This is the published version of a chapter published in *Jubileumsskrift till Juridiska institutionen 40 år*.

Citation for the original published chapter:

The Swedish Model and challenges on the labour market: can a competence insurance scheme be one solution?.
In: Örjan Edström, Johan Lindholm & Ruth Mannelqvist (ed.), *Jubileumsskrift till Juridiska institutionen 40 år* (pp. 273-283). Umeå: Juridiska institutionen, Umeå universitet

N.B. When citing this work, cite the original published chapter.

Permanent link to this version:
http://urn.kb.se/resolve?urn=urn:nbn:se:umu:diva-141878
Jubileumsskrift till Juridiska institutionen
40 år

REDAKTÖRER
ÖRJAN EDSTRÖM, JOHAN LINDHOLM & RUTH MANNELQVIST
The Swedish Model and Challenges on the Labour Market
Can a Competence Insurance Scheme Be One Solution?

CARIN ULANDER-WÄNMAN*

1 Introduction

The 1990’s structural transitions resulted in many companies being forced to terminate employees’ employment due to shortage of work. At the same time, technology investments were carried out in companies and the qualification requirements for professions increased. The unemployment was high during this period.¹ This was the reason why I, during my employment in SCA (Svenska Cellulosa Aktiebolaget), took the initiative to start up a comprehensive competence development project for blue-collar workers. The project was a collaboration between the company, the County Labour Board and the Vocational Employment Centre (AMU). Throughout the project, most workers who otherwise would have been terminated could retain in employment while employees who lacked upper secondary school education were given the opportunity to educate themselves. The knowledge project lasted for six years and had a special design in accordance with the needs of the paper industry. During this time I became convinced that skill workers need competence development in the middle of their professional life. I wanted to contribute to make it easier to establish some form of competence system for professionals. It was a challenge for me to create a position where I, from an overall perspective, would be able to take part in such efforts. My doctoral degree in law helped me get one step closer to a platform. Over the years I have followed the attempts to furnish professionals’ in their need of competence development. Sweden has not yet succeeded in establishing a system that make it possible for skill workers to raise their general qualifications and strengthen their employability during a whole working life with some form of economic support. It is a complex task, as

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¹ Between the years 1994–1997 the unemployment was more than 10%.
such a system would affect many other already established welfare systems. New knowledge is needed regarding the competence development efforts offered within these regulations, and how to draw a line between different systems. My future research is focused on contributing with new knowledge necessary for creating a competence development system for skilled workers in a way that strengthens the Swedish Welfare Model. This article aims to raise interest in the above mentioned research area and to show some legal regulations that may be affected by a competence insurance scheme. The article contains a problem review but does not provide answers. Instead, it is shown how research in the field can contribute with new knowledge that facilitate the establishment of a competence development system.

2 Background

There are some clearly identified problems on the Swedish labour market that necessitate career readjustment for people of working age. Structural changes means that some jobs disappear, other appear, and there are new and higher demands on employees’ qualifications. Sweden has unemployment as well as lack of labour in certain sectors and occupations, the number of sick-listed people has increased and people stay sick-listed longer. Some groups of unemployed people have difficulty establishing themselves in the labour market, employees need to keep working until higher ages, and companies are experiencing problems in connection with shifts in needed competence. Global competition, technical advances, and new ideas about how companies should be organised are affecting individual workplaces, as well as labour supply, professional qualification requirements and thus opportunities for employees and unemployed to remain in employment or get a new job. The needed labour

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4 Ds 2016:8 Hälsoväxling för aktivare rehabilitering och omställning, pp. 25-27.

5 Swedish Government Bill 2015/16:100, p. 36 et seq.


8 Labour Market Report 2016, p. 5.
market readjustments will be facilitated if the workforce has competence to meet new prerequisites. A new welfare component, in the form of a competence insurance scheme (CIS)\(^9\) can improve readjustment for the workforce. However, such an insurance must fit in with other welfare systems, for example the unemployment and health insurance systems, but also labour law legislation and regulation in collective agreements. How these different parts are coordinated through legal regulation and can form an effective transition system for professionals is an important research question for the future.

This article gives a comprehensive description of some legal components in the Swedish Model\(^{10}\) that aim to facilitate people in active age to obtain or retain an employment. The article is organised as follows. Section 2 presents the unemployment and health insurance systems. Section 3 describes the Swedish Labour Law Model with focus on the Swedish Employment Protection Act.\(^{11}\) Section 4 shows the need of a new welfare component in the form of a CIS, and how academia can contribute to such development.

3 The Swedish Model and Some Welfare Systems

The welfare systems – social security systems in form of insurances and other compensation and benefits systems – are a central part of the Swedish Model. In Sweden, welfare systems help redistribute economic resources in a way that the political majority experiences as fair and appropriate, both between individuals and over a person’s life. The systems’ primary purposes are to secure economic supply during childhood, when studying, illness, unemployment, disability and old age.

