income are covered by the complementary forms of benefit?

Complementary benefits exist in all areas covered by social insurance schemes, plus a few more. There are considerable differences between different areas.[5]

To those who become *unemployed*, different types of complementary benefits are available. Collective agreements providing extra benefits to those who are made redundant exist in several areas. These include supplementation of the benefit paid under unemployment insurance, especially above the income ceiling, extension of the benefit period and special measures. There are major differences – the conditions in the public sector are particularly favourable. Insurance is also available for members of SACO- (the Swedish Confederation of Professional Associations) and TCO- (the Swedish Confederation for Professional Employees) affiliated unions, which also provides compensation for income components above the ceiling under unemployment insurance. SACO- and certain TCO-affiliated unions also offer group insurance schemes, in which members can take out complementary unemployment insurance. With the various complementary benefits, the degree of compensation is on average higher than that offered by unemployment insurance alone, and, above all, it varies from one group and one individual to another.

Benefit in the case of *occupational injury* is a special case. The complementary benefits combined with the occupational injury insurance part of the social insurance system, provide total loss-of-income compensation in the event of occupational injury and certain occupational illnesses. To employers' associations, the high level of compensation is more costly, although at the same time an advantage if employees in return commit themselves not to take any claim for compensation to court. One specific problem is that those who have received their benefit at a time when they were only temporarily in receipt of a high income have a weak incentive for seeking to re-enter the labour market.

In the case of *sicklisting* and *disability pension* benefits established in collective agreements provide extra compensation. Under these agreements, a complementary benefit is paid up to the income ceiling, and in most – but not all – cases, compensation (to a fairly high level) above the income ceiling. The exception is that benefits are not paid to private-sector employees for income components above the income ceiling. There are possibilities for complementation through various trade union group insurance schemes and private insurance schemes. The degree of compensation is higher in the complementary systems, and differs from one group and one individual to another. In the social insurance system, the benefit is mostly higher for sicklisting than disability pension. With the collective agreement benefits, the opposite is often the case – many people receive higher benefit payments overall in disability pension than for sicklisting.

The *retirement pension* is supplemented differently in different collective agreement areas, but all provide a supplement up to the ceiling in the national pension system. In three of the four systems, the supplement is entirely contribution-defined. Employees in municipalities, county councils and central government, along with white-collar work-

ers in the private sector, also benefit from a high – mostly contribution-defined – level of compensation for income components above the ceiling. This is based on income during the year or years immediately before retirement (eligible years differ from one collective agreement to another). In addition, private-sector blue-collar workers nowadays also receive certain contribution-defined compensation for income components above the ceiling.

Many, but not all, people receive a complementary benefit during *parental leave*. In this case, the differences between different areas are very considerable, particularly as regards the number of months in which the benefit is paid. In the private sector, there is no uniform system and industry-based agreements are the most common solution. The best conditions are enjoyed by central government employees and employees of banks and insurance companies, but municipal and county council employees also enjoy fairly good conditions. A common factor in all such agreements is that the benefits are paid as collective agreement benefits and not in the form of payments under collective agreement insurance.

Effects of complementary benefits

As we have seen, the benefits available to people who lose their income often come from several sources, the decisions on them are taken in various ways and they are also financed in various ways. Social insurance schemes are determined by *Riksdagen* (Sweden's Parliament); collective agreement benefits are negotiated by the labour market parties; member insurance schemes are established by the trade unions; and personal insurance arrangements are decided by the individuals themselves. How schemes are financed depends on who takes the decision. Social insurance schemes are financed by taxes or contributions. Up to a point, the schemes take the form of insurance, in that the contribution paid by the individual determines the insurance cover. This is shown most clearly in the new pension system, even if the system also deviates in some ways from an insurance scheme. Collective agreement insurance schemes and collective agreement benefits are financed directly by the employers but indirectly by the employees, in that via their trade unions they waive part of the pay increase they otherwise could have received, in order to secure a form of protection to provide for loss of income. Member insurance schemes and totally individual insurance schemes are, of course, paid for by the individuals themselves via their premiums.

The fact the method of financing is different does not necessarily mean that the effects are. To a person who leaves the labour market with a retirement pension, it is the total pension that matters, not how it is made up of pensions under the national pension system, the collective agreement pension system and private pension insurance schemes. The same reasoning may be applied to other areas. When we discuss the effects of benefits on labour supply, mobility etc., what is of interest is the system overall, not just the social insurance system – even if in many cases it does account for the majority of benefits and even if it is within this system that the decisions on benefits are also in practice taken in respect of the complementary systems.

Effects on labour supply and hours worked

One of the most-discussed issues concerns the effects of the social insurance schemes on the labour supply and the number of hours worked in the economy. Are the social insurance schemes compatible with the work principle? As mentioned earlier, there is reason to assume that collective agreement defined and other benefits have similar effects to social insurance schemes. So, a follow-up question is: are the complementary benefits compatible with the work principle.

The fact that a person can receive compensation if he or she loses his or her income may be a reason to seek work and thus enter the labour market. This compensation increases the expected benefit from having a job in the same way as a pay rise. On that basis, collective agreement benefits may, in the same way as higher pay, lead to more people entering the labour market.

On the other hand, collective agreement benefits may – just like social insurance benefits – offer to people who are part of the workforce and are covered by the benefit systems, financial reasons to

leave the workforce or not to be in work for a brief or longer period.

The retirement pension system affects the age at which people retire. The answer to the question of how much a person's pension will amount to if the person retires at 61, 65 or 67 years of age may affect the retirement age chosen. Here, it is not only what the contents of the orange envelope sent out by the social insurance system every year say about the person's pension under the social insurance system that is important; the size of the collective agreement pension and how it will vary according to the age at which it is taken also have to be taken into account. We may expect the retirement age to be affected partly by how high the pension is (the higher the pension, the earlier the retirement, all other factors being equal), and partly by the extent to which the pension varies according to the age it is taken.

The trend of sickness absence has taken centre stage in the debate of recent years, and much heed has been paid to the benefits paid under the sickness insurance and disability pension systems. It is reasonable to assume that the collective agreement benefits in the same areas also play a part – i.e. that the total level of benefits is the deciding factor. There is no reason to believe that collective agreement benefits would have other effects than the benefits from the social insurance system.

Similarly, there is discussion about the effects of unemployment insurance on unemployment, about how it affects the flow of people into unemployment and, above all, the duration of the unemployment spells. Higher benefits and longer benefit periods may lessen the intensity of searching and inflate the demands the jobseeker places on a job for it to be acceptable. It is reasonable also to assume here that it is the total amount of benefit (i.e. not just unemployment benefit) and the overall benefit period (i.e. not just the period of unemployment benefit) that are important. Here, what is important is the information that those concerned have.

This information is likely to be incomplete in various respects. The lack of completeness will probably be partial but systematic. The lack of knowledge about what benefit is payable is likely to be present mainly before a person receives benefits, but most unlikely once the person has started receiving it. Because of the lack of information, the inflow will probably be smaller than would have been the case if the information had been complete, but the effect on the duration of the various benefit systems will probably be the same as if the benefit had originated from the social insurance scheme.

Effects on mobility in the labour market

The Swedish social insurance system has, as we have mentioned, been built up such that the right to a benefit is retained even if a person changes jobs. The period of employment with the most recent employer has no bearing on the person's chances of receiving a benefit from the social insurance system. This also applies in the main to collective agreement insurance schemes and collective agreement benefits. In addition, the period with the most recent employer has no impact whatsoever on the amount of the benefit, although there are a few exceptions.

One exception is to be found in the complementary benefit during parental leave. To be eligible for this benefit, most collective agreements in the private sector demand at least one year's service with the most recent employer. In several collective agreements, the benefit also varies according to the period of employment. The general rule is that the longer the period of employment, the longer the complementary benefit is paid. It is often also a requirement that the person must, after the period of parental leave, return to work for a certain period at his/her former workplace in order to receive the whole of the amount of complementary benefit. These rules offer an incentive to those planning to have children over the next few years to avoid changing employers. One reason why the complementary benefits are structured in this way is that they are comparatively new and so were established in a period of union-based collective agreements rather than centralized collective agreements. Standardized collective agreement insurance schemes are easier to establish via centralized negotiations.

Another exception lies in collective agreement pensions. This area provides for inflation-proofing of earned pension rights for those who change employers. But there are some problems. The costs may become high to employers in the case of mobil-

ity that represents a pay increase to older employees – the benefit above the ceiling is, in fact, often an important element, and is not determined by salary components above the ceiling in all years, only in the years immediately preceding the person's retirement. This means that employers may hesitate to employ older people in positions showing a strong growth in late-career earnings. Another problem is that the last employer bears a high proportion of the pension cost for employees who have changed jobs in the public sector, although now only within the municipal sector (the defined-benefit portion of the pension). This provides municipal employers with an incentive to avoid employing older people moving from employment in a different municipality. A third problem is that the pension for salary components above the ceiling is not determined by the overall salary, just by the portion of the overall salary that falls within a specific collective agreement area. Part-time (for example 50%) working in one sector combined with part-time (for example 50%) working in another sector may add up to a considerably lower pension than for full-time working in one sector, even if the total annual pay were exactly the same in both cases. To employees, this is an incentive to avoid combining employments, which otherwise could be desirable. Similar effects from combinations of different types of employment may arise in other collective agreement defined benefits.

When the benefit is based on current income or income during the years immediately preceding the loss of income from work, this is also a financial motivation for the individual to avoid any move to lower-paid jobs, quite apart from the lower salary itself. For example, individuals who otherwise, for health reasons, would have scaled down their working activity by transferring to less demanding work, may choose in some cases to remain in their work and as a result they may have to leave the workforce earlier than otherwise due to worsened health problems.

Effects on readjustment and restructuring

Swedish labour law is there to protect employees. They cannot be made redundant without reasonable cause, and those with the longest periods of service enjoy the best protection. These rules represent costs to employers who wish to restructure their operations. When they want to cut back an operation or change its direction, they will often want to depart from the order of redundancy laid down in Sweden's law on employment protection. To be able to reach an accommodation with the trade union organisations on deviating from the rules on order of redundancy, the employer will generally offer financial compensation to the employees who have been given notice of redundancy. Part of this compensation may be given under collective undertakings via various security-of-employment agreements, for example on redundancy benefits.[6] Such compensation may make it less costly for an individual employer to restructure (if not for employers as a group, since the measures are financed via employer's contributions). In addition, it cannot be ruled out that the Swedish regulatory system of well-known levels of compensation combined with collective agreement defined redundancy payments will facilitate the negotiations where a business is to be restructured and that this will also lead to lower costs. Lower costs arising thus may in turn make it possible to restructure more quickly in Sweden than in countries in which the validity of and compensation for redundancies are often determined through courts of law.

Are the complementary benefits compatible with the work principle?

We will now turn back to our initial question, namely whether the complementary benefits are compatible with the work principle. There is no simple answer – different benefits are designed differently and have different effects.

Benefits that are paid only when people are not working weaken the incentive to work. The extent of these effects varies from one individual and group to another and depends on the type of absence for which the benefit compensates. Much of the research into and analysis of social insurance schemes deals with effects in this area. Because they augment the amount of compensation, complementary benefits may be expected to accentuate effects of this kind. As we mentioned in the introduction, the public debate centres mainly on the social insurance schemes. But it is arguable that the debate on how

the labour supply is determined should also include other types of income compensation.

There are also a number of issues that are specifically connected with whether the complementary benefits are compatible with the work principle. The following are just a few:

- the long benefit periods in unemployment in, above all, the public sector collective agreements
- the major importance of income in the years immediately before retirement in the defined-benefit systems and the problems for those who wish gradually to scale down their work activities
- the adverse effects of having two part-time employments in different sectors instead of full-time employment, in terms of determining the level of pension
- locking-in effects in occupational injury insurance
- barriers to mobility caused by regulations in the systems of complementary benefits for retirement pensions and parental leave.

There are good reasons for investigating these issues in more detail and for the parties in the labour market to examine the way these systems are designed.

Notes

1. This chapter is based on Sjögren Lindquist and Wadensjö (2005). We would like to thank Per Gunnar Edebalk, Jonas Olofsson and Annika Sundén for their comments on previous versions.
2. For general discussions of the way social insurance schemes interact, see Edebalk *et al* (1996) and Rein and Wadensjö (1998).
3. Chapter 9 contains a more detailed classification into different sectors. The breakdown shown in the table here is based on the same classification as for the collective agreement areas.
4. The reason for this structure is that hardly any employee received income above the ceiling stipulated for the social insurance schemes when the agreements were entered into.
5. For a detailed review, see Sjögren Lindquist and Wadensjö (2005).
6. For analyses of the effects of the agreements on readjustment, see Chapter 12 and Sjögren Lindquist and Wadensjö (2005).

References

Edebalk PG, Ståhlberg A-C & Wadensjö E (1996) "Avtalsrelaterade trygghetssystem vid sjukdom, arbetsskada och förtidspension" in *En allmän och aktiv försäkring vid sjukdom och rehabilitering*. (Collective agreement-based employment security systems for sickness, occupational injury and disability pension" in "*A general and active insurance scheme for sickness and rehabilitation)* SOU 1996:113, Part 2, Allmänna förlaget, Stockholm.

Rein M & Wadensjö E (1998) "The Relation between Social and Occupational Security" in Marmor TR & De Jong PR (eds.) *Ageing, Social Security and Affordability*. Ashgate, Aldershot.

Sjögren Lindquist G & Wadensjö E (2005) *Inte bara socialförsäkringar. Kompletterande ersättningar vid inkomstbortfall.* (Not only social insurance schemes. Complementary benefits for loss of income.) ESS Report 2005:2, Ministry of Finance, Stockholm.

CHAPTER 12

The government job policy and collective job transition agreements

Henrik Bäckström and Jan Ottosson

An increasing number of Swedes have various job transition agreements. This chapter outlines labour market changes in the past 15 years as well as union and employer measures to stimulate transition and security in working life.

