

About Sweden's National Mediation Office

The National Mediation Office in Sweden is a central government agency answerable to the Ministry of Employment. It has three principal tasks:

- to mediate in labour disputes
- to promote an efficient wage formation process
- to oversee the provision of public statistics on wages and salaries.

The National Mediation Office appoints mediators in the event of a dispute between the parties in the labour market (the 'social partners') during bargaining over pay and terms of employment. Most of these mediators have previously served as negotiators with one or other of the social partners, or with a union or employer organisation.

The National Mediation Office is required to strive for an efficient process of wage formation. This means combining real wage growth with higher employment, facilitating changes in relative pay, and ensuring compatibility with the principles whereby the competitive sector (the export industry) establishes the norm for pay rises and industrial cost levels do not exceed those of Sweden's competitors. The National Mediation Office holds regular talks with the social partners and organises conferences on wage formation several times a year. It also publishes reports and anthologies on the subject, all with a view to pushing wage formation in the right direction.

Since 2001, the National Mediation Office has been the government body responsible for public statistics on wages and salaries. These are produced by Statistics Sweden. The Office's task, following consultation with other stakeholders, is to order statistics that meet the needs of other users.

The National Mediation Office has ten members of staff and began its operations in the autumn of 2000. It superseded the National Conciliator's Office, the previous government body in this field, which also appointed mediators.

The difference between then and now is that today's mediators are not allowed to propose agreements incorporating levels that exceed the norm established through agreements in the industrial sector.

State mediation in industrial conflicts has been provided for by law in Sweden since 1906.

Summary of the annual report Wage Bargaining and Wage Formation in 2009

Economic review

The global downturn triggered by the finance crisis had a highly detrimental effect on the Swedish economy in 2009, particularly the export industry. Sweden's GDP is estimated to have declined by as much as 4.5 per cent, which represents a new historical low. Unusually vigorous economic policy incentives stabilised the situation in the finance market, however, and helped

restore demand in the second half of the year. The cuts in interest rates primarily benefited the domestic part of the economy, while the export industry's utilisation of capacity remained abnormally low. The labour market situation steadily worsened during the year, with declining employment, mainly in the industrial sector, and rising unemployment. Inflation fell dramatically and as a result of the interest rate cuts the consumer price index (CPI) measure of inflation remained below zero for much of the year.

Competitiveness

Sweden's competitiveness declined in both 2007 and 2008, due to a lower rate of productivity than in other parts of the world. Productivity probably continued to fall slightly more than in competitor countries in 2009, but a dramatic weakening in the Swedish krona meant that competitiveness nonetheless improved during the year.

Labour costs in Sweden increased more slowly than in the EU and the euro zone in both 2008 and 2009. Interpretation of the statistical data on labour cost increases in 2009 is hampered, however, by the extensive reductions in working hours that were introduced around Europe. Not least in Sweden's foremost competitor country, Germany, reduced working hours without any corresponding reductions in pay pushed up labour costs per hour in 2009. Over the last 5–6 years, growth in Swedish labour costs has been on a par with the euro zone and slightly slower than in the EU.

The continued decline in productivity raises questions about future competitiveness. The indications are, however, that the downturn has largely been cyclical in character and that productivity growth will return once production has recovered. Also, viewed over a longer period, competitiveness is still satisfactory, due to the strong growth in productivity recorded in Sweden up to and including 2006.

Applying the harmonised EU measure, which does not include interest costs, inflation in Sweden was considerably higher than in the EU and the euro zone in 2009. It was the first time since 2003 that prices rose faster in Sweden than in the Union. The main reason for this was the weak productivity of recent years, which has pushed up costs per unit produced in Sweden. Also, the weak krona helped sustain import prices levels.

The strong pressure on the krona in late 2008 and the winter of 2009, when financial unrest was at its peak, caused the currency to weaken by approximately 9 per cent between 2008 and 2009, despite a recovery during the summer and autumn period. This meant the krona's decline was of the same magnitude as during the previous recession after the millennium shift. If the krona continues to follow the same pattern as in the years succeeding the previous recession, it will continue to recover lost ground.

Pay statistics

According to the short-term (monthly) statistics, the rate of wage increase hitherto in 2009 was 3.3 per cent for the economy as a whole. For the business sector, the rate was slightly lower: 3.1 per cent. The highest increase rates, 4.2 per cent, were recorded in the county council sector. The addition of

retroactive pay is not expected to boost the figures to any great extent. So far, pay rises for 2009 have kept below those recorded in 2008, when the final outcome was 4.3 per cent. To a considerable extent, this reflects the deterioration in the labour market in the autumn of 2008, which began to have an impact on wage increases in early 2009.

Real wage growth – which averaged 2.5 per cent a year between 1995 and 2008 – was 3.5–4 per cent in 2009, primarily due to the negative average rate of inflation.

