Summary in English

The National Mediation Office, as the central government authority responsible for mediating in labour disputes, is itself a part of the wage formation system in Sweden. The Office is also required to promote an efficient wage formation process. This entails disseminating economic information to the social partners and to the general public with a view to influencing wage formation so that objectives such as high employment, price stability and a satisfactory rate of real wage growth can be successfully combined.

Wage formation and economic development

For several years now, the Swedish Riksbank has met its targets for consumer price growth without having to resort to tight monetary policy measures that would have escalated unemployment. In view of the fact that Sweden has committed itself to retaining the krona as the national currency for the foreseeable future, the country will continue to pursue an independent monetary policy with its own inflation targets and a floating rate of exchange. It is essential that wage formation proceeds smoothly and does not contribute to the kind of rising inflation that would force the Riksbank to introduce austerity measures.

Over the past five years, the competitiveness of Swedish enterprise has developed well. While labour costs have increased at a faster rate than in the EU zone, solid growth in productivity and declining profit margins have helped reduce the impact of these cost increases on price levels. However, policymakers fighting inflation cannot count on this kind of assistance in the long run. Falling profit margins are not ultimately sustainable, and furthermore productivity growth may now have entered a slower phase. In addition, part of the overall scope for pay increases (wage margin) will be absorbed by higher contributions to negotiated social security systems. The social partners also have to take these additional costs into consideration in the wage formation process – everything is to be included.

Economic upswing delayed

For the past couple of years, business trend analysts have been predicting that an economic upswing is at hand, but they have repeatedly had to downgrade their expectations. In the latest forecast from the National Institute of Economic Research (December 2003), an upswing is scarcely even round the corner, judging by prospects in the Swedish labour market. The Institute predicts that unemployment in the open market will increase to 5.3 per cent of the workforce in 2004 and decline only slightly in 2005.

Future development in terms of average working hours is difficult to predict. For some years past, mean work time per employee has steadily declined – not simply because of greater absenteeism due to illness but also for those in work.

In the long term, an increase in the total number of working hours would enlarge the tax base and thereby help solve one of Sweden's toughest wage formation problems, namely how we are to meet the need for higher pay among staff in the tax-financed municipal and county council sector.

In light of such factors as the weaker employment situation, the National Institute of Economic Research predicts that the wage growth rate will slow and end up at around 3 to 3.5 per cent. Such growth levels are still somewhat excessive in relation to the 'most appropriate' wage growth rate of 3 approx. per cent specified by the Institute in October 2003.

Wage increases, however, are expected to slacken in Europe as well. Both the OECD and the EU estimate that labour costs in the EU zone will increase by *less* than 3 per cent annum in 2004 and 2005. Productivity growth may therefore be the factor that determines the relative levels of cost increase in Sweden and in the outside world – besides, of course, the floating exchange rate, the outcome of which is unpredictable.

Productivity has boosted competitiveness

In the long term, it is productivity growth that will enable average real wages to grow. Wage increases that exceed the growth in productivity lead to price increases, unless enterprises temporarily reduce their profit margins. In the longer term, however, profits must satisfy shareholders' yield requirements, and these are largely determined at the international level.

For several years now, real hourly wages in Sweden have been increasing substantially, by an average of 3 per cent annum in 1996-2003. These real wage increases have reflected major improvements in the productivity of Swedish enterprise. Growth – both in real wages and productivity – has slowed in the 21st century.

Over the past ten years, productivity growth in the business sector has been slightly more rapid in Sweden than in the EU zone. There is, however, a considerable element of uncertainty in such estimates. To place one's trust, when calculating future wage margins, in Sweden's ability to maintain a productivity edge over its rivals would be to tempt fate.

Major differences in productivity between sectors

During the ten-year period 1993-2003, hourly wages in Sweden increased by approximately the same amount (about 4 per cent annum) in the three major sectors of the economy: manufacturing, the private service industry and the municipal sector (municipalities and county councils). Productivity growth rates, however, differed significantly. In the commodity sectors, growth in productivity is usually substantial. The service sectors find it considerably more difficult to boost their productivity. This applies both to extensive areas of service production in the private sector and – above all – to care and educational services in the municipal sector. As a result, service prices have risen in relation to the prices of industrial goods.

This has caused welfare services provided by the public sector to become more expensive in relation to industrial goods. They cost more in relation

to many private services with greater potential for efficiency gains. More numerous and more costly welfare services must be financed either through tax increases or through increases in individual charges and fees.