Henrik Bäckström and Jan Ottosson describe the collaboration between market-based staffing companies and the National Labour Market Board (AMS) proposed in the Budget Bill in autumn, 2005, as a new element in the labour market. The new collective job transition agreement concluded in 2004 between the Trade Union Confederation (LO) and the Confederation of Swedish Enterprise concerning almost 1 million workers may also change Swedish labour market policy. More people are able to receive job transition and outplacement solutions through collective agreements. What happens, though, to individuals outside the scope of job transition agreements, for example civil servants in the municipal and county council sector, as well as young people in the labour market? How should a comprehensive government labour market policy counteract continued exclusion and increasing differences between various individuals in the labour market? There is very little research into how this type of agreement affects mobility in the Swedish labour market. Without this type of research, there is a great risk of the new outplacement industry utilising methods that may have unexpected effects on the efficiency of matching.

An increasing number of Swedes have various job transition agreements. This chapter outlines labour market changes in the past 15 years as well as union and company measures to stimulate job transition and security in working life. The issue that will be discussed is whether development entails new challenges for the government labour market policy.

Over one million people in Sweden support themselves through various types of compensation rather than income gained from working. In July, 2005, 281,000 people were registered as unemployed, 101,000 were participating in labour market policy programmes, 237,000 were receiving sickness benefits and 552,000 were receiving long-term sickness or incapacity benefits (previously called early retirement pension).[1]

Recently, an intense debate has been going on concerning a progressively faster structural rationalisation within various sectors. Discussion concerning work being moved out of Sweden has also been intense. The high level of unemployment and the increasingly faster job transition process results in

many people beginning to ask questions about unemployment, how the labour market functions and the prerequisites for labour market policy.

"The political battle in Sweden now concerns government job policy" – this is the message that emerged in Aftonbladet's editorial on Tuesday, 3 May 2005. There was a great deal of discussion about the government job policy and the level of compensation for social insurance in the party leader debate on 24 May 2005 between Prime Minister Göran Persson and Moderate party leader Fredrik Reinfeldt. This discussion continued in the autumn of 2005.

What is the government job policy? In broad terms, the job policy entails the individual's abilities rather than lack of abilities being focused upon. The government writes:

> *The government job policy is the basis of Swedish labour market policy. In order to promote the rapid filling of job vacancies and counteract long-term unemployment and exclusion from the labour market, efforts increasing regular employment opportunities for the unemployed will be prioritised (www.regeringen.se)*

In other words, the objective is for unemployed people to obtain a new job as fast as possible. The concept of the job policy, however, is not entirely fixed, and its meaning has changed over time. The following definition is found in the terms of reference for the Social Insurance Commission:

> *The job policy means that people who can work and contribute to their own and other people's support should be given the opportunity to do so. True to this principle, active measures in the form of employment, work experience and training take priority over the passive receipt of cash benefits. The solidarity upon which the welfare state is based provides everyone with the right to security in all of life's phases. At the same time, it also means that everyone is obligated to utilise or develop their working capacity, even if this should entail changing occupations or relocating.*[2]

The job policy embodies four perspectives:
a) control and discipline
b) the right to self-help
c) the right to employment
d) political self-confidence i.e. the capacity to influence employment.

The balance between the four components has shifted. From the beginning of the 1990s onwards, the control and discipline perspective (a) has become increasingly stronger. People's working capacity is increasingly controlled, admission to unemployment benefit funds is more restrictive and policy discussions regarding what the level of compensation should be are ongoing. People with long-term illnesses and work-related disabilities and social security benefit recipients are now also comprised by the job policy. According to the Social Insurance Commission, the support offered by society to people who change jobs is rather clumsy (b), and employment policy self-confidence has not been this low since prior to the crisis in the 1930s (d).

The perspective that is based on "right to self-help" (b), however, appears to be strong with most labour market parties as a result of the job transition and job security agreements that have been signed. The issue that we would like to discuss is whether the government labour market policy is faced with new challenges due to an increasing number of individuals with different types of collective job transition agreements in the labour market. A job transition market with a great many players, both public and private, began to emerge at the beginning of the 1990s. We discuss changes in the labour market over the past 15 years, and how companies and unions have worked to stimulate job transition and security in working life.[3]

Changes in government labour market policy are clearly apparent already. In the Budget Bill in autumn, 2005, AMS was tasked with establishing trial operations with a staffing company or similar market-based players that would comprise unemployed professionals and focus on small and medium-sized companies. The enterprise is estimated to comprise 4,000 unemployed professionals per year in 2006 and 2007, with a total spend of just over SEK one billion (Bill 2005/06:1, expenditure area 13, p. 49). Thus it seems that government funding for labour market measures may in future be channelled to other agencies than those established today (see

Chapter 1). It is also possible, for example, that the job transition programmes offered via the job transition agreements could be financed in this manner.[4]

Government labour market policy

According to the government, the most important labour market policy objective is a well-functioning labour market. Job Centres, labour market policy programmes, unemployment compensation, efforts addressing work-related disabilities and the wage guarantee should contribute to:

> *The job seeker quickly being referred to vacant positions. By vacancies being quickly filled, the labour market will function better and friction unemployment will be reduced. Jobseekers and employers should be offered an efficient and modern Job Centre. A well-functioning labour market is characterised by a high degree of adaptation capacity that includes opportunities for individuals to change workplace and occupation. Regional differences should be insignificant. In order to create security in job transition and to provide people who become unemployed with the necessary economic conditions for finding new employment within a reasonable space of time, well-established insurance to compensate for loss of income is important. Generous insurance requires effective controls. Gender division in the labour market should be counteracted, and diversity in the Swedish workforce should be better utilised. The government has set the following goals for Job Centre activities: they should contribute to shortening the period of unemployment for jobseekers and of vacant positions as well as ensuring the role of unemployment insurance as job transition insurance* (www.regeringen.se)

The aim of unemployment insurance is to compensate the unemployed person for lost wage earnings during the job transition period until new employment is obtained. There are four players involved in insurance aimed towards people who have involuntarily become unemployed and that fulfil certain basic prerequisites and a work condition. Unemployment benefit funds (37 funds that are run as associations with just over 3.8 million members) decide upon and pay unemployment compensation. Job Centres (approximately 300 offices) provide information on insurance and ensure that the job seeker fulfils the necessary prerequisites for compensation – i.e. actively seeking employment and accepting offers of appropriate employment or labour market policy programmes (see also Chapter 11). The Swedish National Labour Market Board administers government subsidy payments to unemployment benefit funds. The Swedish Unemployment Insurance Board (IAF) supervises AMS and the Job Centres.

Unemployment insurance is primarily funded by the government. Unemployment benefit funds also have a member fee. In 2004, approximately SEK 33 billion was paid for unemployment compensation, 617,000 people received compensation of some kind over the year and almost 56 million days of unemployment were compensated (IAF 2005).

Social insurance is administrated by the Swedish Social Insurance Office (240 offices). A total of almost fifty different social insurance benefits or grants exist (retirement benefits, illness or work-related disability insurance and parental leave insurance are financed by payroll tax).[5] Swedish social insurance paid a total of SEK 414 billion in 2004. In 2004, sick leave and illness and incapacity compensation cost the government just over SEK 100 billion (Swedish Social Insurance Office 2005a, b).

One way to illustrate labour market policy, unemployment insurance and social insurance can be seen in Figure 12.1. How do government actors uphold the job policy, and how well does the public insurance system function?[6]

There is an increasing number of different types of "job transition insurance" via collective agreements in addition to labour market policy, unemployment and social insurance (see Table 12.1). It can be established that the debate on labour market development, unemployment and the discussion concerning the formulation of labour market policy deviate slightly from official objectives.

In the current labour market situation, with high level of productivity, large export earnings and a positive state of the market despite persistently high levels of unemployment, discussion should also concern the new prerequisites that are created by the various collective agreements via solutions for job transition situations. The new situation that has

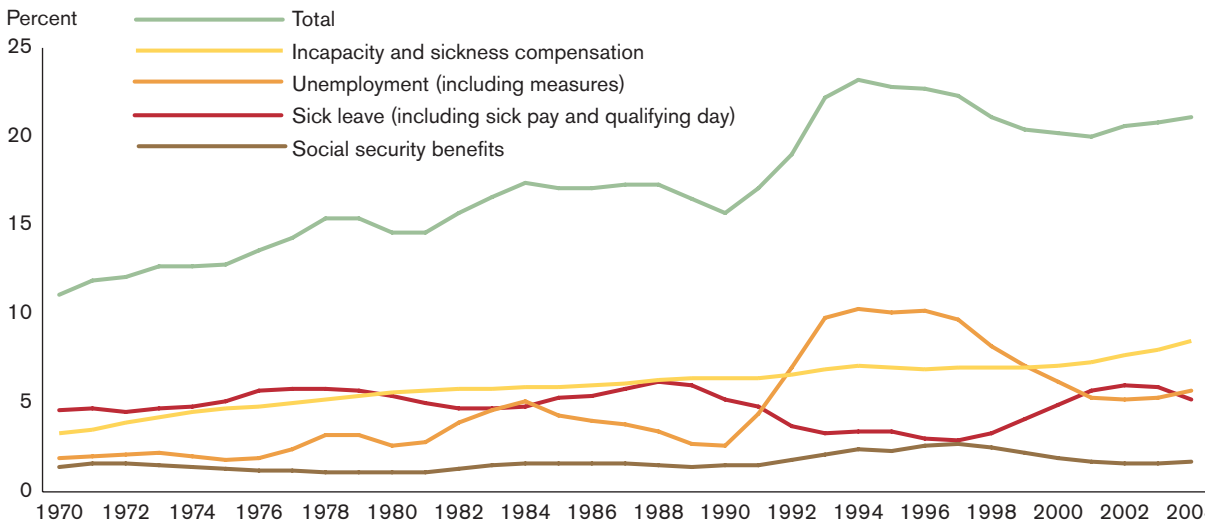

Figure 12.1. Proportion of the Swedish population between 20–64 years of age supported by income security systems 1970–2004. Source: Socialförsäkringsutredningen, www.sou.gov.se/socialforsakring.

characterised the labour market over the past few years has a great deal of significance in terms of workforce supply and mobility in the labour market. Now that an increasing number of groups in the labour market are included in various forms of job transition agreements, those who are not thus included, primarily young people and people with loose connections to the labour market, are also faced with a new situation.[7] An all-embracing issue is whether all the players associated with job transition agreements, both private and public, can help improve labour market efficiency.[8]

Labour market situation

The Swedish labour market situation can be viewed from two perspectives. On one hand, Swedish open unemployment is not conspicuously high compared to other European countries (but Sweden still has an obviously high level of open unemployment compared, for example, to the UK and Denmark). On the other hand, unemployment is conspicuously high compared to the entire period following the Second World War. Unemployment in the crisis years of the 1970s was only a fraction of today's level of unemployment. If we also review the numbers related to regional imbalance (people who are openly unemployed and labour market measures), sick leave and early retirement, part-time unemployment and people who work for hourly wages, the picture of the Swedish labour market becomes even less positive. The crisis of the 1990s became in many ways a time when many people were placed outside the workforce.

Naturally, the deep crisis of the 1990s is the dominant explanation for the increasingly high level of unemployment, but changed production structures and an increasing number of services, primarily in terms of services related to industry, have been significant. Several researchers have claimed that structural transformations in the economy over the past few decades can be called a third industrial revolution (Magnusson & Ottosson 2003). Faster integration of the world economy, faster international work distribution, new production methods and new value chains have changed the labour market and workforce in Sweden and the world.

Adaptation in the Swedish market has been exceptionally high during the past decade. Development by sector in Sweden resembles the development experienced by most OECD countries. Industry's share of employment continued to decrease

Table 12.1 Jobtransition (security) agreements and collective agreement foundations				
Sector	**No. of employees**	**Collective agreement foundations**	**Collective agreements (latest edition)**	**Parties**
Government	Approx. 250,000	TSn, The Job Security Foundation 1990	The State Sector Employment Security Agreement, 1998.	Agency for Government Employers – Public Employees' Negotiation Council, Confederation of Professional Associations, Union for Service and Communications Employees.
Banking	Approx. 45,000	BAO Employment Security Fund 1992	The Accord on Employment Security Issues, 1997.	Employer Association of the Banking Institutions – Financial Sector Union
Trade and Industry	Approx. 700,000	TRR Employment Security Council 1974	Agreement on Outplacement, 1998.	Confederation of Swedish Enterprise – Federation of Salaried Employees in Industry and Services.
Trade and Industry	Approx. 950,000	TSL Employment Security Fund 2004	Agreement on a Fee-based Outplacement Insurance, 2004.	The Confederation of Swedish Enterprise – Trade Union Confederation.
Property	Approx. 9,000	TFR Employment Security Council 1973.	Employment Security Agreement 2001.	Employer Association of Real-Estate Trade – Union of Clerical and Technical Employees in Industry, Association of Managerial and Professional Staff, Association of Architects, Association of Graduated Engineers, Union of Local Government Officers.
Property	Approx. 13,000	TFL Employment Security Fund 1983	Agreement on Outplacement 2005	Employer Association of Real-Estate Trade – Trade Union Confederation
Cooperation	Approx. 35,000	KFO-Handels Employment Security Agreement for Salaried Employees 1974	Employment Security Agreement 1977	The Cooperative Employers' Association– The Commercial Employees' Union
Cooperation	(included in the above-mentioned 35,000)	KFO-Handels Employment Security Fund for shop assistants, warehouse workers, hairdressers 1982	Agreement on Employment Security Fund, 1982	The Cooperative Employers' Association– The Commercial Employees' Union
Municipal-related companies	Approx. 30,000	KFS-Companies' Employment Security Fund 1994	Employment Security Agreement 1994	Organisation for Local Enterprises – Municipal Workers' Union, Union of Commercial Employees, Union for Service and Communications Employees, Association of Health Professionals, Teachers' Union, Union of Local Government Officers, Association of Graduated Engineers, Association of Managerial and Professional Staff .

