



Brief description:

Why Sweden needs entry agreements

– the Declaration of Intent between the Government, the Swedish Trade Union Confederation (LO), Unionen and the Confederation of Swedish Enterprise

Entry agreements in brief

- Entry agreements is an initiative that combines job and general education. They can be applied in companies that have signed a collective agreement.
- The target group is newly arrived immigrants and the long-term unemployed.
- Those with jobs under entry agreements receive a pay from the employer and an individual state benefit, so that they can have a reasonable disposable income. The disposable income must correspond to an income in line with the collective agreement's lowest pay.
- Entry agreements should be full-time – which helps to develop a full-time norm in more sectors – and last for a maximum of two years.

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Photo: Lars Forsstedt

Graphic design: LO

Production and print: Bantorget Grafiska AB, Stockholm 2018

ISBN 978-91-566-3309-6

LO 18.05 200

- Those with entry agreement jobs will be given the opportunity to take part in Swedish for Immigrants and other short training courses, especially vocational adult education. The Government will introduce more places to adult vocational education and, together with the social partners, review the educational system.
- At the start of an entry agreement job, the employee's knowledge and skills will be surveyed. The social partners' ambition is also that a validation of the employee's newly acquired knowledge and skills be carried out after a completed entry agreement job.
- An entry agreement job should in general lead to a permanent position with the same employer.
- The scheme of entry agreement jobs will be valid for five years, as a contributory solution to the immediate problem of a divided labour market.
- The ambition is that the system of entry agreements should be in place during the second half of 2019.

More information on LO's activities for improved labour market introduction can be found at www.lo.se

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Entry agreements will result in lower unemployment rates and better labour market matching

THE SWEDISH LABOUR MARKET is strong with the highest employment rate in the European Union. The demand for workforce in many LO occupations is high and employers have more and more difficulties in finding staff for vacant jobs. Despite the high demand for labour, the unemployment rate is however still high. If the unemployed do not have adequate skills for the vacant jobs, it complicates labour market matching. There is an increasing employment gap between those in the workforce who *do have* good knowledge and skills and those *who do not*.

The division of the labour market in Sweden and the increasing difficulties in labour market matching depend mainly on two aspects:

1. Significant problems in the *education system*, particularly as regards the capacity of upper secondary school to ensure provision of adequate competence.
2. The considerable number of *refugees* that Sweden has received over several years, of whom a significant number have insufficient knowledge and skills in relation to the requirements in the Swedish labour market.

The high number of refugees in 2015 and several years before is now being followed by a considerable increase in the number of newly arrived immigrants seeking introduction into the labour market. Refugees and members of their families are likely to be the very group of migrants who have the most difficulties in finding jobs. A major reason for this is that a large part of this group lack adequate

Table 1 Examples of LO professions with a shortage of labour

Cooks and cold-buffet managers
Vehicle engineering technicians
Installation and service electricians
Auxiliary nurses
Mechanical engine repairers
Bus and tram drivers
Butchers and meat cutters
Car sprayers and industrial painters

The list shows examples of LO professions where there is a shortage of labour.

Source: Arbetsförmedlingen 2018 (The Public Employment Service).

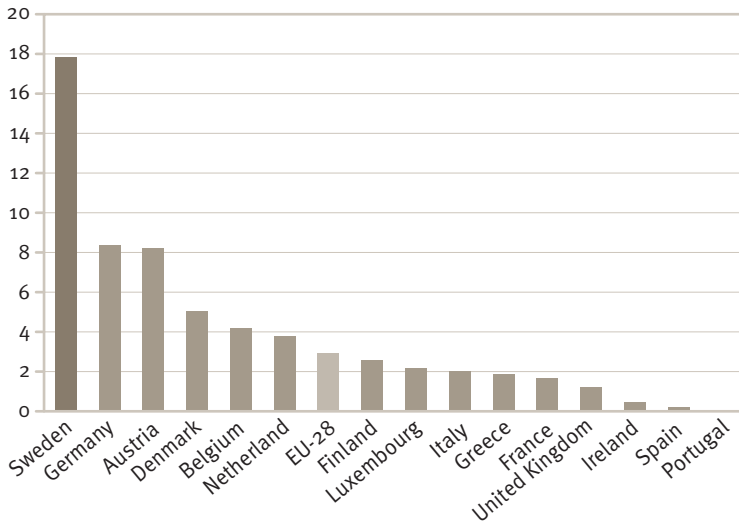
knowledge and skills. Migration over the recent years has thus been a factor that has added to the accentuation of an already divided labour market.

With right kind of management, the group of newly arrived immigrants could contribute to the reduction of the labour shortage. There is however an apparent risk today that the gap in the labour market will instead deepen.

Several years of insufficient efforts for labour market introduction of the newly arrived immigrants have led to the fact that the two-tier labour market shows an increasingly clear ethnic dimension. Nearly 60 percent of the unemployed registered at the Swedish Public Employment Service are born outside of Sweden.

Furthermore, it is a concern that the number of newly arrived immigrants taking part in general education is scarce, whereas improved knowledge and skills could increase the chances to long-term employment in a significant way.