More working hours are needed

The substantial growth in productivity that Swedish enterprise contrived in the 1990s brought municipal sector financing into immediate focus. Municipal employees have experienced the same growth in real wages as private employees without having recorded anything like the same growth in productivity. How to increase pay for staff in the health and social care sectors at a higher rate than average private wages is a question that will doubtless reappear on the agenda. Tax bases must be enlarged, not only by means of greater productivity in the business sector but also by ensuring that more hours are worked in the economy.

With this in mind, the trends of recent years in respect of working hours are alarming. The number of hours worked (per person of productive age) in 2003 was almost as few as during the recession of the mid-1990s. An important factor in this development is *declining mean work time* (partly as a result of increased absenteeism due to illness). If the wage margin continues to grow in the future, work time is likely to move in the opposite direction. Part of the potential increase in welfare is claimed in the form of more leisure hours. Consequently, if wage formation is to be kept at feasible levels, enlarging the municipal tax base by ensuring that more people enter employment would appear to be an even more important task.

A positive aspect of labour supply in Sweden is that employment among people in the upper age bracket has increased in recent years and that the rate of premature retirement has declined. In the case of younger employees, however, the picture is different. The number of disability pensions granted to people aged 25-54 is increasing rapidly. In 2002, the proportion for this age group was 6 per cent. In addition, 4 per cent were absent on sick leave.

The rise in sick leave is forcing social insurance systems into long-term commitments, the financial and economic implications of which cannot yet be foreseen. Fulfilling these commitments may necessitate reducing the financing frameworks for healthcare, social care and education or increasing social contributions and/or taxes. Both alternatives would create problems for wage formation. With a declining supply of labour in relation to population development, there is a growing risk of dissension between different sectors and different sections of population over the economic resources available, as well as a risk of labour market disputes.

What should be included?

In preparation for the 2004 round of collective bargaining, the parties have discussed what should be included in the term labour costs when determining the size of the wage margin. Below is a general description of the various factors that affect both labour costs and competitiveness. In addition, we examine what practical possibilities the social partners have of taking the various factors into consideration in their negotiations.

Employment laws and agreements

In 2003, little changed in Sweden in the way of legislation governing relations between employers and employees. The issue that attracted most attention was ill-health and the rising sick leave rate, both of which directly affect state finances. In order to reduce expenditure, the Government cut the sickness benefit level and extended the obligation of employers to provide sick pay from two to three weeks. A new anti-discrimination law was introduced and some of the existing legislation in this area was amended. In 2001, changes were made to the Security of Employment Act. Wage-earners were given the right to remain in employment up to the age of 67. Under provisional regulations, collective agreements that prescribed retirement before the age of 67 were to remain valid up until the end of 2002 at the latest. The Swedish Trade Union Confederation (LO) and the Confederation of Professional Employees (TCO) reported the Government to the International Labour Organisation (ILO), and the latter has now delivered its opinion on the issue. It ruled that invalidating collective agreements governing retirement age by legislative means was incompatible with the ILO conventions on freedom of association and collective bargaining.

On the bargaining side, the main organisations in the Swedish labour market have agreed on guidelines for the implementation of the European Agreement on Guidelines on Telework in Commerce. In addition, the Swedish Forest Industries Federation and the Swedish Union of Clerical and Technical Employees in Industry have agreed on terms and conditions for union representatives operating in the forestry industry.

The 2003 bargaining round

In both 2002 and 2003, negotiations on pay and general terms of employment applied to only a limited part of the labour market, as multiyear agreements had been reached for most employees in the 2001 bargaining round.

In the *private sector*, 30-odd agreements – encompassing approx. 100,000 employees – expired at the end of 2002 or later in 2003. All the agreements concerned negotiating areas outside the industrial sector.

Major private sector contracts included the agreement governing professionals in the insurance industry, the agreements for marine officers, the agreements for SAS pilots, cabin crews and ground crews respectively, the agreement for road and rail workers, a number of agreements with the Swedish Transport Workers' Union, the press agreement, the agreement for dental laboratories, and the agreement for electrical contractors, where the Swedish Electrical Workers' Union (Elektrikerförbundet) had terminated the final year in the three-year agreement it negotiated in 2001.

In the *public sector*, negotiations took place on behalf of some 450,000 employees as a result of the termination of agreements by the National Union of General and Municipal Workers in the municipal sector.