Table 12.1 cont				
Sector	**No. of employees**	**Collective agreement foundations**	**Collective agreements (latest edition)**	**Parties**
The Church	Approx. 7,500	Employment Security Fund for Parishes and Church Communities 2005	Agreement on Outplacement 2005	Association of Parishes in the Church of Sweden – Municipal Workers' Union, Union of Local Government Officers, Teachers' Union, Association of Graduates in Social Science, Personnel and Public Administration, Economics and Social Work, Association of Church Employees
Blue collar and non-government organisations	Approx. 2,000	Four small funds for union officials and administrative officials founded in the 1980s and 1990s.	1. Agreement on Employment Security ABFF-Handels 2. Agreement on Employment Security AFO-Handels 3. Employment Security Fund of Metal Union officials 4. Employment Security Fund of the Commercial Employees' Union Officials	Parts of the blue collar and non-government organisations– The Commercial Employees' Union

between 1990 and 1999. Productivity in the manufacturing industry has substantially increased. Most of the 500,000 jobs that disappeared during the crisis in the beginning of the 1990s were from traditional industry. In the middle of the 1990s, this was compounded by job losses in the public sector (see, among others, Storrie 2001, p. 3, based on LFS, Calmfors et al. 2002, Johansson 2002).

The conclusion that can be drawn from the dismal development of the 1990s is that several groups have been excluded from the labour market over a great many years and that the labour market is increasingly segmented. Gender segregation is comprehensive. The number of people on sick leave, in particular long-term sick leave, is rapidly increasing, as is early retirement, representing another fast-growing group that has ended up outside the workforce (Nyman et. al 2002). At the same time, discussions are ongoing concerning how the population structure will affect future workforce supply. An increasing workforce shortage exists in certain sectors at the same time that an increasing number of people are excluded from the workforce.[9]

Another change discussed in the Swedish labour market is the rapid increase in the proportion of temporary employment. Naturally, the reasons are complicated. Researchers have emphasised two different interpretations. The changes in the 1990s were either caused by the changes to the labour market structure or by the state of the market (le Grand et al. 2001, p. 86 ff present research concerning changed contracts). Public sector cutbacks in the 1990s are among the factors related to the state of the market that added to the increase in temporary employment.

The conclusion is that several serious effects arose as a result of the labour market situation in the 1990s. One is that the regional imbalance has increased despite an increase in job openings over the past five years. Another is that segregation in the labour market has increased. Even though unemployment has decreased in many places across the country since the middle of the 1990s, it appears that the areas that experienced high levels of unemployment ten years ago remained saddled with the problem into the beginning of the 2000s (Edling 2001, p.

24). The transformation, then, is characterised both by the profound crisis from the 1990s and by the structural transformation of the economy that is often called the third industrial revolution (Magnusson 2002).

We have outlined how ongoing economic integration and new conditions and production methods have transformed the labour market on the whole, as well as the various labour markets in the country. We have also illuminated developments in the Swedish labour market and the tendency for economic growth without the number of jobs increasing. The changes, which are both structural and market-related, have led to new prerequisites for job transition processes. When private Job Centres were permitted, a fast growing market for companies in the job transition or outplacement sector was created (see SOU 2002:59 for background information concerning previous job transition agreements). The new companies have acquired major growth opportunities – and new challenges. Some developmental traits will now be outlined.

Job transition agreements and the job transition market

In light of residual unemployment and the reforms that AMS has implemented, especially what is known as the 100-day rule (i.e. the unemployed person does not receive any professional assistance in job seeking activities for the first 100 days of unemployment), there is reason to briefly recount the discussion concerning labour market policy and the response from the labour market parties. Since the abolition of the staffing and Job Centre monopoly in 1993, government activities have been increasingly called into question. In addition to staffing companies and outplacement consultants establishing themselves on the Swedish labour market, labour market parties have become active.

Job transition agreements, i.e. agreements between labour market parties on active measures and financial support for job transition, have for several decades primarily concerned salaried employees in the private and public sectors and employees in co-operative sector. For a long period of time, and for various reasons, job transition agreements of any kind have not been pertinent to the LO (i.e. blue-collar workers) collective. As a fundamental part of labour market policy according to the Swedish model, AMS has been tasked with ensuring that the transition from low to high level productivity sectors is implemented smoothly.

One great change introduced recently is the agreement on fee-based job transition insurance between LO and the Confederation of Swedish Enterprise that took effect on 1 September 2004, i.e. what is known as the job transition agreement. Job transition agreements, previously known as job security agreements, have existed between PTK (the Council for Negotiation and Co-operation for white-collar workers) and the Confederation of Swedish Enterprise since the 1970s. Corresponding solutions have existed for government employees (The Job Security Foundation) since 1990, as well as for many other groups in the labour market (see Table 12.1). Municipal and county council employees, however, do not yet have a corresponding structure.

Close to half of the Swedish workforce is currently affected (46 per cent, just over two million employees out of approximately 4.45 million) by the parties' own "extra Job Centres". These are run as collective agreement foundations jointly created by each employer association and its counterpart, the union, and have the collective agreement as their basis. The foundations are designated as job security funds, job security councils and job security foundations. The agreements are called job transition or job security agreements. There are currently ten such foundations for various sectors of the labour market (see Table 12.1).

Job transition agreements involve the employer paying (insurance) premiums of 0.3 per cent of total wages to a fund that an employee who has been given notice is able to utilise in order to facilitate adaptation to new employment. The agreements also comprise people who are "involuntarily" given notice as a result of redundancy. The government agreement may also involve relocation and voluntary mobility.

The government Job Centres should in principle be able to handle this, but parties are choosing more often to organise, finance and realise job transition themselves (new job transition agreements can be

expected for the municipal and county council sectors). In the most recent agreement, parties are collaborating with private consultancy companies in the "job transition market". This is a large institutional change for LO workers that were previously only able to turn to the support and help offered by government Job Centres.

Job transition agreements – current trends

In agreements that have been renegotiated or that are relatively new, an increasing number of parties are moving away from the concept of job security agreements in favour of job transition agreements. At the same time, there has been a change in the formulation of agreements and fund activities that reflect the switch. In the past ten years, agreements have begun to take as their starting point the situation of the workplace, company and operations in economic terms rather than the security of the employee. Many agreements open with preambles referring to stiff competition, the need for rationalisation, restructuring, operation reductions and economic conditions.

The working methods of funds and organisations have also developed. Certain funds have left preventative measures at the workplace and economic support to the employer, while others have developed these types of strategies. Some funds have their own organisation with advisors or consultants – from tens to hundreds – while others entirely or partly engage consultancy companies to act in the job transition market that has emerged in Sweden since deregulation of the labour and staffing agency monopoly in 1993 (Bäckström 2005). TSL (Trygghetsfonden Svenskt Näringsliv–LO) relies entirely upon the market in terms of who is to perform job transition work at the workplace. Local parties may choose any job transition consultant they wish, or any of the general agreement suppliers such as Adecco, Arbetslivstjänster, Antenn, AS/3, Aventus, Eductus, Lernia, Manpower/Right, Poolia, Samhall Resurs, TRR Outplacement or Industripoolen, Resurstorget LO unions and Proteko.

The job transition industry is expanding, and different players have different backgrounds. Some are large international groups, others are Swedish companies. Some are government owned while others have connections to the parties involved. One of the funds (Trygghetsrådet TRR–Svenskt Näringsliv och PTK) has initiated a limited liability company, TRR Outplacement, that provides job transition support to groups in the labour market outside the fund's agreement area. AMS also has a subsidiary, Arbetslivstjänster, that acts in the market.[10]

Job security fund activities can be divided into passive and active support. Passive economic support primarily supplements unemployment compensation from unemployment benefit funds. Severance compensation (AGE) for different groups varies, but in many cases amounts to compensation up to 70–80 percent of previous income (besides the unemployment benefit fund ceiling). LO members are an exception in that they receive a lump sum, a severance payment (AGB) of between SEK 25,000–36,000. Length of payment also varies, but is most often the same as the corresponding period for compensation from unemployment benefit funds. There is also the possibility of receiving extended severance compensation under certain circumstances. There is also an age requirement (40 years old) for some, but not all, funds, and this requirement appears to be disappearing. The person who receives notice must also have been employed a certain amount of time, most often one to three years, at a certain company or in a certain industry or sector.

In addition to severance payment and severance compensation, the various funds also offer different types of economic grants such as wage supplements for a certain amount of time (if the unemployed person obtains a new job with a lower wage), compensation for retirement pension premium payments, introduction support for new employers, grants to severance pensions, grants for travel, rent, training and starting one's own business, right to time off during the period of notice, extended period of notice and post-employment cover. Not everyone offers everything. Rather, there are different combinations of economic grants as well as differences in the period for which they are paid.

Active support (job transition support) also varies a great deal. The funds have different programmes and tools to help people who have been given notice to find new jobs. These include personal, indi-

vidual guidance and what is called coaching, various training efforts, contacting potential employers, access to staffing companies' temp organisation, valuation of business ideas, project organisation and programmes at workplaces. In some instances, preventive measures against possible operation reductions are also offered. In addition to helping individuals, some funds also offer support and assistance to union organisations and to HR and settlement activity managers.

The previous limited connection to involuntary notice due to redundancy has also been abandoned by several funds. A fully acceptable reason for receiving support from a fund can now be that an individual has given notice him/herself on the employer's initiative, even if the reason is redundancy. The same goes for the condition that the individual must be permanently employed in order to receive job transition support – even that condition has been relaxed. These types of changes can be seen in light of a labour market where non-typical employment is more common, and where it is increasingly less dramatic for a person to change workplaces several times during a career.[11]

In agreements that concern the private sector (the TRR and TSL funds), focus is more on order of selection issues and the company's competitiveness and profitability. The possibility of locally agreeing upon what is known as a collectively agreed redundancy list, as opposed to a legislated order of selection list, is clear. The agreement between the Confederation of Swedish Enterprise and LO goes furthest on this issue; under their agreement, a person who is given notice and who claims damages or asks for the notice to be declared invalid loses the right to receive job transition support. There are no formulations of this kind in the government sphere.

The quickness of job security foundations is also worth noting. While Job Centres do not generally initiate support for the person who has been given notice until after 100 days of unemployment, the funds have a completely different strategy. Various concepts such as "early start" are offered by several funds, which can reach the workplace before MBL (the Employment (Co-determination in the Workplace) Act) negotiations are begun and notices are given in order to sound out if there are employees who are ready to make a career change and switch workplaces. With assistance and support from the funds, it is possible to work preventively even earlier than previously. This can pertain to planning related to operations and individuals in order to avoid notices in the future (which TRS, for example, implements).

Both passive (economic compensation) and active support are limited in time. An exception, however, is that the government Job Security Foundation in principle lacks limitations in terms of how long the person who has been given notice is allowed to participate in active measures. Another extreme is TSL, where job transition support is in practice implemented by consultancy companies that offer programmes with an income ceiling of SEK 19,000 per individual, and programme periods of a few months. There are different variations that fall between these two poles. Supporters of longer programmes emphasise that time is often needed to achieve stable solutions for the person who was given notice. Supporters of the shorter and more intense programmes believe that job transition processes provide better results if the individual quickly and flexibly can be guided into new employment, and that s/he is better off receiving a new job than being drawn into long programmes. What the right intensity is for job transition programmes is, thus, a disputed issue (SOU 2002:59).

In conclusion, job transition agreements and job transition funds emerged in the 1970s, and have grown in both number and scope since then. Collaboration with other players, such as job transition or outplacement consultants and to a certain extent Job Centres and Social Insurance Offices, has developed over time. We see the creation of a fairly coherent job transition market. The various agreements and funds, however, offer varying service and economic compensation, and a large group in the labour market – municipal and county council employees – are excluded from job transition agreements. People outside the labour market are not affected by the agreements either.

There are great challenges and opportunities for the people who have overall responsibility for Swedish labour market policy. The essential need, however, is to take advantage of all the learning that has

been obtained from working methods, models, organisational structures, administration, funding as well as utilising all the players that are active in the job transition industry.

Conclusions

There is a great deal of activity, as our overview of some of the job security funds and the collective job transition agreements characteristics has now shown. Characteristic of agreement and fund activities is the view they have of the workforce and labour market. These players offer an undramatic view of what career development entails. A person who has been given notice does not stand alone with little economic protection. On the contrary, parties offer a copious and fast-acting arsenal of measures when someone has been given notice due to redundancy.

The addition of new players, such as outplacement companies and the development of a market for job transition companies, provides a source of exciting development in relation to traditional labour market policy, in particular upholding and upgrading labour and competence-building measures. A new characteristic of development is the previously mentioned collaboration between staffing companies and AMS that was proposed in the Budget Bill in autumn, 2005. Issues that concern types of funding and organisation for working life job transition will in all certainty be a subject for discussion in the future.

With a job transition sector that consists of job transition consultants (market solutions), party agreements and funds (agreement solutions), government authorities (political solutions) and workplace job transition organisations (in-house solutions), it is important to refine modern labour market policy. Preferably, this refinement should contain more active job transition measures than passive economic support.

Our claim is that the addition of the new job transition agreement between LO and the Confederation of Swedish Enterprise may entail a change to Swedish labour market policy. By agreement, a significantly larger group of wage earners may take part in variations of job transition solutions. This also mirrors large differences in the way unemployment is viewed and when it is timeliest to initiate active efforts. As AMS has moved towards various Internet-based services for job seekers with the introduction of the 100-day rule, people who are comprised by the new agreement have access to services that emphasise a significantly earlier start for personal and individualised services.

Naturally, this raises questions regarding the formulation of government labour market policy in relation to the various collective agreement solutions that comprise a large proportion of the employed population. Are the new collective agreements a complement to or a competitor of traditional efforts? One aspect of the issue, of course, is the role of collective agreements and central parties in the Swedish model. With the new agreement between LO and the Confederation of Swedish Enterprise, a partially overlooked change has taken place in party relationships in a central area that was previously considered a government undertaking.

This also raises questions regarding individuals who are excluded from negotiated insurance rights and labour market policy, for example municipal and county council employees and young people in the market. How should a comprehensive government labour market policy counteract continued exclusion and increasing differences between individuals in the labour market? This will become one of the decisive issues for improving labour market efficiency and augmenting mobility.