The so-called working line\(^{12}\) is a strong feature of the Swedish Model. Work is considered the foundation for both individual and societal welfare. It is work that provides insurance coverage and more work gives better insurance conditions. In Sweden, the long-standing perception is that everyone who can work, should work and contribute to financing the welfare.\(^{13}\) Sweden has chosen to make welfare systems general and mandatory. They are built on a notion of a

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\(^9\) A competence insurance scheme refers in this article to a general system that enables people, by being or having been employed, to broaden their skills with financial support.

\(^{10}\) The labour market in Sweden is to a large extent regulated through collective agreements. This means that labour market parties can complement and replace many parts of the current legislation. However, this article does not present any regulation in collective agreements.

\(^{11}\) Swedish Employment Protection Act (1982:80).

\(^{12}\) Or the working strategy.

\(^{13}\) SOU 2015:21, p. 48.
strong state. The political idea behind this is to compensate for people having
different risks of being affected by, for example, sickness or unemployment. This
is based on an ideology of collective responsibility and solidarity for everyone to
have it good enough.

The unemployment insurance and the health insurance are two welfare
systems that are based on the working strategy and they have great impact on
peoples’ possibilities to obtain or retain a job. In case of shorter illness or
unemployment, the security systems work primarily as income insurances. In case
of longer absence from the workplace, it increasingly take on the character of
transition insurance.

3.1 The Unemployment Insurance Scheme

The Swedish unemployment insurance scheme is general and inclusive. The
insurance also covers self-employed. A self-employed person is deemed to be
unemployed only if the cessation of their business activity is final and not merely
temporary. The unemployment insurance system consists of two components: a
basic insurance scheme and an income insurance scheme. The basic insurance
scheme is compulsory for everyone active for a substantial period in the labour
market (including both employees and self-employed). Benefits can be paid to
those who are not members of an unemployment insurance fund or who are
member but do not meet the special eligibility criteria for earnings-related benefit.
Claimants must be able to demonstrate their connection with the labour market
by fulfilling the qualifying period of employment-working condition. To qualify,
they must have been gainfully employed for at least six month and worked at
least 80 hours a month during a twelve-month period immediately preceding the
commencement of their unemployment. Compensation under the basic
insurance is not linked to previous earnings but consists of a basic amount.
Currently, the basic amount is 365 Swedish crowns (SEK) per day for 300 days.\footnote{Förordning (1997:835) om arbetslöshetsersättning 3 §.}

The income insurance scheme is restricted to those who have been members
of an unemployment insurance fund for at least twelve months, as well as
fulfilling the employment qualification (the same as for the basic insurance). You
do not need to be a member of a trade union to receive payment from an
unemployment insurance fund, but you must belong to some unemployment
insurance fund to receive insurance benefit. The unemployment insurance funds
are independent of trade unions, but normally employees are members of both a
trade union and an unemployment insurance association. The earnings-related
benefit provided amounts to 80% of the insured’s normal earnings prior to unemployment during the first 200 days of unemployment, after the unemployed receives 70%. There is a ceiling for compensation of 910 Swedish crowns during the first 100 days of unemployment, which is thereafter reduced to 760 SEK per day. Both forms of unemployment benefits (basic and income benefits) are subject to a waiting period of five days from the commencement of unemployment before the allowance becomes payable. Unemployment insurance benefits are paid for a maximum of five days per week. The compensation is taxable and is considered a pensionable income.

Swedish unemployment insurance functions as both income and transition insurance. The insurance is intended to promote the “working line,” counteract employee’s tendency to become locked into a given occupation, and encourage occupational and competence-related transitions. The unemployed must be at the labour market’s disposal. In principle, this means that he or she cannot be a student while retaining unemployment benefits. If jobseekers have been without work for an extended period of time, they will be invited to participate in the Job and Development Program, which offers training services. If an unemployed participate in a labour market policy program it is possible to study with an activity grant. It is important to map the specific training an unemployed person can receive, the scope of such training, the conditions for receiving benefits during the education period, where and by whom decisions concerning participation in such training are made, and how these measures relate to the transition support provided for those unemployed individuals covered by collective agreement regulated transition agreements. By doing so, it is possible to understand if it is necessary to change or complement the unemployment insurance scheme to render it more effective, to facilitate re-entry into the labour market.