Altogether, negotiations on pay and general terms of employment encompassed some 550,000 employees in 2003.

In certain areas, the 2003 round of bargaining began as early as the autumn of 2002.

Before the end of 2002, agreements were concluded on behalf of security company employees and insurance professionals. In January-March 2003, agreements were negotiated in respect of retreading workshops, marine officers (after mediation), petrol station and garage companies, the depot, petrol and aircraft refuelling industries, road and rail workers, the press agreement, and also in respect of service stations and depots covered by the Cooperative Employers' Association.

Subsequently, in the spring and summer of 2003, agreements were reached in over a dozen additional bargaining areas.

In the municipal sector and in the electrical contractor industry – where the National Union of General and Municipal Workers and the Electrical Workers' Union respectively had terminated the final year in their three-year contracts negotiated in 2001 – new agreements were only reached after mediation and industrial action.

In a few additional areas, agreements were concluded after the summer of 2003.

A clearly stated objective of the current agreement for the industrial sector and other agreements addressing bargaining procedure in both the private and the public sectors is that negotiations should be conducted in such a way as to ensure "completion at the right time", i.e. before the previous agreement expires. In areas not covered by negotiated settlements as well, the parties are largely agreed on the value of completing new accords before the old ones expire.

In recent years, a marked improvement has been discerned in both private and public sectors as regards the timing of settlements. In the 2001 round, new agreements were reached in the private sector prior to or roughly coinciding with the date of expiry for 75 per cent of the employees concerned. In the industrial sector, the corresponding figure was over 90 per cent. The public sector, too, has shown a marked improvement. For a more detailed description, see the National Mediation Office's first annual report, presented in 2001. (Summary in English at www.mi.se.)

In the negotiations of 2002 as well, which only applied to a limited part of the labour market, the two sides were relatively successful in achieving "completion at the right time".

A study of the agreements reached in 2003 shows the same pattern, with the exception of a few negotiations. These include the terminated agreements for municipal workers and electrical contractors and a number of agreements in the aviation industry.

The length of agreements varies between 9 and 26 months. In the private sector, about half of the agreements are for one year while the other half are of two years' duration. The one year-contracts expire during the first half of 2004 and the two year contracts during the first half of 2005.

In the municipal sector, the three-year agreement terminated prematurely by the National Union of General and Municipal Workers was replaced by a 24-month agreement covering the period 1 April 2003 – 31 March 2005. This means that all the agreements concluded in the municipal sector will expire at the same time, on 31 March 2005.

Outcome of agreements
With a few exceptions, agreements in the private sector in 2003 incorporated some form of individual pay increase. In the case of insurance professionals, wage formation was to be decided locally without recourse to any nationally determined wage margin or individual guarantee. The agreements for SAS ground crews, cabin crews and pilots were extended without any pay increases.

In most cases, the pay rises negotiated for *blue-collar workers in the private sector* in 2003 amounted to between 3 and almost 4.5 per cent for 2003 and between just over 2 and just over 3 per cent for 2004. The average wage margin has been calculated to 3.6 per cent 2003 and 2.8 per cent 2004.

In the case of *white-collar staff in the private sector*, the two-year agreements concluded on behalf of marine officers yielded pay rises of 4.5 per cent for 2003 and 3 per cent for 2004. The 12-month agreement for dental laboratory staff yielded an increase of 2.9 per cent for 2003.

In the *municipal sector* (municipalities and county councils), the three-year agreement terminated prematurely by the National Union of General and Municipal Workers involved distributing a general pay rise of 3.5 per cent for the third year, per 1 April 2003, in local negotiations. The new two-year agreement (1 April 2003 – 31 March 2005) meant that a minimum rise of 2.6 per cent is to be distributed locally per 1 July 2003. For some employees in the care sector, the increase is 5 per cent. On 1 April 2004, the corresponding increase will be 2 per cent. In the case of municipal child attendants and childminders in family daycare, the margin is 5 per cent. The average wage margin has been set at a minimum of 3.95 per cent as of 1 July 2003 and a minimum of 2.45 per cent on 1 April 2004. The agreement does not contain any individual guarantees or retroactive benefits.

Agreement models and distribution principles
Over the past ten years, wage formation in Sweden has become increasingly decentralised and individualised for large sections of the employment market. The influence of local partners on the wage formation process has grown accordingly. The greatest changes have taken place in the public sector.

