



WORLD ECONOMIC FORUM, DAVOS 2017

# ***Inequality is bad for business***

***– a progressive agenda  
for equality***

The Swedish Trade Union Confederation

# Preface



POPULISM AND PROTECTIONISM are on the rise. This is a warning bell for all of us who defend openness, international trade and a sound market economy. Last year we witnessed dramatic events, when Britons voted to leave the EU and Donald Trump won the US Presidency. A common denominator is the criticism of globalisation, free trade and immigration. Populists and right-wing extremists have a following wind in public opinion in several European countries. The future of the EU may be at stake.

Allowing insecurity and income gaps to grow has produced a breeding ground for populism and protectionism. In many countries working men and women have been forced to stand back and see a deterioration in their living standards and a clouding of their own and their children's future prospects. It should not come as a surprise that this is detrimental to economic development and stability. The labour move-

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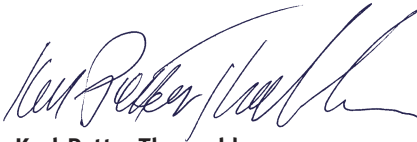
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ment has always warned against this. We know that an even distribution of resources, risks and opportunities is crucial for sustainable growth and for confidence in the economic and political system. Inequality is bad for business and sooner or later it leads to mistrust and political upheaval.

Inequality will continue to grow until politicians and trade unions put a stop to it. Now people's sense of injustice and hopelessness must be taken seriously. Therefore, we want to invest for equality. Political and business leaders must show responsive and responsible leadership and commit to inclusive and equitable growth. They must seek cooperation with trade unions in defending a sound, long-term sustainable and inclusive market economy and against short-termism, populism and protectionism. This requires strong and equal social partners. So don't mourn – organize!

A handwritten signature in black ink, appearing to read 'Karl-Petter Thorwaldsson', with a stylized, flowing script.

**Karl-Petter Thorwaldsson**

President of the Swedish Trade Union Confederation (LO)

[karl-petter.thorwaldsson@lo.se](mailto:karl-petter.thorwaldsson@lo.se)

# Inequality is bad for business

THE ADVANTAGES AND GAINS of openness are great and growing global trade increases incomes around the world. Many people have been lifted out of poverty. But it is clear that the advocates of globalisation and integrated economies have ignored the risks of not distributing these gains equally, and that nationalism and protectionism become an attractive alternative for those who are left behind. When the *Pew Research Center*, in a poll of global attitudes in 2014, asked what people thought was the “greatest threat to the world”, the by far most common response in the US and Europe was “inequality”.

Growing income gaps over several decades is a contributory factor to the successes of populism and protectionism. In the USA, Donald Trump performed best in states and areas where income differentials are greatest, and where the percentages of older people and people with shorter education are higher.<sup>1</sup> In the United Kingdom the support for Brexit was greatest in towns that had lost out on technical development and globalisation.<sup>2</sup> On the other hand, in towns that had successfully changed over to a knowledge economy the support for Brexit was weaker.

Inequality has negative effects on cohesion, democracy, health and criminality.<sup>3</sup> Inequality is also seen as a serious threat to economic growth by the OECD and the IMF, among others. Inequality is quite simply bad for business, because:

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1 Bruegel (2016), *Income inequality boosted Trump vote*, [www.bruegel.org](http://www.bruegel.org).

2 Baldwin (2016), *Brexit Beckons: Thinking ahead by leading economists*, VOX.

3 Wilkinson & Pickett (2009), *The Spirit Level. Why More Equal Societies Almost Always Do Better*.

- Parts of the population cannot afford to get an education, which means lower productivity and poorer prospects for companies' skills provision.
- A lower wage share and increased income inequality inhibit consumption and demand, and hence also productivity and output growth.
- Support for protectionism may increase, which threatens international trade and the exchange of knowledge, innovations and technical progress.
- Household indebtedness can grow unsustainably, which may lead to financial instability and economic crises. Increased ill-health may reduce workers' productivity.

The OECD shows that increased inequality has reduced growth in member states on average by 0.35 per cent per year between 1985 and 2010, which corresponds to 8.5 per cent lower growth in the period.<sup>4</sup> This is mainly due to decreased investments in human capital, which has taken place in all of the four lowest deciles of the income distribution.