Another important question that has yet to be answered is how efficient various agreement solutions and packages offered for mobility in the Swedish labour market are. There are still no comprehensive, evidence-based studies of the new services. Without this type of research, there is a serious risk of the new job transition industry using methods that may even have negative effects on matching efficiency. Without this basic knowledge, service companies risk losing their power of innovation. Evidence-based studies would also naturally be of use to government Job Centres. Government companies should also be compared to private companies and discussed more systematically in relationship to the overall goals of labour market policy. Researchers from the National

Institute for Working Life and labour market researchers at IFAU and universities can also contribute to the advancement of knowledge regarding important changes in Swedish labour market policy.

Notes

1. Monthly statistics from AMS and the Social Insurance Office for July and August, 2005.
2. Committee terms of reference, "Översyn av socialförsäkringarna" DIR 2004:129, p. 6 (Ministry of Health and Social Affairs, 2004).
3. Certain measures have existed since the 1970s.
4. In 2004, AMS utilised approximately SEK 60 billion, of which approximately 35 billion went to the government's share of the unemployment benefit fund and approximately 20 billion to labour market programmes. Discussion is ongoing in the job transition industry as to how these funds can best be utilised, and what their alternative uses might be.
5. In 2003, previous forms of compensation, i.e. temporary disability pension and early retirement pension, received new names and partially new rules. Early retirement pension became sickness compensation (obtainable between 30–64 years of age) and temporary disability pension became temporary sickness compensation. A new type of compensation was incapacity compensation (obtainable between the ages of 19–29). This compensation corresponds to the previous temporary disability pension or early retirement pension.
6. See SNS Välfärdsråds rapport (Larsson et al. 2005) for a discussion of social insurance.
7. See Olofsson (2005) for a developed discussion concerning increased risk for insider-outsider problems in the Swedish labour market.
8. Research is currently going on at IFAU, Stockholm University and at the National Institute for Working Life, where a great deal of interest is being devoted to issues concerning the efficiency of various measures offered through job transition agreements. To our knowledge there are currently no systematic studies concerning the Swedish labour market. See Martinson (2005), whose charting includes some of the agreements and Bäckström (2005), for example.
9. For a statistical overview of labour market developments since 1975, see http://www.scb.se/statistik/am0401/GUL2001.pdf, Statistiska centralbyrån (Statistics Sweden) (2002), labour market and training statistics department, memo "Sysselsättning och arbetslöshet 1975–2001" (2002-05-02).
10. The2005 Budget Bill includes a proposal for Arbetslivstjänster and Samhall Resurs to be merged. The merger is intended to take effect on 1 January 2006. The new company will be government owned.
11. The Swedish debate on whether there has been a change in the Swedish labour market towards more non-typical forms of employment or not has been elucidated by Magnusson and Ottosson (2003). There are clear differences of opinion between, for example, le Grand and Olofsson on one hand and Ottosson, Holmlund and Storrie on the other. In our assessment, however, several researchers appear to share the common view that differences in the Swedish labour market are increasing.

References

Bäckström H (2005) "Omställningsbranschen och omställningsavtalet Svenskt Näringsliv–LO" Arbetslivsrapport 2005:1, The National Institute for Working Life, Stockholm.

Calmfors L, Forslund A & Hemström M (2002) *Vad vet vi om den svenska arbetsmarknadspolitikens sysselsättningseffekter?* Rapport 8, The Institute for Labour Market Policy Evaluation, Uppsala.

Edling J (2001) *Alla behövs! Blott arbetsmarknadspolitik skapar inga nya jobb.* LO, Stockholm.

Social Insurance Office (2005a) Monthly statistics for July 2005. Social Insurance Office, Stockholm.

Social Insurance Office (2005b) *Sjukskriven i onödan?* Försäkringskassan analyserar 2005:5. Social Insurance Office, Stockholm.

IAF (2005) The Swedish Unemployment Insurance Board, www.iaf.se (051007).

Johansson A L (2002) "Perspektiv på arbetsmarknadspolitiken" in Isacson M & Morell M (eds.) *Industrialismens tid. Ekonomisk-historiska perspektiv på svensk industriell omvandling under 200 år.* SNS förlag, Stockholm.

Larsson L, Kruse A, Palme M & Persson M (2005) *En hållbar sjukpenningförsäkring.* SNS förlag, Stockholm.

le Grand C, Szulkin R & Tåhlin M (2001) "Har jobben blivit bättre? En analys av arbetsinnehållet under tre decennier" in Fritzell J, Gähler M & Lundberg O (eds.) *Välfärd och arbete i arbetslöshetens årtionde.* SOU 2001:53, Kommitténs välfärdsbokslut, Fritzes, Stockholm.

Magnusson L (2002) *Sveriges ekonomiska historia*. Prisma, Stockholm.

Magnusson L & Ottosson J (2003) "Den tredje industriella revolutionen och 'den nya ekonomin' – mellan sken och verklighet" pp. 57–76 in von Otter C (ed.) *Ute och inne i svenskt arbetsliv. Forskare analyserar och spekulerar om trender i framtidens arbete*. Arbetsliv i omvandling 2003:8, The National Institute for Working Life, Stockholm.

Martinson S (2005) *Omställningsavtalen: Mellan vilka, för vilka och på vilket sätt?* Rapport 2005:15, The Institute for Labour Market Policy Evaluation, Uppsala.

Nyman K, Palmer E & Bergendorff S (2002) *Den svenska sjukan*. ESO report, Ds 2002:49, Fritzes, Stockholm.

Olofsson J (2005) *Svensk yrkesutbildning: Vägval i internationell belysning*. SNS förlag, Stockholm.

SCB (2002) www.scb.se/statistik/am0401/GUL2001.pdf, Department for Labour Market and Training Statistics, memo "Sysselsättning och arbetslöshet 1975–2001" (020502).

Ministry of Social Health and Affairs (2004) Committee directive 2004:129 "Översyn av socialförsäkringarna" Ministry of Health and Social Affairs, Stockholm.

Socialförsäkringsutredningen (2005) *Vad är arbetslinjen?* Ministry of Health and Social Affairs, Stockholm.

SOU 2002:59, *Omställningsavtal – ett aktivare stöd till uppsagda*. Fritzes, Stockholm.

Storrie D (2001) "Service Employment, Productivity and Growth" in Anxo D & Storrie D (eds) *The Job Creation Potential of the Service Sector in Europe*. European Commission, Employment Observatory Research Network, Luxemburg.

CHAPTER 13

Wage structure, negotiation models and employment

Andreas Westermark

The extent to which wage negotiations are centralised, the asymmetries between employed and unemployed, payroll taxes and unemployment compensation – these are all things that can impact upon how wages are set, how the labour market functions and who and how many receive jobs.

The extent to which wage negotiations are centralised seems to be significant for unemployment and employment, writes Andreas Westermark. If more areas had agreements that resembled industry structures, the labour market could be positively affected.

The compensation system also seems to be significant. Theoretical results show that the level of compensation should be reduced the longer a person is unemployed. Another conceivable measure is a change in unemployment insurance funding. It should be possible to change government funding so that a lump sum is paid to unemployment benefit funds combined with a lower grant per unemployed person. This would cause employees to be more restrained in negotiations than they otherwise would have been. The overall level of compensation can also be adjusted downwards, writes Westermark, but this might result in undesired distributional consequences.

What is important for wage formation? Wages are often determined through negotiations between companies and unions in Sweden. The results are influenced by several factors. For example, the relative bargaining power of companies and unions affects wage negotiations, which then impacts on employment, unemployment and labour supply.

The effects on wage formation of changes in the degree of centralization in negotiations will be treated, as will the effects of the degree of asymmetry between employed and unemployed, payroll taxes and unemployment compensation. First we will look at how negotiations between companies and unions work.

Negotiations between companies and unions

Wages in a Swedish company are often determined through negotiation between the company and the union that represents some of the company's employees. Let us take one example. Say for the sake of simplicity that there is a company where employees are represented by a single union. The wage upon which the company and union agree is determined by the relative bargaining power between them and by the consequences that a change in wage will have on the company and union. The wage level thus falls somewhere between the wage preferred by the company and the one preferred by the union. Consider

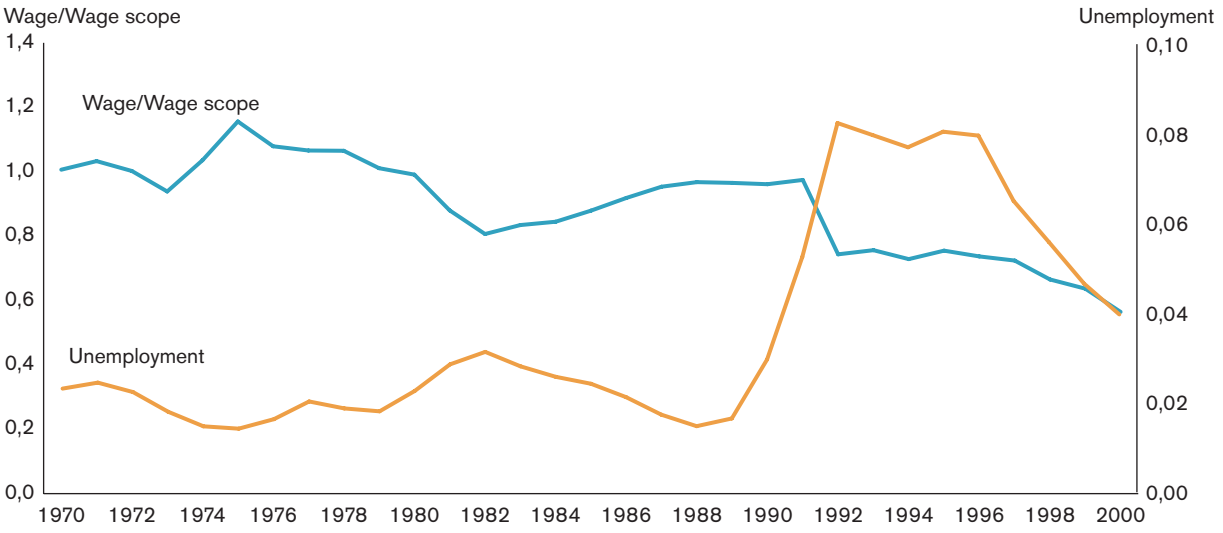

Figure 13.1. Wage/Wage scope and unemployment 1970–2001.

first the wage that the company would set if it had all the power when negotiating. If the company were to determine wages on its own, they would be set so that profits are maximized. This does not mean, of course, that the wage would be zero – then it is very unlikely that anyone would want to work for the company. So the company sets a wage that allows profits to be at a maximum, but takes consideration of labour supply. On the other hand, if the union were to determine wage level on its own, it would set it to benefit the interest of its members. Of course they care about wages, but also about the risk of becoming unemployed. If wages are too high, many workers will lose their jobs, which is hardly the best alternative from the perspective of members. Unions are thus faced with a trade off between wages and unemployment.

When negotiating, the two parties can threaten each other with not being able to reach an agreement. The consequences of not being able to reach an agreement then affect negotiations. For the company, not reaching an agreement could lead to conflict and, thus, to a decline in production. For workers, it is a matter of what their options are. In the simplest models, the available alternative is to leave the firm and become unemployed. Unemployment compensation is then important for wage formation. The assumption that employees will threaten to leave the company to become unemployed is not so realistic, however. It is more reasonable to believe that they will look for a job at other companies. However, this does not exclude the significance of unemployment compensation. If a worker wants to change jobs, the worker competes with the unemployed, whose job search behaviour is affected by the level of unemployment compensation. Some empirical evidence supports this idea (Carling et al. 2001).

The surplus upon which the parties negotiate naturally affects the outcome. The larger the surplus is, the higher the salary. Payroll taxes can affect wage negotiations, since reduced tax means that the company and union have more on which to negotiate. Goods market competition also steers surplus – less competition means higher prices and hence higher profits and more surplus to share. An increase in productivity also of course increases surplus.

Figure13.1 illustrates the relationship between wage divided by the "scope" for wage increases (which is closely related to the surplus) and unemployment in Sweden between 1970 and 2000. With wages is meant the hourly wage in manufacturing,

and the scope for wage increases is the product price in SEK multiplied by hourly worker productivity. As the figure indicates, there is a fairly clear connection between unemployment and whether the wage increases more than the scope. When unemployment is low, salaries increase more quickly than scope, and vice versa. During the 1970s and 1980s, wages increased much faster than scope during certain periods. This resulted in cost-related problems for industry. The problem was solved by a series of devaluations. When the devaluation policy ended, unemployment increased substantially at the beginning of the 1990s. In the second half of the 1990s up to now, wage formation has been more stable.

Centralisation, negotiations and wages

In this section, the effect of changes of the degree of centralisation in negotiations on labour supply, mobility and employment is analyzed. Theoretical results will be described first, then empirical studies of theory and finally development in Sweden from 1970 until today.

Theory

The degree of centralisation in wage negotiations has two different consequences for salaries: effects on the average wage and on the wage distribution. Both of these effects could be significant for employment and unemployment.

Based on a theoretical perspective, the degree of centralisation has an uncertain effect on average level of wages. Theoretical results have shown that if a country begins with decentralised negotiations on company level that develop into completely centralised negotiations, average wages first increase and then fall (Calmfors & Driffill 1988). This is based upon two counteractive effects.

The first effect, mentioned by Olson (1965), for example, is based upon the fact that competition for jobs between unions diminish when they bargain jointly. If one imagines two automobile factories with separate negotiating unions, a wage increase at one of the factories will lead to increased costs. Increased costs entail increased prices, which results in a worsened competitive situation compared to the other factory. This results in lower production and, thus, a lower level of employment. The union is forced to pay a high price in lost jobs for the wage increase. However, if the unions negotiate jointly, the negotiated wage increase will affect both factories. Costs rise for both of them, and neither of the factories loses in terms of competitiveness. Reduction in production at the first factory is less, since it is also more expensive to produce at the second factory. Centralisation can be seen as a means for workers at different companies to eliminate internal competition for jobs.