3.2 The Health Insurance Scheme

The health insurance scheme intends to compensate sick employees for loss of earning in the form of sick-pay sickness and rehabilitation benefits. There are

15 Swedish Government Bill 2014/15:100, p. 63, provides that the function of unemployment insurance as career transition insurance expands with increasing duration of absence from work.
16 Work is a base for both individual and societal welfare. See more about the “working line” SOU 2015:21 and Socialförsäkringsutredningen, Samtal om socialförsäkringen Nr 4, Vad är arbetslinjen.
also other benefits under the Social Insurance Act, but in this article the focus is on employees’ benefits. To qualify for sickness benefits the claimant must be insured in Sweden, have a sickness qualifying income, and have a reduced work capacity of at least 25%. A claimant can receive full, three-quarter, half, or quarter sickness benefits depending on the extent of his or hers reduced work capacity.\textsuperscript{18} Benefits are administered and paid for by the state through the Social Insurance Agency. Claimants receives compensation in the form of sick-pay, sickness benefit, and rehabilitation benefit. After the first day\textsuperscript{19} the employer is required to pay the employee sick-pay for 14 calendar days, after which the employee receives sickness benefit under the Social Insurance Act. The claimant’s compensation is 80% of the sickness benefit qualifying income for one year (no upper limit in the case of serious illness) and thereafter 75%. There is no upper time limit on the health insurance, but in cases of permanent reduction in work capacity caused by illness, the provisions on early retirement become applicable until the individual affected, attains the standard pensionable age of 65.

Sickness benefit is linked to an assessment of work capacity in accordance to a rehabilitation chain. During the first 179 days, employees’ work capacity is assessed with respect to their current position and other positions with the same employer. Thereafter, the work capacity assessment includes positions outside the employer’s operations or to the labour market as a whole.\textsuperscript{20} According to the 2014/15 Swedish Government Bill, the longer an employee is absent from a job, the elements of readjustments in the health insurance increases.\textsuperscript{21} According to the 1991/92 Swedish Government Bill, examples of work life-related rehabilitation include working capacity assessments and training.\textsuperscript{22} Analysing how sick individuals can receive financial and social security when such activities lead them away from their current position is of particular interest. These factors significantly encourage individuals to assume personal responsibility for their employability, and also clarify the connection between health insurance and labour market policy.

\textsuperscript{18} Social Insurance Code (Socialförsäkringsbalken) Ch. 27 §§ 2 and 4.
\textsuperscript{19} The first day is a waiting period.
\textsuperscript{20} Social Insurance Code (Socialförsäkringsbalken) Ch. 27 §§ 46–49.
\textsuperscript{22} Swedish Government Bill 1991/92:40, p. 32. See also Försäkringskassans Vägledning 2015:1, Version 5, p. 156.
The Swedish Labour Law Model and the Swedish Employment Protection Act

4.1 The Swedish Labour Law Model

From a societal perspective, labour law seeks to appropriately balance employers’ economic interests and employees’ interests of social and economic security. Most of legislation aims to balance interests and protect the weaker partner, which is deemed to be the employee. The state traditionally plays a minor role under the Swedish labour law model and should, as far as possible, refrain from regulating the labour market. The social partners should regulate employees’ wages and working conditions in collective agreements. Many labour law rules are semi-discretionary, meaning that social partners can enter collective agreements that deviate from the law. For the individual employee, this can result in both better and worse working conditions compared to the law. Collective agreements are normally valid for two–three years during actions (strikes, lockouts) are prohibited.23

4.2 The Swedish Employment Protection Act

The Swedish Employment Protection Act is designed as a peremptory legislation but in line with the Swedish Labour Law Model some provisions are semi-discretionary. The act can be considered as a tool for achieving the political goal of full employment. The act has four core areas:

1. The contract of employment is to be a permanent employment. This means that the normal form of employment in the Swedish labour market will be seen as a permanent agreement.

2. The employer must have just cause for termination. In order to terminate the employee, the employer must first examine whether it is possible to transfer the employee to any vacant position within the employer’s operations. However, the employee must have sufficient qualifications for the position.

3. When selecting which employees to terminate in case of redundancy, the employer must follow a specific order. The position of individual employees is determined on the basis of length of service with the

23 There is “industrial peace” in the areas covered by a collective agreement.
employer, known as the principle of “last in, first out”. However, in order to retain their positions, employees with longer service time must have sufficient qualifications for the position.

4. Employees who have lost their jobs due to redundancy have the right to be prioritized in future re-employments. This right is based on the length of service, meaning that employees with longer service time and sufficient qualifications shall be offered a new employment first.