Growing populism is proof of the failure of the neo-liberal economic doctrine. Reduced taxes, weakened trade unions, depressed wages for low and middle income earners, deregulation of labour markets and poorer income security in the event of unemployment or sickness have created wider divides. At the same time, incomes are increasing sharply for a few. The trickle-down effect never materialised. The OECD has therefore revised its former neo-liberal policy recommendations and is now looking to the Nordic model for inspiration.

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<sup>4</sup> Cingano (2014), *Trends in Income Inequality and its Impacts on Economic Growth*, OECD.

# Inequality is rising on a broad front

ECONOMIC EQUALITY CONCERNS how equally resources and opportunities are distributed in society. In the surveys conducted by the *International Social Survey Programme* of attitudes to inequality, an overwhelming majority state that they consider that income differentials are too great in their country. There is no clear correlation between the level of economic inequality in a country and opposition to it. Even if it is difficult to say what is a justified level of equality, it is obvious that a great proportion of the population in most countries consider that the current level of inequality is unfair.

## Income inequality is increasing around the world

Since the early 1980s income gaps, regardless of how we measure them, have increased in almost all OECD countries. The differences have increased both in terms of income and wealth.

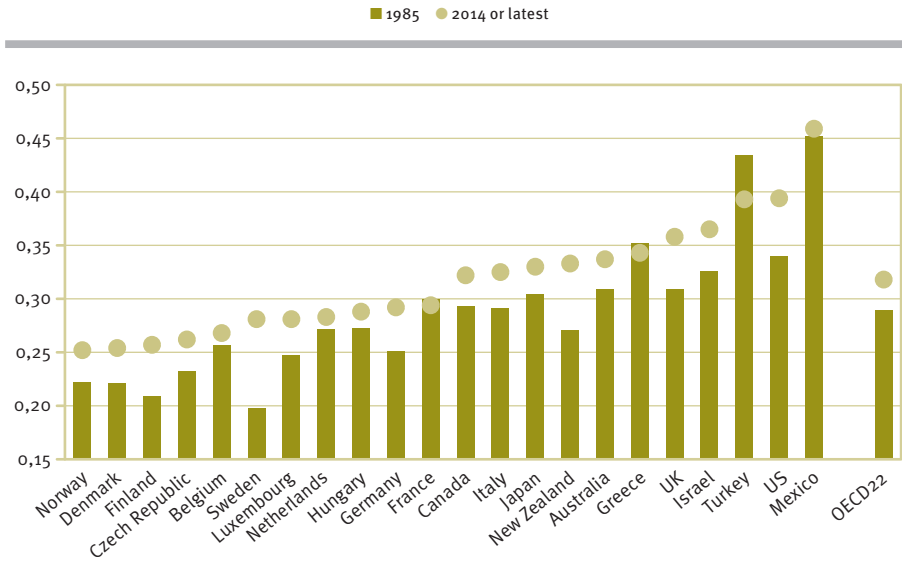
According to the OECD, increased income differentials were the most important explanation for the rise in income inequality between the mid-1980s and mid-1990s in OECD countries. Thereafter it is weaker redistribution through taxes and transfers that has been the most important reason for continued growth of inequality in disposable incomes.<sup>5</sup> Sweden used to be the most equal country in the world, but since the 1980s inequality has increased more than in other countries. However, the Nordic countries, including Sweden, are

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<sup>5</sup> OECD (2011), *Divided we stand. Why inequality keeps rising*.

**Figure 1** Income inequality is increasing in almost all countries

Gini coefficient, household disposable income adjusted for household size



Note: The Gini coefficient is a measure of income distribution in which the value 0 means that all individuals have the same income and the value 1 means that one person has the entire income of the country. A higher value thus means higher income inequality. Source: OECD (2015), *In It Together*; OECD Income Distribution Database.

still among the most equal, and the difference compared with the USA and the UK for example, is significant.

In many countries those at the top are drawing ahead, while more and more people lag behind. In the USA both the lowest-paid and the middle income groups have had non-existent or very weak wage increases in the past thirty years.<sup>6</sup> The jobs created in the USA after the financial crisis pay on average

6 EPI (2015), *Understanding the historic divergence between productivity and a typical worker's pay*.

23 per cent less than the jobs that were lost during the crisis.<sup>7</sup> Yet the salaries of the very richest have increased substantially, and the richest percent in the USA now earn more than a fifth of all incomes. According to the IMF and the OECD, weaker trade unions are strongly associated with increasing income differentials.<sup>8</sup> The contrast with Sweden is great, as real wages for Swedish workers, more or less regardless of level of education, have increased by about 60 per cent since the mid-1990s.