Thus, wage increases leads to a larger increase in unemployment when negotiations are decentralised than when they are centralised. This means that centralisation causes wages to be increase more, since the cost of a wage increase is smaller. How much depends, of course, on how great competition is between companies. The more competition, the greater the effect. The effect is naturally large when unions in similar industries begin negotiating together. The effect will likely be small however, when unions which are relatively different starts to negotiate together, such as construction workers and metal workers, since they do not compete for the same jobs. It is reasonable to believe that unions will begin cooperating more quickly if gains are large. The first step is to form unions in industries and the second step to form cross-industry organisations. When the degree of centralisation is low, there are only unions on company level. A medium degree of centralisation entails unions on industry level and a high degree of centralisation entails cross-industry organisations. The impact on wages is then the greatest for increased centralisation when negotiations go from company level to industry level, compared to when industry-level negotiations move to an even higher level of centralisation, since the competition effect is smaller in the latter case.

The second effect is based upon that a higher nominal wage leading to higher prices and, thus, lower real wages. Negotiations on company level hardly affect general price levels. For that reason, unions do not take price level effects into consideration. The more centralised negotiations become, the more prices increase due to a higher nominal wage since more workers are comprised by the agreement,

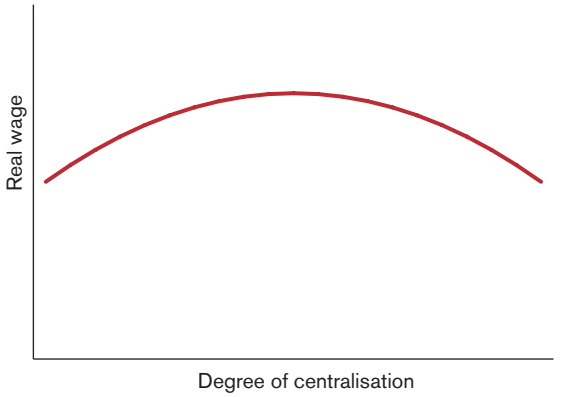

Figure 13.2. Connection between real wage and degree of centralisation.

which leads to lower real wage increases. The costs for wage increases via indirect effects on price level are thus larger the higher the degree of centralisation. The union takes this into consideration when setting wages, which results in a centralised union demanding more moderate wage increases.

If the two effects are combined, the result is that wages first increase with the degree of centralisation to then decrease. The competition effect dominates first and then the price effect. This is illustrated in Figure 13.2.

Other mechanisms also influence the effects of centralisation. An industry that is exposed to international competition will be affected by larger costs for a given wage increase than an industry that is not exposed to competition since jobs will be lost to foreign firms. This leads to moderation in salaries in competitive industries. Centralisation in a country cannot eliminate competition with foreign workers.

An additional reason for why unions exercise caution when negotiating centrally is due to another channel than international competition and the general price level – the public finances (Calmfors & Driffill 1988). An effect of increased wages is, of course, increased unemployment, which results in increased costs for the public treasury. In local, decentralised negotiations, costs for increased unemployment caused by increased wages are low for members of the union. A wage increase at an individual company leads to a very small increase in unemployment and, thus, affects government expenses only marginally. In addition, increased expenses are distributed over all taxpayers, which mean that the portion that is paid by employees at the company where wages were raised is barely noticeable. When negotiating centrally, however, the effects are dramatically different. A wage increase increases wages in an entire economy, which results in layoffs at all companies. The effects on public finances are, thus, great. Even if the increase in expenses is distributed over all taxpayers, it is not negligible, and it affects union members. Since the costs for a wage increase are larger on a central level, the resulting wage is lower.

In terms of wage distribution, it is reasonable to believe that unions lead to a less dispersed wage distribution (Rowthorn 1992). One reason is that unions want to avoid workers underbidding each other, and therefore tries to set wage floors to avoid this. This can have several counteractive effects on the economy. On one hand, some jobs where productivity is low will disappear so that jobs that according to efficiency should be performed will disappear. On the other hand, consequences for high productive companies could be that salaries are lower than they otherwise would be which leads to more investment and increased productivity. The impact on the economy as a whole is not obvious.

Empirical evidence

In order to receive a clearer view of the actual situation, it is important to consider empirical studies. Table 13.1 illustrates membership, degree of centralisation, coordination and unemployment for a number of industrial countries. Level of negotiation and degree of coordination are an index that varies between 1 and 3 where 1 (3) represents least (most) centralised, and least (most) coordinated negotiations.

Variation is great between countries. Membership varies between 10 and 90 per cent, where France and the US have the lowest membership numbers, and Finland and Sweden the highest. That the proportion of members does not necessarily reflect the strength of unions is evident from the fact that there can be great differences in number of members and

Table 13.1. Union membership, degree of centralisation, coordination and unemployment for a number of industrial countries.

	Proportion of workforce that is a union member	Proportion of the workforce that is covered by union contracts	Negotiation level (1–3)	Coordination (1–3)	Unemployment
Belgium	54	90	2+	2	9.7
Denmark	76	69	2	2+	9.9
Finland	81	95	2+	2+	9.1
France	9	95	2	2	10.4
Italy	39	82	2	2.5	7.6
Japan	24	21	1	3	2.6
The Netherlands	26	81	2	2	8.4
Norway	58	74	2+	2.5	4.2
United Kingdom	34	47	1.5	1	9.7
Sweden	91	89	2	2	4.3
Germany	29	92	2	3	6.2
US	16	18	1	1	6.5
Austria	35	98	2+	3	3.8

Source: Flanagan (1999) and Nickell and Layard (1999) for unemployment (1983–1996).

the proportion of the workforce that is covered by union contracts. This is particularly clear in certain European countries, for example France, where the proportion of union members is only 9 per cent, while the proportion of the workforce that is covered by union contracts is all of 90 per cent – higher than in Sweden. Negotiations are most decentralised in the UK, Japan and the US, and most centralised in Belgium, Finland, Norway and Austria. There is a certain difference in coordination in that Japan has very coordinated negotiations at the same time that negotiations are decentralised. Other countries where the level of coordination is high are Germany and Austria, while the UK and the US have a fairly low level of coordination. Japan, Norway and Sweden have the lowest levels of unemployment, while countries in continental Western Europe have the highest levels.

Rowthorn (1992) has analysed the effects on employment and unemployment. He finds that the empirical connection corresponds to theory: The effect of an increase in degree of centralisation from the most decentralised level to the degree that leads to the worst outcome in terms of unemployment, is that unemployment increases by two percentage points. If the degree of centralisation is increased from this level to the highest one, unemployment decreases by six percentage points. In terms of centralisation effects, results are sensitive to the classification of countries. It is not clear how some countries should be classified. Soskice (1990) believes that Japan and Switzerland should be considered as countries having centralised negotiations. This type of change makes the relationship negative.

Nickell and Layard (1999) have also analysed the effects of centralisation. When considering the effects on unemployment, their findings correspond to Soskice's hypothesis in that they find coordination of negotiations to be significant rather than centralisation in itself. They find that increased coordination leads to lower unemployment. The effects of increased coordination[1] from low to high are that unemployment decreases by 1.7 percentage points. They also find effects to be greater on long-term unemployment than on short-term. This is reasonable since if the average wage level increases, long-

term unemployment also increase. It is less clear that matching is affected, which is significant for short-term unemployment. Effects related to coordination are great. It is reasonable to believe that without co-ordination, unions would result in increased unemployment since the whole point of unions is to be the stronger party in dealing with companies, which reasonably means higher salaries and, thus, higher unemployment. The empirical results from Nickell and Layard, however, suggest that coordinated negotiations may be able to counteract the increase in unemployment that results from an increase in the degree of organisation.

Rowthorn has also analysed the effects of centralisation on the wage distribution, and also the impact on employment and unemployment. Increased centralisation leads to a more compressed wage distribution. However, he sees no effects from changed wage distribution on employment. There are, though, certain effects on unemployment. If wage dispersion is increased from the lowest empirically observed level to the average, unemployment will be reduced by 1.8 percentage points.

Development in Sweden 1970–2005

What is Sweden's position in relation to the theories above?[2] At the beginning of the period, up to about 1975, negotiations were relatively centralised. The centralised negotiation model that worked well before 1970 was questioned in the 1970s. Central agreements gradually became increasingly more detailed, which left little room for local considerations when setting salaries. That a long period of strong economic growth came to an end in the beginning of the 1970's may have lead to many beginning to question the negotiation model. In addition, the greater proportion of white-collar workers reduced LO's size in the labour market. The policy of levelling out wages that LO pursued may also have lead companies to believe that a change in negotiation form could counteract continued levelling out. Differences in wages were cut in half in LO–SAF's agreement areas in the period between 1960–1975. Certain unions that lost out due to levelling out of salaries were also not entirely positive in their view of central agreements.

Central negotiations ceased in the beginning of the 1980's, and some unions negotiated on industry level. In 1983, the Metal Trades Employers' Association and Metall broke out of the central negotiations. Centralized negotiations were held only a few years more in the 1980's.

The first part of the 1990's is characterised by economic crisis and a substantial increase in unemployment, which resulted in lower wage increases. In the 1990s, the government appointed a negotiation group – "Stabilitetsaktionen" – to influence wage negotiations. The group submitted a proposal for a two-year agreement that later formed the basis for wage negotiations in 1991. In light of the initial crisis and growing unemployment, the proposal resulted in relatively small wage increases. This, however, was only a temporary return to centralisation. Negotiations were then held on industry level.

Concern that wage increases would be large lead to what was known as "Industriavtalet" – the industry agreement - which aimed to increase coordination of negotiations. This resulted in a committee and economic council being established. The committee was tasked with monitoring implementation of the agreement, while the council supplied the committee with an economic basis and provided recommendations as an input in the wage negotiations. A similar agreement was then also reached in the public sector. In 2002, over 50 per cent of the workforce was covered by similar agreements (Holmlund 2003).

It is important to note that central agreements do not mean that all salaries are determined centrally. Negotiations are held in Sweden on several different levels. For that reason, it can be misleading to consider only whether a central agreement has been reached or not. For example, central agreements at the beginning of the period were much more detailed than those that were met in the 1980s, and provided greater opportunities for local negotiations and wage drifts. Central agreements were replaced by sectoral/industry-wide agreements during the period, at the same time that the latter agreements allowed the local level greater scope.

According to Holmlund (2003), the decline of centralisation may have contributed to greater wage increases at the end of the 1980s, even if the effects

were probably small. One way to indirectly investigate if changes in the degree of centralisation have affected wage formation is to empirically analyse if there has been structural breaks or trends in wage formation during the period. The disadvantage of this method is that these breaks or trends may have been caused by other types of changes than degree of centralisation, such as amended legislation. According to Holmlund, wage formation has been stable in Sweden. Forslund, Gottfries and Westermark (2005) do not see any trends in the wage formation relationship either.

Asymmetry between employed and unemployed – "insider-outsider theory"

Asymmetry between employed and unemployed people is caused, among other things, by turnover costs for labour (Lindbeck 1991). It is expensive for a company to hire workers; costs include finding, assessing and training suitable personnel. It is also expensive for a company to dismiss personnel; costs may include severance pay and potential legal action in connection with dismissals.[3]

The existence of turnover costs affects employment and unemployment in several different ways. Since it is expensive to hire and fire personnel, turnover costs may conceivably affect long-term employment and unemployment levels.

Turnover costs for labour also affect the types of employment during a normal business cycle. Since it is expensive to hire and fire, companies do not dismiss many employees during a recession – it costs money to dismiss personnel and to employ new personnel to fill the dismissed person's place when the business cycle turns. For the same reason, companies hesitate to employ in times of prosperity. The consequence is that employment and unemployment adjust slower when turnover costs are high rather than when they are low.

When a recession is lengthy, the consequences can be different. If companies are doubtful that the coming business cycle upturn will be stable, and if turnover costs are high, they will hesitate to employ new workers. This means that unemployment can remain at a high level for an extended period of time. According to the models, however, the increase in unemployment will not be permanent.

Empirical studies do not indicate clear results for how turnover costs affect unemployment (see, for example, Bertola & Rogerson 1997, Blanchard & Portugal 2001, Nickell 1997 and Scarpetta 1996). Dismissal costs appear to affect employment and also extend the period that people are unemployed.

Theoretically, insiders – people who have jobs and are members of the union – benefit from the cost involved in employing new personnel. Insiders faces a smaller risk of being unemployed and are able to increase their wages on the way out of a recession when demand increases, since the costs for companies to employ results in less competition from unemployed people than it would have done without turnover costs. The effect is that wage level is dependent upon previous employment, which results in persistence. Empirical studies, however, appear to discard this idea (Cahuc & Zylberberg 2004, Holmlund & Zetterberg 1991, Lever 1995).

Taxes, wages, benefit levels and unemployment

Theory

There are several theoretical explanations for why the benefit level affects salaries. Some models assume that when bargaining, workers will threaten to leave the firm and then become unemployed. This assumption is perhaps not realistic. It is more reasonable that workers will look for employment at another company if they are dissatisfied with the wages at their own place of employment. Compensation level impacts on negotiation outcomes in this case as well. If a worker wants to change jobs, the worker will compete with unemployed, and whose job search behaviour is affected by the level of compensation. The effects of changes in the benefit level are not trivial. If there is an upper limit for the length of compensation, recently unemployed workers will search less for jobs when the level of compensation is increased, since higher compensation makes being unemployed more attractive. At the same time, unemployed people who are not entitled to compensation search more intensively since they will be able

to qualify for a more generous compensation system if they receive a job. This is also the dominant effect for workers whose unemployment benefit is close to expiring, since the value for an individual who only has a few days left to expiration is not particularly affected by higher compensation those few days (see Holmlund 1998).

The theoretical analysis of the effect of taxes on salaries and unemployment is ambiguous (Holmlund & Kolm 1995). There are two types of payroll taxes: normal income tax and social security contributions. It normally doesn't matter if it is income tax or social security contributions that are added to wages, the impact on unemployment, for example, remains the same (short-term, however, it may matter). It is the total *tax wedge* that matters. In the event of a proportional (average) reduction of the tax wedge at a certain wage level, wages after tax naturally increase. Wage negotiations are affected since the total surplus increases. The effect is that companies employ more people which results in lower unemployment. This analysis, however, does not take other effects of tax reductions into consideration. For example, it is reasonable to believe that the level of compensation will be affected in the same direction as the tax reduction – compensation after tax will increase. This means that wages will increase, and hence the direct positive effect is counteracted. Under certain theoretical conditions, it is possible to show that average taxes have no effect whatsoever.