A key factor in a worker’s security in connection with the Swedish Employment Protection Act is his or her qualifications. One study of Swedish Labour Court practice as it pertains to employees’ rights and obligations regarding competence development in connection with termination due to redundancy concluded, among others, that employers are generally deemed to have legitimate reasons for raising the qualification requirements for job positions. One conclusion of the study was that an employer is not obliged to provide competence development to help the employee meet new basic requirements for positions following a change in the employer’s business operations. It is the personal responsibility of the employee to ensure that he or she meets such basic requirements. This means that if a company changes as the result of, for example, new technologies or working methods and the employer changes its organisation and raises the basic requirements for a job position as a result, the failure of the employee to meet the new requirements may constitute just cause for dismissal due to redundancy. Interestingly, in neither the aforementioned study nor another study of Swedish Labour Court practice concerning termination due to employees insufficient qualification for existing positions did a trade union refer to a collective agreement on competence development. Competence development agreements exist in some form throughout essentially the entire labour market. In no legal dispute did a trade union assert that employee failure to build sufficient qualifications constituted a breach of the competence development agreement. The results of these studies raise questions concerning the content of competence development agreements and the rights and

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26 Ulander-Wänman, Carin, Otillräckliga kvalifikationer och arbetstagares rätt till kompetensutveckling (forthcoming).
27 The studies relate to the Swedish Employment Protection Act (1982:80).
obligations in terms of competence development that can derive from these agreements.

5 Competence Insurance Scheme - A New Welfare Component?

European employment policy establishes, in the form of “flexicurity”, that lifelong learning is a key component in ensuring the workforce’s ability to make the readjustments that a modern labour market requires. There is consensus among the political parties and the social partners in Sweden that the workforce’s adaptability needs to be strengthened and that raising working-age individual’s competence is beneficial to society, employers, and individual employees. It has nevertheless proven difficult to achieve a long-term, concrete, and universal competence enhancement system. The Swedish Government and Parliament have implemented numerous selective measures in this area, but a holistic approach to lifelong learning among workers is lacking. Negotiations about transition collective agreements between the social partners, for instance, the Conference of Swedish Enterprise and the trade unions have broken down on a number of occasions.

The identified problems mentioned above, require effective transitions systems in the labour market. The transitions systems that currently exist are complex. They are managed by different actors and governed by extensive regulations. An important question is if the different systems – unemployment insurance, health insurance, labour laws, and regulation through collective agreements – fit together in an effective way as transition tools to work? What strengths and weakness do the different systems have and are there any gaps? How can the systems be modified or supplemented to further the goal of full employment?


The “Work in the Future” analysis group has proposed that a CIS should be instituted for professionals with a view to counteracting labour market segregation and improve matching between labour supply and demand. The idea of implementing some form of general lifelong learning system for employees is not new in Sweden. However, establishing a new competence development system is a complex task, as such a system would affect many other established welfare systems, including not only for example unemployment insurance and health insurance, but also collective agreements that regulate the conditions surrounding employees’ readjustments in various ways. A new component that would enhance the adaptability of the workforce through increased competence would need to be clearly delineated in relation to relevant existing welfare systems. These systems must not conflict with or overlap one another, but rather complement and support the goals of making people more employable and getting more people into paid employment.

6 How Can Academia Contribute?

Sweden is falling behind, insofar as no concrete effort to formulate competence insurance for professionals has yet been initiated. Enterprises’ competitiveness is deteriorating and growth opportunities are being limited due to the lack of employees with the necessary skills. Many people risk being excluded from the labour market, and Sweden’s position is weakening relative to other countries. Sweden is developing a distinctly segregated labour market and, in the worst-case scenario, people will lose confidence in the ability of the established transition systems to help them find jobs. This might affect their willingness to pay taxes, ultimately threatening our solidarity-based welfare systems.

A general CIS would benefit employers, individuals, and society, helping employers improve their competence matching, better motivate their employees, and thus run more profitable/productive businesses that increase possibilities of

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30 In March 2015, the Minister of the Future created a working group tasked with analysing the challenges posed by the goals of high versus low unemployment over the next 10–15 years. The group is to propose measures that will lead to lasting improvements in the labour market.
31 Analysgruppen för arbetet i framtiden, Slutrapport, 2016, pp. 3 and 33.
innovation and growth. Individual employees will have better chances of personal development, better opportunities for career advancement/change, and greater employment security. For society as a whole, some form of competence insurance would reduce the load on the welfare system by helping people find work more quickly.

Academia can serve as a resource in developing a general CIS. Relevant research must be conducted impartially, with no requirement to take the special interests of the various parties involved into account. Science is based on accepted principles for generating and using data, and every step in the research process should be monitored and controlled. This practice creates the conditions necessary to generate solutions that can bridge gaps between entrenched positions.

An interdisciplinary research program in cooperation with the business community has been initiated at Umeå University, Department of Law, in that a reference group consisting of employer representatives and researchers have entered into a cooperative relationship. The research program is intended to generate knowledge, relevant to establishing a CIS for Swedish professionals as a new welfare component. This cooperative research has been initiated because the participants perceive a need to enhance the readjustment ability of the workforce through increased competence and are interested in contributing to such a process.

33 Cooperative arrangements have been initiated with established researchers in psychology and national economics at Umeå University.