In reports from the National Mediation Office, the various agreement models are divided into seven main groups based on the degree of local influence on wage formation.

In this year’s report, the summary has been updated to include the negotiations that took place in 2003 (see table below).

Many agreements – in both the private and the public sectors – confer full freedom on the local partners to negotiate the size of the wage margin and its distribution at the individual level. In many cases, however, these rules are linked to various kinds of ‘cut-off’ provisions; should the two sides fail to reach agreement, these provisions specify both the amount by which pay at the company/workplace is to be raised and a minimum pay increase for each individual. In practice, local freedom of negotiation is curtailed by these cut-off provisions. The majority of agreements in the private sector contain either some form of individual guarantee or a general increase for all. The size of these increases varies from area to area. In some cases, the individual guarantee takes the form of a settlement provided at the end of the contractual period.

This kind of guarantee has been applied in the state sector, with the exception of agreements with the central government section of the Confederation of Professional Associations (SACO-S). Thus when pay scales are reviewed no individual guarantee is provided.

The great difference compared with previous years is that as a result of the 2003 bargaining round, the agreements concluded by the National Union of General and Municipal Workers in the municipal sector do not incorporate any individual guarantees. (The agreements now refer to model no. 4. The previous agreements referred to model no. 5).

For the municipal sector as a whole, no individual guarantees have been negotiated.

In some parts of the private sector and in the case of most agreements in the public sector, the cut-off mechanism involves a wage board/arbitration board headed by an impartial chair selected by the social partners deciding how the wage margin is to be distributed.

The table below shows the various agreement models that operate in each sector, divided into seven main groups. There are minor differences within each group, but these are not significant enough to affect the overall analysis.

Agreement model	Proportion of employees, per cent		
	Private	State	Municipal/County Council
1. Local wage formation without nationally determined wage margin	7	32	28
2. Local wage formation with a cut-off regulating the size of the margin	5		
3. Local wage formation with a cut-off regulating the size of the margin, plus some form of individual guarantee	8	68	
4. Local wage frame without an individual guarantee	7		72
5. Local wage frame with an individual guarantee or alternatively a cut-off regulating the individual guarantee	45		
6. General pay increase and local wage frame	18		
7. General pay increase	10		

In the private sector, the local partners are allowed to decide the whole of the wage margin and/or distribution for 72 per cent of the employees (agreement models 1-5 above). The proportion is substantially higher in the white-collar sector than in the blue-collar sector. A large number of these agreements incorporate some form of individual guarantee, which limits the local partners' freedom to distribute the wage margin. As previously noted, in some areas the individual guarantee takes the form of a retroactive settlement at the end of the contractual period, which means the local partners in these areas are completely free to distribute the margin as they see fit when pay scales are reviewed.

For a further 18 per cent of private sector employees, the local partners are allowed to determine the distribution of part of the wage margin (agreement model 6 above). In the case of the remaining 10 per cent of employees in the private sector, the local partners cannot influence distribution. The entire wage margin is dispensed in the form of a general pay increase that is the same for all.

In the public sector, the local partners are allowed to decide the wage margin and its distribution in all cases.

In the state sector, the agreements with civil servants, police and military officers affiliated to the Public Employees' Negotiation Council, with the Union for Service and Communication Employees and with social insurance officers affiliated to the Union of Civil Servants all incorporate an individual guarantee provided retroactively at the end of the contractual period. Thus the guarantee does not affect the local partners' freedom to distribute the wage margin when pay scales are reviewed.

Agreements for municipal and county council employees no longer incorporate any individual guarantees, either when pay scales are reviewed or in the form of a retroactive settlement at the end of the contractual period.

The 2004 bargaining round

The 2004 round of bargaining will encompass most of the private sector and the whole of the state sector. In all, between 1.7 and 1.8 million employees will be affected by the negotiations on pay and general terms of employment.

Most agreements in the private sector expire in the spring of 2004, while agreements in the state sector expire on 30 September 2004.

Agreements in the municipal sector (municipalities and county councils) run until 31 March 2005 and will not therefore be affected by the 2004 bargaining round.