An additional theoretical result worth noting is that wage formation is affected by how progressive the tax scale is. The reason is that an increase in progressiveness causes the value of a gross wage increase to be smaller for the union since members receive less after tax, while the cost to the company is unchanged since it pays the gross wage. Since the value of the wage increase decreases for the union and costs are unchanged for the company, the negotiated wage is lower.[4]

Empirical evidence

In several studies, unemployment compensation has been shown to impact on employment (Forslund 1992, Forslund et al. 2005). Forslund, Gottfries and Westermark (2005) indicate clear effects in Denmark, Finland, Norway and Sweden. An increase in compensation quota of ten per cent, from 80 to 88 per cent, for example, increases unemployment by just under one percentage point, given an initial level of five percent. Other studies indicate similar results (Blanchard & Wolfers 2000, Layard et al. 1991, Nickell 1997, Scarpetta 1996). The impact of a ten per cent increase of the compensation quota leads to an increase in unemployment of between one and two percentage points.

Empirical results show that taxes primarily impact on unemployment while wages on the whole are not affected, at least not long-term. Nickell and Layard (1999) find that the long run effect of taxes on wages is insignificant, but that short-term tax increases or reductions have impact. Taxes, however, appear to impact on unemployment. Results vary empirically. According to Scarpetta (1996), the effect of a tax reduction of five percentage points is not very large – unemployment decreases by just over a tenth (13 per cent). If unemployment is at five per cent, it will decrease to approximately 4.3 per cent. Other studies indicate that effects appear to differ substantially between countries. Effects are minor in Scandinavia, Canada, US, Japan and the UK, but major in continental Western Europe (Daveri & Tabellini 2000).

There is a certain amount of support for theoretical results on progressiveness (Hansen et al. 2000, Lockwood & Manning 1993, Padoa-Schioppa1990). Holmlund and Kolm (1995) analyse how progressiveness impacts on the salary structure in Sweden. They find that an increase in marginal tax of ten percentage points results in salaries decreasing by between 2.5 and 6 per cent. The effect on unemployment from this type of measure is between one-half and one percentage point.

Development in Sweden 1970–2005

In Sweden, an unemployed person receives a percentage of the previous income from unemployment insurance, subject to the constraint that the amount does not exceed a maximal benefit level. Because of the maximal benefit level, a significant proportion of workers never reach the statutory percentage of compensation. How the level of compensation should be measured thus does not have an unambig-

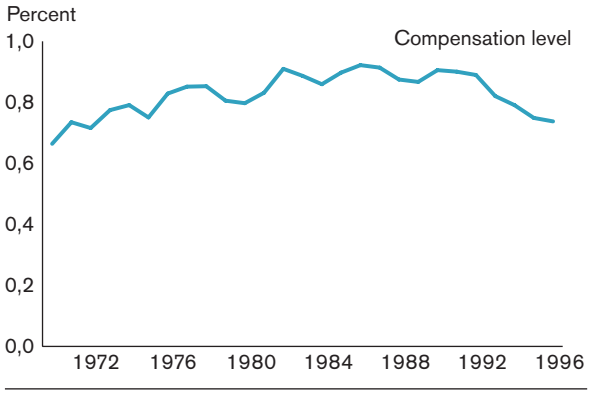

Figure 13.3. Compensation ceiling (maximum daily wages) as a proportion of average income after tax 1970 –1997.

uous answer. One may consider, for example, what the maximal benefit level is in relationship to average income. Figure 13.3 shows this.

The statutory percentage in unemployment insurance follows a similar pattern to that in figure 13.3. The statutory percentage of compensation was 91.7 per cent in 1980. It was changed to 90 per cent in 1988 and 80 per cent in 1993, where it has basically remained since.

Since the average tax wedge does not appear to be significant for unemployment in Sweden, it is not accounted for here. The tax scale's progressiveness has greater significance as mentioned above. Holmlund and Kolm studied progressiveness for three different years: 1975, 1982 and 1991. They find that it increased between 1975 and 1982 and decreased between 1982 and 1991, when the tax system changed several times to move towards decreased progressiveness. The tax reform in 1991 marked the end of this trend. Small changes have been implemented since 1991 – among other things, an increased progressiveness from about 50 to about 55 percent for the upper income groups. However, since this only affects a small proportion of the workforce, it has probably not affected unemployment to any great extent.

Proposal

The extent to which wage negotiations are coordinated and centralised appears to be significant in terms of unemployment and employment, even if empirical results seem contradictory. An increase in the number of areas with similar structures on industry level can affect the labour market favourably.

The compensation system also appears to be significant. A number of changes are conceivable that would provide better negotiation outcomes.

Theoretical results indicate that the level of compensation should decrease the longer a person is unemployed. This provides a stronger incentive to search for employment, which can impact on unemployment and employment favourably (Fredriksson & Holmlund 2004).

Another conceivable change is increased self-financing of unemployment benefit funds. They are currently primarily funded by tax funds. Costs for large wage increases that result in increased unemployment do not lead to higher fees in unemployment benefit funds. This causes employees to be less restrained in negotiations than they otherwise would have been. It should be possible to change government funding so that a lump sum is paid to unemployment benefit funds combined with a lower grant per unemployed person. Wage increases that are too large would, then, result in higher fees, which should restrain wage setting. Lump sums can be chosen large enough so that distribution consequences are small.

Compensation levels can also be adjusted downwards. However, this can result in undesired distributional consequences.

Notes

1. The degree of coordination was measured from both employee and employer perspectives, and was classed as either low, medium or high.
2. This section is primarily based on Lundh (2002) and Elvander and Holmlund (1997).
3. Another example of cost might be that existing employees behave in a manner that makes it less profitable to employ new personnel that offer to work for low wages, for example by not cooperating with new employees, which results in a reduction in their productivity.
4. Since the marginal income from a gross wage increase is reduced and marginal costs in terms of increased unemployment are unchanged, unions will choose lower wages and higher employment.

References

Bertola G & Rogerson R (1997) "Institutions and Labour Reallocation" *European Economic Review*, vol. 41, pp. 1,147–1,171.

Blanchard O & Portugal P (2001) "What Hides Behind an Unemployment Rate: Comparing Portuguese and US Labour Markets" *American Economic Review*, vol. 90, pp. 187–207.

Blanchard O & Wolfers J (2000) "The Role of Shocks and Institutions in the Rise of European Unemployment: The Aggregate Evidence" *Economic Journal*, vol. 110 suppl, pp. 1–33.

Cahuc P & Zylberberg A (2004) *Labour Economics*. MIT Press, Cambridge.

Calmfors L & Driffill J (1988) "Bargaining Structure, Corporatism and Macroeconomic Performance" *Economic Policy*, vol. 6, pp. 13–61.

Carling K, Holmlund B & Vejsiu A (2001) "Do Benefit Cuts Boost Job Finding? Swedish Evidence from the 1990's" *Economic Journal*, vol. 111, pp. 766–790.

Daveri F & Tabellini G (2000) "Unemployment, Growth and Taxation in Industrial Countries" *Economic Policy: A European Forum*, pp. 47–88.

Elvander N & Holmlund B (1997) *The Swedish Bargaining System in the Melting Pot.* The National Institute for Working Life, Solna.

Flanagan R (1999) "Macroeconomic Performance and Collective Bargaining: An International Perspective" *Journal of Economic Literature*, vol. 37, pp. 1,150–1,175.

Forslund A (1992) *Arbetslöshet och arbetsmarknadspolitik, Bilaga 7 till Långtidsutredningen 1992.* Allmänna förlaget, Stockholm.

Forslund A, Gottfries N & Westermark A (2005) "Real and Nominal Wage Adjustment in Open Economies" Working Paper 2005:18, Department of Economics, Uppsala University.

Fredriksson P & Holmlund B (2004) "Hur ser en optimal arbetslöshetsförsäkring ut?" *Ekonomisk Debatt*, vol. 32, no. 4, pp. 22–38.

Hansen C, Pedersen L & Slok T (2000) "Ambiguous Effects of Tax Preogressivity: Theory and Danish Evidence" *Labour Economics*, vol. 7, pp. 335–347.

Holmlund B (1998) "Unemployment Insurance in Theory and Practice" *Scandinavian Journal of Economics*, vol. 100, pp. 113–141.

Holmlund B (2003) "The Rise and Fall of Swedish Unemployment" Working Paper 2003:13, Department of Economics, Uppsala University.

Holmlund B & Kolm A-S (1995) "Progressive Taxation, Wage Setting and Unemployment: Theory and Swedish Evidence" *Swedish Economic Policy Review*, vol. 2, pp. 425–460.

Holmlund B & Zetterberg J (1991) "Insiders' Effects in Wage Determination: Evidence from Five Countries" *European Economic Review*, vol. 35, pp. 1,009–1,034.

Layard R, Nickell S & Jackman R (1991) *Unemployment.* Oxford University Press, London.

Lever M (1995) "Insiders-outsiders Effects in Wage Formation: Evidence from Five Countries" *European Economic Review*, vol. 35, pp. 1,009–1,034.

Lindbeck A (1991) "Insider-outsiderteorin för sysselsättning och arbetslöshet" *Ekonomisk Debatt*, vol. 19, no. 2, pp. 95–107.

Lockwood B & Manning A (1993) "Wage Setting and the Tax System: Theory and Evidence for the United Kingdom" *Journal of Public Economics*, vol. 52, pp. 1–29.

Lundh C (2002) *Spelets regler: Institutioner och lönebildning på den svenska arbetsmarknaden.* SNS förlag, Stockholm.

Nickell S & Layard R (1999) "Labour Market Institutions and Economic Performance" in Ashenfelter O & Card D (eds.) *Handbook of Labour Economics*, vol. 3, Elsevier, Cambridge.

Nickell S (1997) "Unemployment and Labour Market Rigidities: Europe versus North America" *Journal of Economic Perspectives*, vol. 3, pp. 55–74.

Olson M (1965) *The Logic of Collective Action*. Harvard University Press, Cambridge.

Padoa-Schioppa F (1990) "Union Wage Setting and Taxation" *Oxford Bulletin of Economics and Statistics*, vol. 52, pp. 143–167.

Rowthorn RE (1992) "Centralization, Employment and Wage Dispersion" *Economic Journal*, vol. 102, pp. 506–523.

Scarpetta S (1996) "Assessing the Role of Labour Market Policies and Institutional Settings on Unemployment: A Cross Country Study" *OECD Economic Studies*, vol. 26, pp. 43–98.

Soskice D (1990) "Wage Determination: The Changing Role of Institutions in Advanced Industrialized Countries" *Oxford Review of Economic Policy*, vol. 6, pp. 36–61.

CHAPTER 14

Employment protection, mobility and economic growth

Kerstin Ahlberg, Niklas Bruun and Jonas Malmberg

Do certain characteristics of the Employment Protection Act impede mobility of the workforce and economic growth of small companies? If so, can solutions be found that are better for both economic growth and the security of employees?

Kerstin Ahlberg, Niklas Bruun and Jonas Malmberg believe that the Swedish Employment Protection Act may create resistance to hiring new employees, primarily with small companies, and that this mainly is a consequence of the rules being difficult to describe and understand and that they are often described as more company hostile that they actually are. The provisions on fixed-term employment are complicated but have recently been simplified. According to the authors, criticism to order of selection in redundancy is based on a partly misleading description of the provisions' content. In reality, they provide companies, especially small companies, perceptible flexibility. On the other hand, the authors believe that costs for wrongful dismissals could be placed more into proportion to the capacity of small companies without renouncing employee security. The authors claim that it is time to evaluate the system of sanctions for dismissals that are contrary to the law in a thorough and unbiased manner.

Economic growth constitutes a central objective in the economic policy of the Swedish government. An increase in economic activity by way of additional and growing companies is seen as a basic prerequisite for promoting economic growth, and thereby safeguarding and developing jobs, welfare and equality. Economic policy primarily aims to develop favourable conditions for enterprise, both to increase the number of new businesses and to encourage established businesses to grow (Bill 2004/05:1 expenditure area 24, p. 22 f). At the same time, some claim that the legislation on employment protection constitutes an obstacle to the expansion of small and medium-sized companies, as well as for workforce mobility and supply. The aim of this chapter is to discuss the extent to which this is true as well as to reflect upon what might be done to improve the situation.[1]

When discussing labour law from the perspective of economic growth and small companies, focus is often centred upon provisions that are significant for employing new workers, as well as the extent to which companies are able to change the size and composition of their workforce, i.e. primarily rules concerning recruiting, employment (including fixed-term employment) and dismissing employees. It primarily concerns the Employment Protection Act (LAS). From the point of view of companies,

these regulations are primarily significant in two respects.

Firstly, they affect costs incurred by the company to *vary the size of their workforce*. Companies have a strong interest in quickly and inexpensively adapting the size of their workforce to suit varying needs. This need may be satisfied in various ways. If the need for labour decreases, employees can be dismissed due to redundancy. The employer must then adhere to the requirements concerning negotiations, notification and notice periods as well as order of selection rules that follow from law or collective agreements. The lead times involved in varying the size of the workforce through redundancy dismissals compared to other methods are relatively high. Another way to vary the size of the workforce is to utilise fixed-term employment. Utilisation of fixed-term employment significantly increased in the wake of the economic crisis in the early 1990's. Currently just over half a million employees, or just over a seventh of the total workforce, are employed on fixed-term contracts. The increase is particularly noticeable for the kinds of fixed-term contracts that correspond to the need employers have of varying the size of their workforce, such as project and on-call employment (e.g. Holmlund & Storrie 2002 and Wikman 2002). The employer can also place the risk related to increases and decreases in workforce needs outside the company. This can be done by utilising employees from a temporary work agency or by purchasing a large proportion of goods and services externally instead of utilising the company's own personnel. Another way to adapt to workforce needs is to vary working hours for employees by utilising overtime. Overtime (including that which is non-compensated) appears to have increased somewhat in the 1990s, and now corresponds to approximately five per cent of actual worked time (SOU 1996:145, p. 133 ff, 2000:58, p. 44 f). Another possibility for employers to adapt staffing to labour demand is to redistribute work tasks in the company or organisation. The two last strategies seem to be the most commonly practiced (Grönlund 2004, p. 64 f).