### **The wage share is falling in many countries**

For several decades the wage share as a percentage of GDP has fallen in most OECD countries, on average from about 70 per cent in the early 1980s to about 62 per cent in 2015, and the profit share has risen correspondingly.<sup>9</sup> Wages have been disconnected from productivity growth and workers do not receive as great a part of production value as before.<sup>10</sup> This has resulted in both falling wage shares and growing wage differentials. It is worth noting that top managers' salaries and bonuses, which increased substantially in the USA and other countries, are included in the wage share.

The reasons for the fall in wage shares are attributed to technical advances, which make automation of some occupations possible and contribute to “*skill-biased technological change*”, where demand for skilled labour increases while demand for low-skilled labour decreases. Globalisation feeds this development, when low-skilled jobs move from high-cost to low-cost countries at the same time as import competition

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7 The United States Conference of Mayors (2014), *U.S. Metro Economies*.

8 IMF (2015), *Causes and Consequences of Income Inequality: A Global Perspective*; OECD (2012), *Going for Growth*.

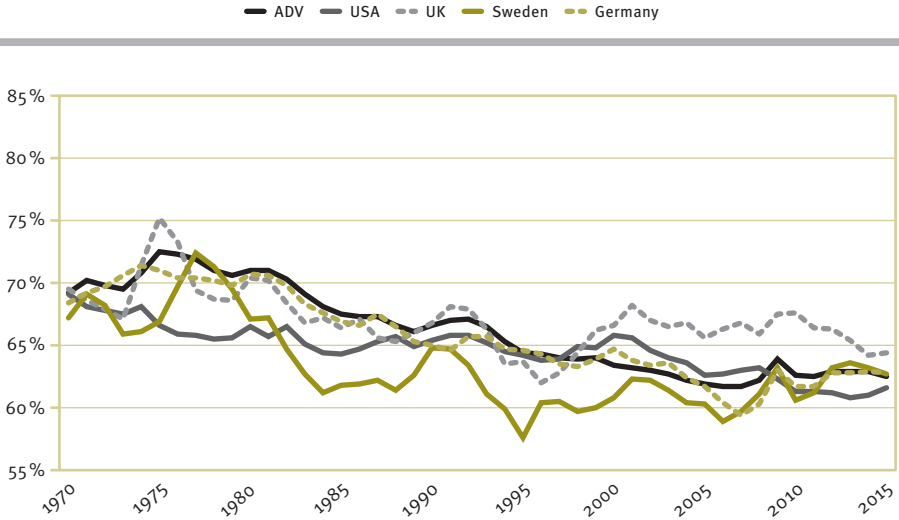
9 The wage share and profit share together constitute the total value added, which corresponds to a country's GDP, and is called functional income distribution.

10 OECD (2016), *Economic Outlook 2016*.



**Figure 2** The wage share has fallen in most countries

Adjusted wage share, total economy, per cent of GDP, 1970–2015



Note: ADV stands for unweighted average of 16 high income (advanced) OECD countries.

Source: AMECO.

from low-cost countries is increasing. But there are further explanations.

Several studies indicate that so-called financialization (de-regulated financial markets, increased indebtedness and rising yield requirements) has had the greatest impact on the falling wage shares, since it has weakened the bargaining strength of trade unions.<sup>11</sup> Empirical studies show that companies' required return on equity has increased considerably in recent

<sup>11</sup> Lavoie & Stockhammer (2013), *Wage-Led Growth*, ILO.

decades and is now very high.<sup>12</sup> Companies tend to value future return “too low” while company managements’ bonus systems are related to short-term return. When some companies raise their required return, other companies also feel “forced” to follow suit. High required returns also lead to fewer investments. Something is fundamentally flawed in the advanced economies’ corporate governance models, and capital owners’ interests are not in harmony with what is good for the majority and for the economy.

Welfare state retrenchment, which has been in progress since the 1980s, has also weakened the trade unions’ bargaining strength against companies. Thus it is the changes in the balance of power between the social partners that largely determines the development of wage and profit shares. In the USA, trade union density in the business sector has fallen from 24 per cent in 1973 to 7 per cent in 2015, a dramatic decrease of more than 70 per cent.<sup>13</sup> In almost all OECD countries, including Sweden, union density has fallen in recent decades, though not as dramatically as in the USA.