Labour market legislation etc

The Laval ruling by the European Court meant that Swedish legislation conflicted with Community law over the right of Swedish union organisations to take industrial action to persuade foreign companies outstationing employees to Sweden to sign collective agreements. The Government appointed a special inquiry to propose whatever amendments to Swedish law might be required as a result of the European Court ruling. The subsequent report led to a government bill that was brought before the Riksdag (Swedish parliament) in the autumn of 2009. It proposed changes in the law concerning outstationing and also in the Co-Determination Act. These legislative amendments will enter into force on 1 April 2010.

Negotiations between the Confederation of Swedish Enterprises, the Swedish Trade Union Confederation (LO) and the Council for Negotiation and Co-operation (PTK) on a new *general agreement* for the private sector got underway in the autumn of 2008. The aim was to reach a new agreement by the end of the year. This deadline was later put back to the spring of 2009. On 11 March 2009 the negotiations broke down after the Confederation of Swedish Enterprises decided there was no further point in continuing. As far as can be ascertained, disagreement primarily concerned two areas: the rules regarding industrial disputes and the rules concerning who goes first (the selection order) in the event of dismissals due to lack of work.

The 2009 bargaining round

In 2009, 30 of the labour market's approximately 650 collective agreements were the subject of negotiation.

They included both agreements that expired on 31 December 2008 and agreements that expired in 2009. In addition, the 2007 agreements between the Swedish Construction Federation and the Swedish Building Workers' Union, covering building and construction workers respectively, had to be re-negotiated after the union terminated the third contractual year. The Swedish Federation of Consulting Engineers and Architects chose not to exercise its option to extend the contractual period to 31 March 2010, which meant the agreement expired on 31 March 2009.

Other negotiating sectors were banking and insurance, whose agreements expired on 31 December 2008, and parts of the service sector, where the agreements negotiated by employer organisations Almega and KFO expired in 2009.

In all, the 2009 bargaining round affected 175 000 employees, of which 70 000 belonged to the Building Workers' Union.

Agreements in time

Reaching new agreements before the old ones expire is in the public interest. It makes wage formation more efficient and also means that labour market conflicts can be avoided. As part of its mandate, the National Mediation Office seeks to ensure that the partners draw up timetables for their bargaining so that new agreements can be reached before the old ones expire.

Since the 2009 bargaining round covered few agreements and relatively few employees, there is little point in statistically estimating 'agreements in time'. However, over half of the agreements were concluded more than three weeks after the old ones expired.

Length of contract

Most agreements run for 12–24 months and expire in 2010. Only one agreement – that between the Almega employer and sector associations and the Transport Workers Union, on behalf of direct mail delivery staff – has a longer contractual period of 36 months.

Outcome of agreements

Since the 2009 agreements cover very few individuals and the largest among them have very open pay provisions, there is little point in undertaking statistical estimates exclusively for agreements reached in that year.

Of the agreements reached in 2007, 99 per cent ran for between 31 and 42 months. These agreements, therefore, applied in 2009. The negotiated pay increase in 2009 for manual workers in the private sector was 3.2 per cent plus a 0.2 per cent pension increase. For non-manual workers in this sector, the negotiated pay increase was 2.9 per cent and the reduction in working hours less than 0.1 per cent in 2009.

Agreements for overcoming the economic crisis

The decline in the Swedish industrial sector brought on by the deep financial crisis of autumn 2008 was both more rapid and more profound than at any other time in the post-war period. Around the turn of that year, industrial production was 20 per cent down on the corresponding period a year earlier. Production in the automotive industry, for instance, was more than halved. Meanwhile, workforce cutbacks reached heights unparalleled since the early 1990s. In light of this, the social partners began discussing how company costs could be adapted to the drastic fall in demand without the need for mass layoffs.

On 2 March 2009, employers in the Association of Swedish Engineering Industries and the IF Metall (metalworkers) union reached an agreement designed to tide their sector over the economic crisis. It enabled them to agree on job release periods and/or study leave of more than 20 per cent, but employers were not allowed to reduce wages and other remunerations paid by more than 20 per cent.

The Swedish Industrial and Chemical Employers Association, the Employers' Association of the Steel and Metal Industry, the Employers' Association of Swedish Mine Owners, the Employers' Federation of Welding Engineering, and IF Metall signed a temporary redundancy pay agreement on 2 March 2009 that enabled the local partners to conclude agreements on redundancies and redundancy payments. The temporary redundancy pay agreement is similar in wording to the agreement between IF Metall and the employers in the Association of Swedish Engineering Industries.

In the white-collar sector, the Association of Swedish Engineering Industries joined the Swedish Industrial and Chemical Employers Association and the Employers' Association of the Steel and Metal Industry in bringing the new union organisation Unionen before the Labour Court, as a result of which the parties decided that the practice of reducing working hours and reducing pay was permitted under their national agreement.

Some 400 companies affiliated to the Association of Swedish Engineering Industries have signed crisis agreements. Most of them cover both manual and non-manual workers. On average, local crisis agreements in engineering companies incorporate an 18 per cent reduction in working hours and a 13 per cent reduction in costs. The average duration of these crisis agreements is just over six months.