Secondly, the rules are significant in terms of companies being able to *determine the composition of their workforce*, i.e. keeping or recruiting the specific people that are considered to be necessary. This might be a matter of adapting the composition and competence of personnel to changed production or the like. It might also be a matter of companies wishing to reduce costs by dismissing or avoiding recruitment of people that are assumed to be less productive than others due to age, illness or responsibility for small children, for example.

It is clear that legal regulations must consider the need companies have to efficiently adapt the size and composition of their workforce to changed conditions. It is just as clear that the need companies have for flexibility must be balanced against the need employees have for security. In many cases, the interests of the company and the employee coincide. A central common interest is naturally that the organisation be run efficiently and generate the desired results. It is clear that true security presupposes a competitively strong company, and that agreements and legal regulations that do not to a sufficient extent observe this will be counterproductive. On the other hand, it is obvious that the need employees have for security cannot be satisfied spontaneously, but rather presupposes fixed regulations and strong institutions. Legal regulations must, therefore, include balancing between flexibility for companies and security for employees. Balancing flexibility and security is not only a matter between the parties of the individual employment relationship. To the same extent that regulations counteract new jobs being created, "costs" for the lower degree of employment will burden those who are unemployed as well as the welfare system in general. In addition, security that particularly benefits those who have been employed for a long period of time reduces willingness to change jobs.

The aim of this chapter is to analyse the extent to which certain discussed characteristics in current regulations entail true obstacles or limitations to the mobility of the workforce and growth of small companies, and if it is possible to find solutions that are better suited to contributing to both economic growth and security for employees.

One point of departure for this chapter is that the connection between employment protection and economic growth in small companies need not be a direct one. Companies' decisions to employ new workers, etc. are affected by their *perception* of the content in the Employment Protection Act, no mat-

ter if their perception is correct or not (North 2005). It is, therefore, important to provide a balanced and pedagogical view of the actual state of law. There is an obvious risk that descriptions – perhaps with the aim of bringing about amendments to legislation – that provide an exaggerated account of the rules as inflexible and hostile to companies contribute to the unwillingness of companies to employ new workers. On the other hand, the fact that the legislation is difficult to describe and understand will in and of itself create resistance for small companies to employ new workers.

Economic research on the effects of employment protection

Criticism that some of the trade unions and employers' associations and members of the Swedish Parliament have directed towards the Employment Protection Act as being an obstacle to economic growth has more or less been based on neo-classical economic theory. The point of departure for these ideas is that employment protection together with collective regulation of wages and generous unemployment insurance counteract an efficient resource allocation and create large public finance costs in the form of unemployment. Regulations are seen as an expression of special interest groups in their attempt to obtain advantages in relation to other interested parties.

An influential contribution in this area was the Government Commission on Economic Policy's proposal *Nya villkor för ekonomi och politik* that was presented in 1993 (SOU 1993:16). The Commission emphasised that labour law is significant for the development of employment. It maintained that the labour market is one of the most regulated markets, and that the regulations – despite good intentions – create large costs. Furthermore, labour law was said to contribute to segmentation of the labour market where some people have secure employment and wage conditions (insiders), while others have more uncertain employment conditions or have difficulties in gaining a foothold in the labour market at all (outsiders).

As regards employment protection, the Commission discussed the provisions on fixed-term employment, the requirements for just cause for dismissal as well as order of selection in case of redundancy. The Commission maintained that theoretical and empirical research suggests that employment protection decreases fluctuations in degree of employment. According to the Commission, this can be an advantage when there are normal market fluctuations, but for deep recessions such as the one at the beginning of the 1990s, regulations are an obstacle to increased employment. The Commission also maintained that regulations could influence employment in other ways as well. Because regulations increase costs for employing and dismissing workers, employees are able to force wage increases without losing their jobs, in particular those who have been employed for a long period of time. Legal regulations were considered especially troublesome for small companies.

In light of this, the Commission believed that, among other things, at least temporary liberalisation to allow for fixed-term employment was desirable. There was particular criticism of the provisions on order of selection. These rules make it difficult for companies to keep key personnel and the personnel that the employer considers most valuable in the event of staff reductions (SOU 1993:16, pp. 63 f and 80 f).

This view of labour law, however, is contested and not universally prevalent in economic research. Jonas Agell, for example, has argued that trade unions, collective agreements, and generous unemployment benefit funds should be considered as collective insurance against the risk of losing the necessary income for one's livelihood (Agell 2001).

Internationally, there is a multitude of studies that have attempted to bear out certain general effects of regulations on employment protection. This research struggles with considerable methodology problems. It is difficult to produce comparable data on employment, unemployment and turnover of jobs in different countries (Storrie 2003), and to refine the effects of specific regulations regarding employment protection that can co-vary with other mechanisms in the labour market – such as salary structure, unemployment insurance and labour market policy.

What results have been reached through research despite these methodology reservations?

In 1996, Edin (1996) summarised the standpoint of research at that time. For example, legislation on employment protection have clear effects on how unemployment and employment vary over a business cycle – the more restrictive the legislation, the less variation in unemployment and employment. However, there is no evidence for employment protection affecting the overall level of unemployment. This is confirmed by OECD (2004) which says that employment protection actually protects existing jobs and reduces the influx to unemployment. At the same time, when employers are considering employing new workers, they must take into consideration the possibility of incurring costs for dismissals later, which makes it more difficult for job seekers to find employment. The outflow from unemployment is, therefore, also reduced. OECD maintains, however, that the Nordic countries deviate from the pattern in this respect, as they have relatively high outflow from unemployment despite a moderate to high level of employment protection. A conceivable explanation is the Nordic countries' massive investment in active labour market policy. Later studies that have attempted to bear out the effects of employment protection on total unemployment have also reached contradictory results according to OECD.

In the same way, researchers disagree on whether employment protection has any effect on the total level of employment. However, it is currently relatively accepted that employment protection affects the labour market for various groups of employees differently (OECD 2004). Men of working age are benefited, while young people, women and other groups with a weaker connection to the labour market appear to be at a disadvantage.

An important measure of economic growth is productivity. Edin (1996) concluded that the effects of employment protection on productivity are uncertain. According to one theory, people work harder when they are worried about losing their job, while other theories state just the opposite. Theoretical analyses provide, therefore, contradictory answers. Two empirical studies that Edin referred to indicate that a larger proportion of fixed-term employment can lead to lower productivity, but the results are uncertain. In a later study, Buchele and Christiansen (1999) compared the development of productivity in the US, Canada, France, Italy, Germany and the UK for a thirty-year period, and placed it in relationship to the degree of employment protection, negotiating strength of trade unions and the degree of income security and social protection in the various countries. Their conclusion was that the same labour market institutions and social security systems that may have limited employment growth in Europe compared to the US, may have also contributed to the higher growth in productivity. They believe the explanation is that all the factors that are decisive for productivity – introduction of new technology and improved working methods, capital growth per employee and development of employee competence – are strongly dependent upon effective employee participation. Their willingness to cooperate with management to improve productivity and quality depends upon them being able to feel secure in the employer's future success.

Belot et al. (2002) also came to the conclusion that a certain degree of employment protection can have the effect of increasing productivity. According to their theoretical analysis of the effects of employment protection on welfare, there is an optimal level of employment protection that is greater than zero. Costs related to dismissal that a new worker may entail in the future cause companies to commit to the employee and for employees to invest in human capital that increases productivity, i.e. to receive training and obtain the type of knowledge that is needed for the particular employer in question. Employment protection should, therefore, be based on appropriate balancing between flexibility and employment protection. Where this point of balance is found varies from country to country. In the opinion of the authors, since many countries have considerably relaxed their legal regulations over the past decade, it is possible that they have reached the optimal situation.

OECD (2004) points out that most studies on the effects of employment protection completely ignore the issue of why regulations on employment protection exist at all, and what the effects on welfare are that employment protection entails. The report particularly emphasises two arguments that justify a

certain amount of employment protection from an economics point of view. One is that employment protection is a way to insure the employees against unreasonably large fluctuations in income due to deficiencies in the way the labour market functions. The other argument is that jobs that are not profitable for employers can still generate income for society in the form of tax and payroll tax, which helps fund unemployment insurance, for example. Employment protection that provides the employer with the right impetus for internalising the social cost of dismissals is, therefore, economically efficient.

Swedish research that objectively sheds light on the issue of whether labour laws, particularly the law on employment protection, are obstacles to economic growth is basically non-existent (compare, however, to Calleman 2000). There are a number of studies concerning the subjective perception employers have of what it is that prevents their companies from growing. These are often questionnaires ordered by interest groups, but the question is what they actually measure. The more that politicians and representatives of organisations repeat that is impossible to dismiss employees or to keep key personnel in the event of redundancies, the more wary small businesses become – no matter the level of truth in the statements.

Grönlund (2004) performed one of the few scientific studies that sheds light on the issue of the extent to which Swedish companies perceive labour laws as an obstacle to adapting the workforce to varying demands. The study shows that companies, no matter the industry or size, perceive "obstacles to competence" (e.g. long periods of learning the job, recruiting difficulties) as greater problems than "labour laws" in this respect. All together, approximately three out of ten workplaces experienced labour laws as an obstacle, but competence stood out in every industry as a greater problem. Furthermore, the study indicates that central collective agreements now provide a great deal of scope to make decisions on workplace level regarding employing new workers, dismissal of permanent employees, the use of fixed-term employment and temporary work agencies as well as outsourcing work. The obstacles experienced by employers seem to lie in the extra procedures and/or costs that negotiations with trade unions entail compared to if employers were able to decide freely, than in the substantial provisions of legislation and collective agreements. It is somewhat surprising that it was not in small companies but rather in workplaces with more than 150 employees that labour laws were considered to cause the most problems. According to Grönlund, a conceivable explanation might be that trade unions at large workplaces are stronger and can stay on top of regulations, while they are more focused on the company's survival at small workplaces.

Jurisprudential evaluation of the effects of legislation

Based on the perspective presented above, three issues related to employment protection that have been discussed will be brought up: fixed-term employment, order of selection and a system for sanctions.

Fixed-term employment

The provisions of the Employment Protection Act are relatively complicated today, so only their main points are indicated here. The basic legal difference between permanent and fixed-term employment is related to when employment is terminated. The time at which permanent employment will end is not pre-determined, rather notice must be given that observes a period of notice. In order for the employer to give notice, he or she must have just cause according to the Employment Protection Act. Fixed-term employment, however, ceases when the contracted period of employment runs out. Notice does not need to be given, and neither does the employer need to have objective grounds to end this type of employment. As a result, employment protection for temporary employees is generally not as good as for permanent employees. For this reason, it has been considered important to counteract utilisation of fixed-term employment. This has been achieved, for example, by this type of employment only being allowed in specific cases in accordance with the Employment Protection Act. The "list" includes just over ten different types of fixed-term employment, for example substitute and seasonal employment.

Current provisions on fixed-term employment are intricate and complicated, which results in sanctions of the law for errors on the part of the employer being difficult to assess. Small companies, for example, have claimed that this leads to restraint in terms of employing new workers and economic growth. If this is the case, the state of affairs is clearly unsatisfactory. On the other hand, the restrictions have not been able to counteract a dramatic increase in fixed-term employment. Especially serious is that it takes a long time for many employees to receive permanent employment. In light of this, it is easy to assume that if legislation is an obstacle to economic growth, it is primarily because it is difficult to implement, perhaps most so for small companies. There is, thus, a clear need for clarification and simplification of the legislation. There is also a need to facilitate employing new workers for a certain amount of time without needing to consider whether there is a valid reason for doing so.

In its study called *Hållfast arbetsrätt – för ett föränderligt arbetsliv* (Ds 2002:56), the National Institute for Working Life proposed new rules for temporary employment. Briefly, the proposal involves the list of allowed types of fixed-term employment being replaced by a provision stating that fixed-term employment may be utilised freely for a maximum period of 18 months within a reference period of five years. In this way, the Institute hoped to simplify employment of new workers when there is an increased need for labour, as well as to create better prerequisites for people outside the market to become employed. At the same time, situations where people are fixed-term employees for an extended period of time would be counteracted by legislation ensuring that they are "pushed" towards permanent employment. This would be achieved, for example, by a reinforced preferential right to re-employment that would go into effect after a six-month period of employment. Furthermore, the Institute proposed a simplified and more predictable system of sanctions.

The Swedish Parliament has recently adopted new rules on fixed-term employment, which will enter into force on 1 July 2007. These allow for fixed-term employment for a maximum period of fourteen months within a reference period of five years. Further, substitute employment is allowed for a maximum period of 36 months. The preferential right to re-employment will go into effect after six months, instead of nine months as is the case today. The amendment constitutes a manifest simplification of the legislation and will facilitate employment of new workers in the event of increased labour needs, especially for small businesses. At the same time, the new rules will provide obstacles, especially to seasonal employment and extended project employment. These obstacles to effective business operations are obviously considered a price worth paying for having transparent legislation and preventing employees from being on fixed-term contracts for an extended period of time.

Provisions on order of selection

For dismissals due to redundancy, the business economic assessment that provided the basis for the employer's decision is generally not reviewed. The core of employment protection in the event of redundancy is, rather, that the employer may not freely choose which employees to dismiss. The provisions for order of selection in the event of dismissal due to redundancy can be found in Section 22 of LAS. As a point of departure, the order of selection between employees is determined by employees that have been employed for a longer period of time being given priority for continued employment. This is called the *seniority principle* or the last in first out principle. This order of selection is pertinent within selection categories. The size of the selection category is normally determined by order of selection being established for each operation unit and for each collective agreement area. The concept *operation unit* refers to a part of the company that is located in the same building or enclosed area. An employer with a maximum of ten employees may exempt a maximum of two people that are considered to be of particular importance to continued operations from the selection order. If an employee can be provided with continued employment only by being transferred to another job, that person must possess *adequate skills* for the alternative job.