At the Government's request, the National Institute of Economic Research provides an annual report on the macro economic conditions for wage formation in Sweden. In its report for 2003[1], the Institute predicts that the hourly cost of labour in the business sector will increase by an average of 3.7 per cent in 2004-2006. Although this represents a slowdown compared with the rises recorded for 2001-2003, the Institute contends that an even more modest rate of increase would be appropriate from an economic viewpoint. A lower rate of increase would help raise employment levels, reduce unemployment and boost Sweden's GDP. The Institute concludes that an economically appropriate rate of increase in labour costs for 2004-2006 would be 3.2 percent per year, or 0.5 percentage points less than the rate of increase considered most likely.

In its report on the state of the Swedish economy in December 2003, the Institute makes the assessment that collective agreements in 2004 will be settled at a lower level than the agreements of 2001. The Institute's overall assessment is that total hourly earnings in the business sector are likely to be adjusted downwards to an average of 3.2 per cent annum during the period 2004-2005. Labour costs in the business sector are expected to increase by an average of 3.4 per cent annum during the same period (3.3 per cent and 3.5 per cent respectively).

As usual, the LO-affiliated unions held discussions in the autumn of 2003 in preparation for the 2004 round of bargaining. At the end of October, the LO's representative assembly debated and adopted a recommendation to member unions concerning joint demands at the upcoming negotiations. The assembly recommended that the talks be conducted in the form of coordinated negotiations at national union level based on demands developed jointly by the unions concerned, and also recommended that larger wage increases than the labour market average be sought for low-paid groups. On the basis of this recommendation, the executive board of the LO adopted a draft proposal in early November outlining a final recommendation which was dispatched to member unions for formal approval by their decision-making bodies. By early December, all unions affiliated to the LO had approved the final recommendation.

During the same period, the seven unions in the industrial sector affiliated to the umbrella organisation 'Facken inom industrin' established their own

[1] Wage Formation: Economic Conditions in Sweden 2003 (Oct 2003)

general objectives for the 2004 bargaining round. In addition, the Swedish Union of Clerical and Technical Employees in Industry established their positions and the Swedish Association of Graduate Engineers drew up guidelines for the forthcoming negotiations.

Based on the general objectives, the various unions have subsequently – at the end of 2003 and the beginning of 2004 – specified their demands for each respective contractual area and submitted them for negotiation.

Most of the employer organisations in the private sector also presented their bargaining demands during the same period.

As early as the autumn of 2003, it became clear that, as in 1998 and 2001, the aim of the parties to the collaboration agreement reached in 1997 in the industrial sector was that the competitive export industry should set the pay pattern by means of early settlements and thereby establish wage norms for the other bargaining areas. This is fully in line with the reasoning outlined in the government bill, 'Wage Formation for Full Employment', and with the agreements on bargaining procedure in the public sector.

On 18 December 2003, the partners in the largest bargaining area in the private sector – the engineering industry – presented their demands. The 2004 negotiations in this area will affect 300,000 employees in some 3,000 engineering companies. The present wage agreement expires on 31 March 2004.

In other areas, too, covered by the collaboration agreement, the parties submitted their demands for the next round a week before Christmas 2003, and negotiations on new contracts began in January 2004. By mid-January, no new agreements had been reached.

In most other bargaining areas in the private sector, the parties submitted their contractual demands around the turn of the year, and in many cases negotiations began in January 2004.

Working time

In 2003, some 30 new agreements were concluded at national level affecting almost 100,000 employees in the private sector. Only one of these agreements introduced rules on shorter working hours. No such provision was included in the agreement in the municipal sector between the National Union of General and Municipal Workers and the Association of Local Authorities/ Federation of County Councils.

Gender equality

Sweden's official pay statistics show wage levels for women and men in different employment sectors. Over the past ten years, the pay gap between the sexes has remained largely unchanged. The differences primarily reflect gender segregation in the labour market and the fact that jobs traditionally dominated by women are lower paid. The statistics do not show whether the pay gaps are unwarranted or discriminatory as defined by the Equal Opportunities Act. This is because the official statistics and the Act operate at different levels. The statistics show the differences in pay between the various occupational categories and across whole sectors but not pay relations at individual workplaces. The aim of the Equal Opportunities Act is to eliminate unwarranted differences in pay between employees performing equal work or work of equal value for the same employer.

In order to acquire a more accurate picture of the pay gaps, the National Mediation Office commissioned Statistics Sweden (SCB) to conduct a study into the situation in the public sector. To a great extent, occupational categories in this sector have already been broken down. The study shows that the pay gaps between women and men in the same occupation are very small. A similar study has been made of the printing industry, with the same result.