### **Job polarisation divides the middle class**

At least since the end of the 1990s, both low-skill and high-skill jobs have been increasing, while many middle-skill and middle-income jobs are disappearing. In the USA, job polarisation has caused great concern when the middle-class is being torn apart. In Europe the share of middle-wage occupations decreased in all 16 countries included in a widely cited study between 1993 and 2010.<sup>14</sup> At the same time, the share of

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<sup>12</sup> Franzén (2016), Does the capital market create problems for the economy? *Sveriges Riksbank Economic Review* 2016:1.

<sup>13</sup> Autor (2014) *Skills, education, and the rise of earnings inequality among the “other 99 percent”*.

<sup>14</sup> Goos et al (2014), *Explaining the Job Polarization: Routine-based Technological Change and Offshoring*.

low-wage occupations increased in 14 of these 16 countries and the share of high-wage occupations increased in all countries.

Naturally, the Swedish Trade Union Confederation does not necessarily consider low-skill jobs to be bad jobs, as long as they pay a living wage and the work is fulfilling and has good working conditions. But that is not always the case. According to the OECD many of the middle-skill jobs that are disappearing are full-time permanent jobs, while growth of low-skill and high-skill jobs mainly consists of temporary jobs and part-time jobs.<sup>15</sup> Thus, job polarisation not only means that we are losing a lot of middle-skill jobs with relatively good pay, but also that terms and conditions in some parts of the labour market are becoming increasingly uncertain and temporary.

One consequence of job polarisation is worse matching in the labour market. When people with a longer education cannot find jobs that match their educational level they are forced to accept jobs with lower qualifications. Consequently, they get lower wages than they would otherwise have earned (lower education premiums), and they displace people with shorter education from jobs that they could perform.<sup>16</sup>

The American experience of job polarisation is worrying. The employment rate has fallen, at least since the end of the 1990s, when job polarisation accelerated. For men, who generally have adapted worse than women to the new situation, the increase in the share of collage attainment, particularly for white males, has stagnated in recent decades, and the US labour force participation has fallen since the early 2000s.<sup>17</sup> When job growth is mainly in low-pay occupations, an increasing number of Americans have been forced to take jobs

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15 OECD (2015), *In It Together. Why Less Inequality Benefits All*.

16 Beaudry et al (2013), *The Great Reversal in the Demand for Skills and Cognitive Tasks*.

17 Autor (2010), *The Polarization of Job Opportunities in the US Labor Market*.

at lower pay than before, and, in some cases, slide out of the middle class and into the ranks of the working poor.<sup>18</sup>

### **Insecure labour markets with uncertain future prospects**

Inequality is also increasing due to growing differences as regards the position of workers in the labour market. More and more people are being offered just-in-time contracts with limited opportunities for skills development, poorer pay increases and where future income is uncertain. Others have permanent contracts with good opportunities for skills development and higher pay increases.

In many countries the percentage of short-term and fixed term employment contracts is increasing. This is partly due to job polarisation, partly to companies' constant demands for greater flexibility and their desire to be able to let staff go at short notice. In the USA a large part of job growth after the financial crisis consisted of precarious jobs. Non-regular contracts without development opportunities, in which people who are young, female, foreign born or have a short education are overrepresented in many countries, increase the risk of recurrent unemployment and are rarely a stepping stone into stable employment.<sup>19</sup> Therefore, the associated inequalities relative to regular contracts tend to persist over time.

### **Low income mobility results in unequal opportunities**

An indication of how equal opportunities are in a society is income mobility. Low income mobility between generations means that children inherit their parents' income position and social class, while high mobility means that they have greater opportunities to form their own lives.

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<sup>18</sup> The National Employment Law Project.

<sup>19</sup> OECD (2015), *In It Together. Why Less Inequality Benefits All*.

A series of different studies show that income mobility between generations is relatively great in the Nordic countries, and comparatively low in the USA, the UK, Italy and France, for example. The explanation for the relatively large differences lies partly in the various countries' institutions, which to a varying degree compensate for people's different conditions when growing up. In countries where the State bears most of the cost of education, where income insurance is universal and generous and where the public sector is relatively large, income mobility is also greater.