The provisions on the order of selection have often been criticised as being obstacles to running a business efficiently. In our assessment, the criti-

cism is partially based on incorrect perceptions of the provisions' content. They provide the employer with substantial opportunities to make decisions regarding the future work organisation (Calleman 2000). For example, after customary trade union negotiations, the employer may freely decide whether there is redundancy, and if so, which selection categories should be affected by dismissal. The requirement for adequate skills is also perceptibly flexible. The concept includes not only education, professional experience, practice and knowledge, but also personal suitability. Furthermore, case-law shows that employers have a relatively wide framework in which to determine which qualifications are required for a certain position. The courts appear to accept employer requirements as long as these appear to be explainable and on the whole acceptable to an outside observer. In addition, there is the possibility of establishing collectively agreed redundancy lists that deviate from the order of selection, and for small employers (employers with a maximum of ten employees), the option of excluding two employees from the selection categories. Taken together, regulations provide a great deal of flexibility, not least of all for small companies. At the same time, their mobility-inhibiting effects are limited (see Bruun 2004).

Sanctions

The provisions on the sanctions that impact on employers that violate the Employment Protection Act are relatively complicated. On the whole, the following applies.

A dismissal that does not have a just cause can be declared invalid if the employee pursues the claim (Section 34 LAS). However, it cannot be declared invalid if it is contested solely because it violates order of selection rules.

If a dispute arises concerning the validity of a dismissal, employment will not be terminated as a result of the dismissal until the dispute has been finally resolved, for example through a judgement that has gained legal force (Section 34, second paragraph). The formulation of Section 34 results in the employer possibly being forced to pay wages over a considerable amount of time even if there is a just cause. The employer may call for an interim decision for employment to end (Section 34, third paragraph, LAS). In accordance with preparatory work, an interim decision regarding cessation of employment should not be made unless it is more or less obvious that there is just cause. In the event of summary dismissal, which is when the employer ends employment without a period of notice, the opposite is true. Employment ends (temporarily) even if there is a dispute concerning the validity of the summary dismissal. The employee may request an interim decision (Section 35).

A judgement through which a dismissal or summary dismissal is declared invalid cannot be executed through executory force. If the employer refuses to comply with the judgement, the employment relation is considered to be terminated, and the employer will be forced to pay standard damages to the employee as a result of the refusal to comply. Standard damages are calculated based on the employee's length of employment, and, to a certain extent, age. The sum varies between 6 and 48 monthly wages (Section 39).

If the person has been employed on a fixed-term contract contrary to the law, the court may upon request of the employee declare that he or she has permanent employment (Section 36 LAS).

In addition to these sanctions, damages may be awarded. This applies to dismissal without just cause and for violating order of selection rules, as well as in the event of unlawful fixed-term employment. Damages may be awarded regardless of whether the employee pleads for invalidity or not. Damages primarily comprise the loss that arises (financial damages). The point of departure is that the employee should receive compensation for income that he or she would have received had employment continued. Damages may be reduced by the amount of income received by the employee from other employment, for example. In addition, the employer may be instructed to pay "compensation for the infringement that the violation of the law entailed", what is known as punitive damages. Punitive damages are usually around SEK 80,000 in the event of unjust cause.

In our opinion, there is reason to question if damage rules are not overly stringent for small employers. In any case, this is true if the effects of the rule that employment should continue during a dispute

are considered. In many cases, it takes between one and two years for a dispute to be resolved in a court. During this time, the employer must pay wages, even if the final decision is that there was just cause for dismissal. This period greatly exceeds the period of notice that is stipulated by law (three to six months, Section 11 LAS). If, on the other hand, the employer is shown to have made a wrongful assessment of the state of the law, general damages will be added. If the conflict with the employee during the period of the dispute has escalated in a manner that makes continued collaboration impossible, costs for standard damages will be added according to Section 39 MBL. The employer can be hit by considerable costs even in cases where there is just cause or where the state of the law – perhaps despite good intentions – was misjudged. Costs corresponding to one or two annual wages can be very difficult for a company with few employees to bear. These costs appear to exceed what is necessary for exerting pressure to ensure that small employers adhere to the provisions of the Employment Protection Act. In light of this, there is reason to consider regulations that limit the costs that small employers must bear, and that better relate the size of compensation to employers' blameworthy behaviour. There is also reason to emphasise that employer cost and employee financial security can be disconnected from one another through various insurance arrangements.

Concluding standpoints

Some deficiencies in the Employment Protection Act have been indicated above. It should be emphasised that these types of deficiencies do not necessarily lead to reduced economic growth or to significantly reduced mobility. Dysfunction in legislation can also be expressed as exceptions or loopholes in the legislation becoming more significant, or that one simply neglects to adhere to the law. Several such tendencies can be traced in the area that we have studied. For example, it can be questioned whether the provisions on fixed-term employment in the Employment Protection Act are really adhered to in practice. Another example is employers that use re-organisation and dismissals due to redundancy as means to rid the company of employees for reasons that are at least in part related to employees personally. A third example is that it seems to be more common that employers summarily dismiss employees instead of dismissing them with a period of notice, and that this is to avoid the necessity of paying wages until the dispute is settled.

In terms of provisions on fixed-term employment and order of selection, the problem in our opinion is primarily that these are difficult to implement. The rules on fixed-term employment are manifestly complicated, but have now been simplified. In our opinion, rules concerning order of selection in the event of redundancy provide sufficient scope for the needs of companies to be observed. Understanding of the rules, however, appears to be deficient. It is a pressing task to contribute to a more balanced description of rules that indicate how employers may deal with personnel problems and staff reductions in accordance with the law, and at the same time take the interests of the employee and the interest of continued efficient operations into consideration.

In terms of sanctions, we find that costs for dismissal that can result from LAS are too high for the smallest companies and lie above what is needed in order to persuade employers to adhere to the provisions of the Employment Protection Act. In light of this, there is reason to consider whether the legislation can more efficiently relate the responsibility for dismissal costs to the financial capacity of small companies without forgoing the financial security of employees. It is time to evaluate the system of sanctions for dismissals that are contrary to the law, thoroughly and without bias, based on these points of departure.

Note

1. This chapter is to a large extent based upon the authors' report called "Arbetsrätt, småföretag och tillväxt" in Falkenhall & Rauhut (2006).

References

Agell J (2001) "En annorlunda guide till arbetsmarknadens institutioner", *Ekonomisk debatt* vol. 29. no. 3 p. 175 ff.

Belot M, Boone J & van Ours JC (2002) "Welfare Effects of Employment Protection" Discussion paper series No 3396, Centre for Economic Policy Research, London.

Bruun N (2004) "Leder en flexiblare arbetsrätt till ökad rörlighet?" pp. 83–88 i *Ett rörligt arbetsliv. Arbetslivsforum 2003 – en mötesplats för forskare och praktiker.* Swedish Council for Working Life and Social Research, Stockholm.

Buchele R & Christiansen J (1999) "Employment and Productivity Growth in Europe and North America: The Impact of Labour Market Institutions", *International Review of Applied Economics*, vol. 13, no. 3, pp. 313–332.

Calleman C (2000) *Turordning vid uppsägning.* Norstedts, Stockholm.

Ds 2002:56, *Hållfast arbetsrätt – för ett föränderligt arbetsliv.* Fritzes, Stockholm.

Ds 2005:15, *Förstärkning och förenkling, ändringar i anställningsskyddslagen och föräldraledighetslagen.* Fritzes, Stockholm.

Edin P-A (1996) "Anställningsskydd och arbetslöshet" Working paper no. 133, Trade Union Institute for Economic Research, Stockholm.

Falkenhall B & Rauhut D (2006) *Arbetsrätt, rörlighet och tillväxt.* Swedish Institute for Growth Policy Studies, Östersund.

Grönlund A (2004) *Flexibilitetens gränser. Förändring och friktion i arbetsliv och familj.* Boréa bokförlag, Umeå.

Holmlund B & Storrie D (2002) "Temporary Work in Turbulent Times: The Swedish Experience" *The Economic Journal*, vol. 112, p. 245 ff.

North D (2005) *Understanding the Process of Economic Change.* Princeton University Press, Princeton.

OECD (2004) *Employment outlook.* OECD, Paris.

Bill 2004/05:1, *Budget Bill for* 2005.

SOU 1993:16, *Nya villkor för ekonomi och politik.* Allmänna förlaget, Stockholm.

SOU 1996:145, *Arbetstid – längd förläggning och inflytande.* Fritzes, Stockholm.

SOU 2000:58, *Tid för arbete och ledighet.* Fritzes, Stockholm.

Storrie D (2003) "Reglering och tillväxt av tillfälliga anställningar i EU" *Arbetsmarknad & Arbetsliv*, vol. 9, no. 3–4, pp. 147–163.

Wikman A (2002) "Temporära kontrakt och inlåsningseffekter" i *Hållfast arbetsrätt för ett föränderligt arbetsliv*, Ds 2002:56, appendix section p. 61 f, Fritzes, Stockholm.

Presentation of authors

Kerstin Ahlberg is an honorary Juris Doctor and head of the Department of Labour Law, Labour Market and Citizenship at the National Institute for Working Life. She researches labour law and industrial relations on European and national levels. She has been editor-in-chief of Lag & Avtal, a labour law publication, and is now the editor of EU & arbetsrätt, a Nordic newsletter.

Ulla Arnell Gustafsson is an associate professor of sociology and works at the National Institute for Working Life. Her primary area of research deals with the entry of young people into working life: unemployment of young people, how they evaluate work and various types of work and how the process of introduction into working life has changed over the past decades. She has also studied collaboration between schools and working life, including workplace training in upper secondary schools.

Niklas Arvidsson holds a Ph.D. from the Stockholm School of Economics, and is currently employed as a researcher at the National Institute for Working Life. His research focuses on understanding organisational changes in a neo-industrial society and their effects on firms and their employees. In a larger research project, "The New Division of Labour", he is studying how project organisation influences learning processes, leadership, capability management and career development for and by employees.

Nina Bergman is a researcher in the Analytical Department of the National Institute for Working Life, and holds the equivalent of a Master's Degree in political science with a specialisation in Swedish administration and the EU. She has specialized in the EU and public health during her many years as a researcher at the Swedish National Institute of Public Health.

Niklas Bruun is a professor at the University of Helsinki and an expert in EU labour law. He is associated to the National Institute for Working Life in Stockholm. He has published several books on Nordic and European labour law, and is a frequently-engaged specialist on labour law in Sweden, Finland, the EU and ILO. Niklas Bruun is an honorary doctor at Stockholm University.

Henrik Bäckström is an associate professor of business studies. He researches the management of workplace restructuring at national and international levels. He is particularly interested in institutional systems, including collective agreements, insurance systems and player coalitions, particularly in relation to organisational restructurings in working life.

Eskil Ekstedt is an associate professor of economic history and professor of business administration with a specialisation in working life and the development processes of the business world. He researches working life and inter-organisational transformation. He has a special interest in temporary organisational forms. Ekstedt is one of the leaders of the "The New Division of Labour" research programme at the National Institute for Working Life.

Dan Grannas is a researcher in labour market and training areas. He was previously employed at the Swedish Institute for Growth Policy Studies and in the labour market division of the Ministry of Industry, Employment and Communications.

Stig Larsson is a professor at Lund University and director of HAREC, a research centre for disability

and rehabilitation studies. He works in the division for social medicine and global health, and is associated to the National Institute of Working Life.
Jonas Malmberg is a professor of labour law at the National Institute for Working Life in Stockholm, Sweden. He has published many books and articles on Nordic and European labour law, including Effective Enforcement of EC Labour Law (2003) and Stability and Change in Nordic Labour Law (2002). On several occasions he has served as expert to the Swedish government and the European Commission.

Ola Nygren is a researcher, and primarily concentrates on population and labour market statistics for such institutions as SCB. He currently works in the analytical division of the Ministry of Health and Social Affairs.

Jonas Olofsson is an associate professor of economic history, and employed as a researcher at the National Institute for Working Life and Lund University. His research focuses on labour market policy and vocational education.

Jan Ottosson is an associate Professor at Uppsala University, Department of Economic History, and researcher at the National Institute for Working Life. He was a guest professor at the Department of Economic History, Umeå University during autumn 2005. He is project manager for a research theme dealing with mobility in the labour market at the National Institute for Working Life.

Carl-Ulrik Schierup is a professor at the National Institute for Working Life, and the Department of Ethnic Studies at Linköping University. He defended his thesis in cultural and social anthropology at Aarhus University in 1977 (nostrified as a Swedish PhD at Stockholm University in 1983) and holds a PhD in sociology from Umeå University (1987). His current research focuses on comparative studies of international migration, the labour market and welfare regimes, citizenship and social inclusion/exclusion in the EU and US as well as ethnic conflicts, nationalism and social reconstruction efforts related to the transformation of working life in post-communist countries.

Gabriella Sjögren Lindquist holds a PhD in economics, and works at the Swedish Institute for Social Research at Stockholm University. Her research primarily focuses on social insurance and negotiated insurance rights.

Eskil Wadensjö is a professor of labour market policy at the Swedish Institute for Social Research and is the director of the institute. His research focuses primarily on labour market economics issues, immigration, institutional conditions in the labour market and the structure and significance of social insurance, from both a Swedish and comparative perspective.

Hanna Westberg is an associate professor in working life pedagogy, and works at the National Institute for Working Life. Her areas of research include work gender marking, shifting segregation patterns and equality integration in local and regional development processes. Her research focuses increasingly on action-oriented and practical experience-based working life.

Andreas Westermark holds a PhD degree in economics. He defended his thesis in 1999 at the University of Rochester, and has since been linked to the Department of Economics at Uppsala University. He is currently employed as a researcher of labour market relationships.

Anders Wikman holds a PhD degree in sociology and is responsible for the development of statistics and register systems in the area of working life at the National Institute for Working Life. He was previously employed at SCB, Statistics Sweden, where he led the development of various statistics systems for monitoring working life and health. His research focuses on survey methodology – content and substance in various measurement results. Wikman also performs research in expulsion mechanisms and changed prerequisites for people participating in working life.

Maria Zavisic holds a Bachelor's Degree in sociology, and works as a researcher in the Analytical Department of the National Institute for Working Life. She was previously employed as a researcher at the Government Offices, the State Audit Institution, and as a commission secretary for a number of government investigations in the area of social policy.