Principal responsibility for wage formation lies with the social partners and they have a crucial role to play in promoting equal pay. To a great extent, nationally negotiated agreements have mainstreamed the gender equality dimension into local wage formation. The agreements also incorporate rules on professional development. These may be regarded as an attempt to remedy a situation in which many workplaces distribute work tasks on a gender basis.

In some of the agreements reached in 2003, clauses have been inserted pertaining to gender equality. These include provisions for coordinating gender-based pay reviews/analyses under the Equal Opportunities Act with local pay reviews, and for safeguarding wage trends for employees on parental leave.

Mediation and industrial action

As in 2002, only a limited number of new agreements were negotiated at the national level in 2003. This affected the number of mediation assignments undertaken, which amounted to a mere six during the year. The mediation talks held as a result of the termination of the National Union of General and Municipal Workers' three-year agreement a year early were conducted by the two sides in accordance with the registered agreement on bargaining procedure for the municipal sector. Widespread industrial action broke out before a new agreement could be reached on pay and general terms of employment. The agreement reached on behalf of electrical contractors, too, was preceded by industrial action. These two disputes – especially the one in the municipal sector – have had a significant impact on the statistics for lost workdays due to industrial strife in the labour market. The figure for 2003 was the highest since 1995.

At the regional mediation level, the position has been largely unchanged in recent years with respect to the number of cases and the types of disputes involved. It is worth noting that some 2,200 local collective agreements – known as hanging agreements – were concluded in the Swedish employment market in 2003. Only a fraction of the requests for agreements by union organisations have necessitated mediation.

Wages and labour costs

The National Mediation Office is the government body responsible for public statistics on pay. This section in the annual report contains a general account of the pay statistics, along with a comparison of wage trends in

1994-2002 for the economy as a whole according to three different sources. The comparison shows how outcomes are affected by the differing structures of the three sources.

The average increase in pay for the economy as a whole in 2003, according to short-term (monthly) wage statistics so far, was 3.2 per cent. This figure is based on the ‘preliminary’ rates of increase for the January-October period, and is well below the rate for 2002, particularly in the case of white-collar employees in the private sector. According to the preliminary figures, pay for this group in 2003 tended to rise more slowly than for blue-collar workers.

With the successive addition of retroactive wages to the short-term wage statistics, the final outcome for 2003 is expected to be slightly higher, especially in the municipal sector, due to protracted local negotiations.

By historical comparison, real wage increases in recent years have been substantial.

This section ends with an account of the consultations/contacts that the National Mediation Office has had with various stakeholders, and also describes both scheduled changes in the official statistics and projects currently under way.

Competitiveness

In the long term, a country’s international competitiveness is largely determined by factors such as investment in human capital, investment in research and development, and investment in real capital. These provide a basis for the constant regeneration and transformation of enterprise. In this section, Sweden’s competitiveness is reviewed in a narrower perspective, i.e. on the basis of international comparisons both of labour cost trends and levels and of productivity trends. In the long and medium term, these are important factors along with consumer prices, export prices and exchange rates.

In 2002 and 2003, labour costs in Sweden grew only slightly faster than in important competitor countries, both in industry and in the business sector as a whole. The figures for Swedish labour costs in 2003 presented in Section 9 are based on preliminary data for the first three quarters. Recent information, however, suggests that the negotiated collective contributions for white-collar staff in the private sector were higher than the preliminary estimates showed. This may mean that the increase in Swedish labour costs in relation to competitor countries is in fact higher.

Viewed over a longer period, Sweden’s labour costs have increased to a considerably greater extent than those of our trade partners. Due to a very substantial growth in productivity, however, competitiveness was maintained in 1993-2003 and even improved to some extent. At times, Swedish competitiveness was aided by a weak currency, but in 2002 and 2003 the rate of exchange for the Swedish krona strengthened by about 5 per cent. Sweden’s export prices have fallen in relation to its competitors, and Swedish consumer prices have only occasionally increased faster than in the outside world.

In the future, however, it appears unlikely that Sweden will be able to count on the same rate of productivity growth as in recent years. Also, many economic observers expect to a further strengthening of the exchange rate. If Sweden is to continue improving its competitiveness, labour market costs must not be allowed to exceed those of our trade partners. Both the OECD and the European Commission expect labour costs in the EU zone to increase at a slower rate in 2004 and 2005 than in 2003.

This section also describes the outcome of the latest rounds of collective bargaining in Germany, the Netherlands, Denmark, Norway and Finland.