However, income mobility varies between different income groups in a country, and class, gender and ethnicity play a role. Increased income inequality and unequal opportunities are not separate phenomena. On the contrary, there is a clear connection between the two; high income inequality is associated with low income mobility between generations.<sup>20</sup> In the US, income mobility has fallen sharply over the past half century, largely due to growing income differentials.<sup>21</sup>

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20 Corak (2013), *Income inequality, equality of opportunity, and intergenerational mobility*.

21 Chetty et al (2016), *The Fading American Dream: Trends in Absolute Income Mobility Since 1940*.

# The Swedish model: Stability and flexibility give security and growth

ACCORDING TO THE *EUROBAROMETER*, Swedes have the most positive attitude to globalisation of all EU nationalities. The same applies to attitudes to immigrants. This is a great asset for the Swedish economy and competitiveness, since it facilitates structural change and integration.

**Table 1** Attitudes to globalisation, free trade and immigrants, 2016

	Sweden	EU28
Globalisation is an opportunity for economic growth	80 %	57 %
Positive to free trade	79 %	68 %
Positive to immigrants from other EU countries	78 %	58 %
Positive to immigrants from countries outside the EU	62 %	34 %

Source: European Commission, Standard Eurobarometer 85, spring 2016.

This positive attitude to major social changes has a century long history, in which the Swedish Trade Union Confederation and the Swedish trade union movement played a major part.<sup>22</sup> We regard globalisation, structural transformation, technical advances and openness to the world as opportunities rather than threats. Protectionism has few supporters in Sweden. This also means that the Swedish Trade Union Confederation, together with the two other trade union confeder-

<sup>22</sup> The Swedish Trade Union Confederation (2016), *We like change!* <http://www.lo.se/english/documents>.

ations in Sweden, is positive to free trade and, under certain conditions, to the Transatlantic Trade and Investment Partnership, TTIP.<sup>23</sup> The explanation for this is the highly successful Swedish model.

With the Swedish model's collective risk distribution, through a generous and general welfare system and a wage policy of solidarity, workers, firms and the State share the costs and losses that structural changes and globalisation may bring.<sup>24</sup> But their profits are also distributed through strengthened competitiveness, productivity growth and a steady rise in real wages for all workers.

The Swedish model rests on a number of central pillars: high trade union density, high collective agreement coverage, a wage policy of solidarity, active labour market policy, generous unemployment insurance, public investment in education and a tax-financed welfare system for income security and public services. These pillars are mutually dependent, and together they create an effective and rational model for high growth, high employment for men and women, and small income gaps. In addition, it contributes to the fact that Sweden in an international perspective has very few labour market conflicts.

Sweden is one of the world's most competitive economies. According to the *World Economic Forum*, Sweden has long been ranked high when it comes to global competitiveness and enabling trade across borders.<sup>25</sup> This also applies to the other Nordic countries, whose social models are similar to Sweden's. This shows that countries with regulated labour markets, strong trade unions, high collective agreement cov-

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23 The Swedish Trade Union Confederation (2014), *Swedish trade unions' policy on the negotiations between the USA and the EU on a free trade agreement (TTIP)*, [www.lo.se/english/news](http://www.lo.se/english/news).

24 Andersen et al (2007), *The Nordic Model. Embracing globalization and sharing risks*.

25 World Economic Forum (2016), *The Global Competitiveness Report 2016–2017; The Global Enabling Trade Report 2016*.

erage, high minimum wages, high taxes and generous welfare systems are among the most competitive in the world. These countries are also highly successful in economic terms.

The Swedish wage formation model, which is regarded as successful by all parties, focuses on providing continuous real wage increases for all workers and strong competitiveness for firms. An important component of the Swedish model is called the Rehn-Meidner model.<sup>26</sup> It builds on the *wage policy of solidarity*, in which wages follow the average productivity trend in the economy instead of individual firms' profitability.<sup>27</sup> Employees should not subsidise firms with low competitiveness, or support a declining industry through low wages. Firms that are not able to increase wages in accordance with collective agreements must then improve the efficiency of their business or exit the market. This way, positive structural change in the economy is encouraged: Businesses with low productivity are eliminated, freeing labour for firms with higher productivity. Embedded here is the notion that new technology and structural change can foster future jobs and higher wages. The wage policy of solidarity also counteracts the emergence of low-wage markets and promotes small wage differentials and a more equal society.

In order for a wage policy of solidarity to function there must be *security in transition* for workers. Structural change means that some workers lose their jobs or have their work tasks radically changed. Therefore, a policy is required to support the mobility and security of the labour force. In Sweden, there is a tradition of considering welfare policy and labour

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26 The model is named after the Swedish Trade Union Confederation's economists Gösta Rehn and Rudolf Meidner.