The 2010 bargaining round

During the autumn of 2009, the National Mediation Office was frequently in contact with the social partners. These discussions with the majority of parties in the labour market concerned both trends in the economy, based among other things on a report from the National Institute of Economic Research on wage formation, and the importance of the competitive sector's normative role in this respect. The parties have also presented the National Mediation Office with their views and their timetables ahead of the new bargaining round.

In the autumn of 2009, the Office organised conferences and seminars for the benefit of the social partners, mediators and journalists in preparation for the 2010 talks.

Agreement models

The table below shows the various agreement models to be found in each sector, divided into seven main groups. There are certain minor differences within each group, but these do not affect the outcome.

Distribution of agreements in the Swedish labour market as a whole

Agreement model	Percentage of total employees in the labour market			All sectors
	Private	Central government	Municipal sector	
1. Local wage formation without nationally determined margin (figureless agreements)	4	3	2	9
2. Local wage formation with a fall-back regulating the size of the margin	5		15	20
3. Local wage formation with a fall-back regulating the size of the margin, plus some form of individual guarantee	6	4	16	26
4. Local wage frame without an individual guarantee	6			6
5. Local wage frame with an individual guarantee or alternatively a fall-back regulating the individual guarantee	21			21
6. General pay increase and local wage frame	11			11
7. General increase	7			7

Gender equality

Ever since its first report, published in 2001, the National Mediation Office has described what conclusions may be drawn from the official statistics on salaries and wages as regards pay gaps between women and men. The figures in the present report are based on wage structure statistics up to and including 2008.

A comparison of women's and men's average pay throughout the labour market shows that women earned 84.2 per cent of men's pay in 2008. Thus the pay gap was 15.8 per cent. The gender pay gap for the labour market as a whole has remained fairly constant during the period 1992–2008.

If, using a standard weighting procedure, differences in occupation, sector, age, education and working hours are taken into account, the pay gap is 6.6 per cent. If the preferred method of calculation is regression analysis instead, taking the same factors into account, the pay gap is 5.6 per cent. Choice of method and choice of relevant factors both affect the size of the pay gap.

The fact that men and women work in different occupations is an important explanation for this imbalance. The higher the proportion of women in an occupation, the lower their average pay. Male-dominated occupations are both low-paid and high-paid, while female-dominated occupations are almost always low-paid.

Mediation and industrial action

The 2009 bargaining round was very limited in scope. Special mediators were appointed in the case of six contractual negotiations between national partners. In four of the six, notice of industrial action was served, and in one case such action was taken. This involved a blockade of both overtime work and certain types of business travel. No work stoppages occurred during the year in disputes between national partners.

Under the Co-Determination Act, the National Mediation Office is entitled to order mandatory mediation if there is a risk of industrial action or if industrial action has already begun. There is one exception to this rule: if the partners have reached a special agreement on bargaining procedure and this has been registered with the National Mediation Office, the Office cannot order mandatory mediation. In 2001, the Office had registered 16 such agreements, and at most 19 bargaining agreements have been registered at any one time. In recent years, changes have occurred. A number of agreements have been terminated, and in the case of multi-party agreements one or more of the parties has withdrawn. At the end of 2009, there were 15 registered bargaining agreements.

In dealing with local disputes, the National Mediation Office has five permanent mediators at its disposal, each with a geographical area of operation. A permanent mediator is appointed for one year at a time. Mediators primarily deal with disputes between a trade union and an individual employer over the signing of a collective 'application' agreement. There was a dramatic decline in such disputes in 2008. While they increased slightly in 2009, their number (18) was historically low and well below the average for the new century. Although serving notice of industrial action is common practice in local disputes over the signing of collective agreements, only a handful actually led to action, since such disputes are usually resolved in the interim. Employers become bound by collective agreements either by signing an application agreement or by joining an employer organisation. In 2009, an estimated 8 000 new employers became bound by collective agreements. This situation has been largely the same throughout the 2000s. Only a fraction of the total number of application agreements reached every year in the Swedish labour market are preceded by notice of industrial action or mediation.

An international measure used to gauge the scale of labour market conflict in a country is the number of working days lost as a result. In 2008, Sweden lost nearly 107 000 days, almost all of which were due to work stoppages in connection with national bargaining. Lost days in 2009 totalled 1 560. A third of these were due to two illegal (wildcat) strikes, while the rest were the result of a lengthy contractual dispute in the Port of Göteborg.

The bulk of local cases registered were attributable to the syndicalist Central Organisation of Sweden's Workers (SAC). In 2009, the SAC was responsible for over 65 per cent of all notices of industrial action served in Sweden. None of these disputes concerned the signing of collective agreements on pay and general terms of employment. Many of them concerned collection blockades, but industrial action and the threat of it were also used to apply pressure in other disputes. As a rule, cases involving the SAC do not give rise to mediation.