27 In Sweden all wages, including minimum wages, are determined in industry-wide collective agreements and not through legislation.



market policy as social investments. This supports a changing labour market and contributes to economic efficiency. Thus, individual security and economic efficiency are not in opposition. Here vocational education and training, adult education and active labour market policy are central for enabling workers to take the emerging jobs and meet new skill requirements. Hence security lies more in employability than protection of existing jobs. Security in transition also requires generous unemployment insurance. According to the OECD among others, generous unemployment benefits have no negative effects on employment if combined with extensive active labour market policy, as well as requirements and controls in the unemployment insurance.<sup>28</sup>

The Swedish model faces many challenges and could certainly be more effective. Many welfare reforms were implemented through broad social and political compromises that gave legitimacy to the model. But in the past decade serious political deviations from the model have weakened it. Now inequality is increasing in Sweden as well, and there are populists here too who are EU sceptics and critical to immigration. The Swedish Trade Union Confederation is convinced that a well-functioning Swedish model offers effective solutions to current and future challenges. Therefore, we continue to develop and strengthen the model so that it once again will become a coherent and effective model that promotes equality.<sup>29</sup>

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28 OECD (2006), *Employment Outlook*.

29 Swedish Trade Union Confederation (2015), *Full employment and a wage policy of solidarity. Report to the 2016 Swedish Trade Union Confederation Congress*, [www.lo.se/english/documents](http://www.lo.se/english/documents).

# A progressive agenda for increased equality

INEQUALITY WILL INTENSIFY over time if nothing is done to stop it. The Swedish economist Per Molander describes this in his book *The Anatomy of Inequality* (2016): “Without an active distribution policy, society moves as relentlessly toward the inequality limit as a stone plummets to the ground when dropped, falling with each moment that passes unless it encounters some resistance.”<sup>30</sup>

The need for increased equality is now acute in many countries. The increasing divides create shifts in power in society, from a growing group of workers with limited increases in income to a small group of extremely rich people. This may, as Nobel laureate Robert Shiller states, render the implementation of necessary political reforms even more difficult.<sup>31</sup>

At the same time as unemployment is already high in the wake of earlier crises and where migration increases the challenges, we must also address the fact that new technology, globalisation and job polarisation risk increasing inequality. Consequently, we propose a progressive agenda for increased equality.

1. **Give the world a pay rise.** Internationally the working middle class has been lagging behind for a long time. Despite hard work, often in several jobs, many workers around the world are stuck in poverty. We know that pay gaps stay entrenched for a long time and ultimately lead to increased

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<sup>30</sup> The inequality limit is also called the inequality possibility frontier, where a small elite controls the entire economic surplus while the rest of the population lives at the subsistence level.

<sup>31</sup> Shiller (2014), *Inequality Disaster Prevention*, [www.project-syndicate.org](http://www.project-syndicate.org).

pension gaps. Pay gaps also give children worse opportunities for social mobility. Therefore, politicians and the social partners need a plan to reduce the growing social and economic divides. This must include higher taxes on capital, financial services and the highest incomes.

All working men and women should get a fair share of productivity growth through real wage increases. This means that the wage shares must increase and the profit shares must fall, and economic elites and top managers must extract less of the economic value produced. Higher wages are not just a cost for companies, they are also the source of demand and consumption in the economy. There is nothing to indicate that a domestic low-pay sector and restrictive welfare would benefit global competitiveness, innovation or dynamics in the economy. The Swedish wage formation model and our wage policy of solidarity might be an inspiration to firms and trade unions in other countries.

2. **Invest in human capital and security in transition.** In a rapidly changing labour market, lifelong learning will be crucial. Access to high quality education, from pre-school to university, is central for increased welfare, reduced inequality and better skills provision for firms that want to grow.

An active and skills enhancing labour market policy strengthens matching in the labour market and prevents long-term unemployment. Together with generous unemployment insurance, this creates the security necessary for workers at risk of becoming unemployed in the wake of structural transformation and globalisation. This stimulates sound mobility in the labour market and increases opportunities for both individuals and society to readjust to more profitable and productive jobs.

In addition, generous student financial support for all forms of regular adult education is necessary to enable the unemployed to participate in continuing education and training or retraining. For the individual, the costs for this should be low. Furthermore, there must be an effective system of documentation and validation of all forms of formal and informal learning.

Experience shows that the market does not solve society's need for security, development and social trust. In countries with more even income distribution and greater equality of opportunity, such as the Nordic countries, social trust toward others and the State is greater.<sup>32</sup> Education paid for by the State makes it available to everyone, and a universal and generous welfare state offers a safety net and reduces divides. This increases income mobility and trust in the most effective way. From an economic perspective it is more advantageous to have the most suitable person in a particular position, instead of the individual's position being determined by the education and income level of his or her parents.

3. **Extended family policy and public services promotes gender equality.** Women tend to take on more caring responsibilities than men. A family policy that promotes equality between parents, above all through generous and publicly financed parental leave, in combination with extended child and elderly care, make it possible for more women to be (full-time) employed and participate in paid work.

In Sweden and many other countries there is a need to extend education systems and raise the quality of schools.

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<sup>32</sup> Rothstein & Uslaner (2005), *All for All: Equality and Social Trust*.

At the same time, demographic changes and an aging population contribute to increased demand for health care and social services. Such measures require more employees, often in middle-skill jobs, in these sectors. This would benefit all of society and in particular women, who in all countries have a lower employment rate than men.

4. **Strengthen the influence and responsibility of the social partners.** Sweden and the Nordic countries show that strong and equal social partners contribute to stability and sustainability. Compromises between the social partners give legitimacy to reforms and contribute to keeping the number of conflicts in the labour market to a minimum. Consequently, government policy should promote the social partners (both employees and employers) density rates and collective agreement coverage.

In Sweden, strong trade unions take the nation's economic situation and development into consideration by neither demanding too little nor too much in wage increases. Employers must in turn take responsibility for skills development of all employees, as well as preventive health and safety measures for a secure and safe work environment. Employers should also rely on flexible work organisations rather than employees having to take care of numerical flexibility through short temporary employment contracts.

Both the OECD and the IMF consider that strong trade unions can counteract the negative effects on income distribution that follow from technological progress and globalisation. If you get a share of the profits you also take responsibility for development, and in Sweden workers and trade unions are often involved in firms' development of new innovations and production methods.

5. **A Global Deal for equality and inclusive growth.** For the benefits of globalisation to be enjoyed by more people, some challenges must be dealt with internationally. In an increasingly globalised working life, the strength of the trade unions in a country is linked to trade union strength in the rest of the world. When workers in more countries have the collective strength to negotiate better pay and conditions, in the long term the global economy can work in favour of the world's workers.

The Swedish Government, together with the social partners, has initiated the *Global Deal for Decent Work and Inclusive Growth*, in collaboration with the ILO, the OECD and others.<sup>33</sup> The vision is that more people should benefit from globalisation and the global labour market challenges should be addressed jointly by the social partners. The Global Deal builds on the experience that an effective social dialogue in the labour market and decent work contribute to increased equality and inclusive economic development. This benefits workers, firms and society as a whole. The Global Deal will be an important instrument to achieve Goal 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) in the UN 2030 Agenda for Sustainable Development.

EU cooperation also influences workers' opportunities to ensure secure and fulfilling jobs. Consequently, a social protocol must be added to the EU Treaty to create a better balance between trade union rights and economic freedoms. EU law must not restrict, but instead support, trade unions' opportunities to represent their members by signing collec-

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<sup>33</sup> Swedish Trade Union Confederation (2016), *Global Deal for Decent Work and Inclusive Growth*, [www.lo.se/english/news](http://www.lo.se/english/news).

tive agreements and ensuring compliance with them. The EU must not be a mechanism for social dumping.



The Swedish Trade Union Confederation, LO, is the central organisation for 14 affiliates which organise workers within both the private and the public sectors. The 14 affiliates together have nearly 1.5 million members of whom about 680 000 are women.



The affiliates are: Swedish Building Workers Union, Swedish Electricians' Union, Swedish Building Maintenance Workers Union, GS (union of forestry, wood and graphical workers), Swedish Commercial Employees' Union, Swedish Hotel and Restaurant Workers' Union, Swedish Municipal Workers' Union, Swedish Food Workers' Union, IF Metall, Swedish Musicians' Union, Swedish Painters' Union, Swedish Paper Workers' Union, Union for Service and Communications Employees, Swedish Transport Workers' Union.

[www.lo.se](http://www.lo.se)

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