Chart 1 Sweden's refugee reception in comparison with other EU countries
Granted residence permits for refugees (and corresponding groups)
2012–2016. EU15 countries, number per 1,000 inhabitants



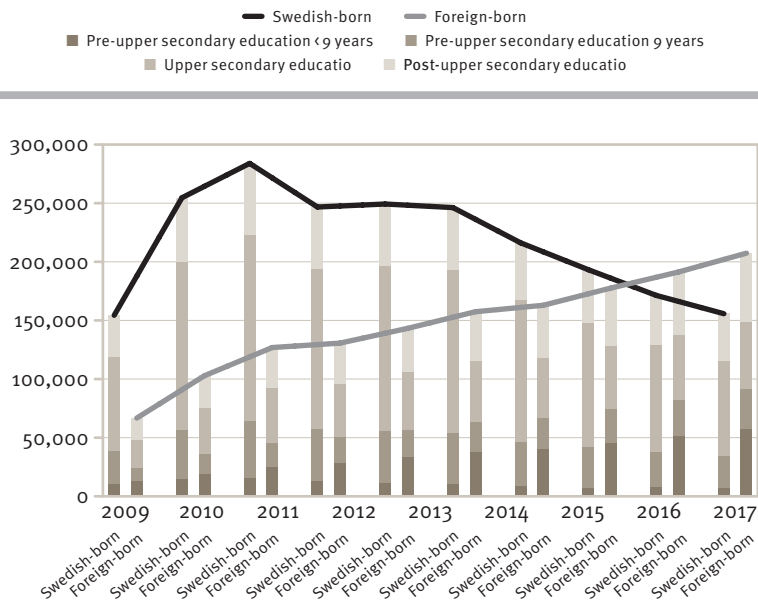
The chart shows that Sweden is the EU country that, besides Germany, has received most refugees. In relation to the population, Sweden has received most refugees in the whole EU.
Source: Eurostat and own calculations.

The division undermines the Swedish labour market model

The Swedish labour market model suffers increasing pressure, since a growing part of the labour force, due to insufficient knowledge and skills, faces significant difficulties to meet high productivity requirements.

A growing supply of labour with insufficient knowledge and skills risks creating a low-productivity and low-pay labour market, “simple jobs” – as it is called in the political debate. Negative structural

Chart 1 Registered unemployed at the Swedish Public Employment Service 2008–2017



Source: Swedish Public Employment Service.

change is likely to be accelerated through various forms of political intervention. This may involve weakening the trade union ability to maintain organisational and collective agreement coverage, as well as monitoring compliance with agreed wages and conditions, including government-regulated employment and reduced wages.

Negative structural change is likely to have far-reaching social impacts. This would impair potential productivity growth, exacerbate matching problems, increase permanent pay gaps and deepen the

Swedish class society. In addition, international comparisons show that countries where large groups have insufficient knowledge and skills also have lower aggregate employment.

The social partners need to choose a path

Instead of lowered entry pay, LO wants to develop a model that addresses the basic problem that the unemployed, especially the newly arrived unemployed, often lack the knowledge and skills required in the labour market. Such a solution requires a combination of work and education that allows the person to take a regular unsubsidised work after a certain period of time.

Promoting labour market establishment for newly arrived immigrants and long-term unemployed people is a key challenge. The greatest responsibility lies on Sweden's Riksdag, which regulates migration and education policies and is responsible for labour market policy. However, the responsibility for facilitating the path to work is shared by many actors, not least employers and trade unions.

LO's view is that the social partners must play an important part in the work to improve the establishment in the Swedish labour market. The social partners cannot allow a growing group of people to continue being excluded from the labour market.

LO has therefore taken an initiative to design, together with Unionen, the employers within the Confederation of Swedish Enterprise and the Government, a new model for more efficient establishment of the newly arrived and other groups of people with insufficient knowledge and skills. Now we have got a good deal along the way with the presentation of the Declaration of intent on **entry agreements**.

DECLARATION OF INTENT between the Government, the Swedish Trade Union Confederation (LO), Unionen and the Confederation of Swedish Enterprise

THE GOVERNMENT, the Swedish Trade Union Confederation (LO), the Confederation of Swedish Enterprise and Unionen agree that entry agreements should be introduced. The aim is to help newly arrived immigrants and long-term unemployed to become established in the labour market, and to facilitate future skills provision for employers.

The Swedish labour market is strong. Employment rates are increasing and unemployment is decreasing. Long-term unemployment has decreased and is the lowest in the EU. But far too many people still have trouble finding work, particularly those who were born outside Europe. An increasing number of sectors and regions are experiencing labour shortages. For Sweden to be able to maintain its competitiveness, it is important that skills provision is improved. Labour market matching must therefore be improved.

The basic premise is that entry agreements should make it possible for newly arrived immigrants and long-term unemployed people to get a job with an employer covered by a collective agreement on entry agreements. The intention is to ensure that newly arrived immigrants and long-term unemployed people have opportunities to acquire knowledge and experience that are sought after in the labour market. A position under the scheme should generally be able to lead to a permanent, full-time position with the employer. The employee will be given the opportunity to take part in Swedish for Immigrants and other short training courses as agreed on by the employer and the employee. Among other things, the Government is carrying out

an initiative in the area of regional vocational adult education that improves skills provision and creates opportunities for individuals who have entry agreements. In addition, funds will be available for adult vocational places on training courses that are relevant to both parties. Regular application processes will, however, apply. The social partners agree that the intention is not for employers to use entry agreements primarily for the purpose of reducing their labour costs.

Entry agreements are a completely new model to stimulate employment for newly arrived immigrants and long-term unemployed people. In 2019, an employer's total payroll expenses for a position of this kind will amount to SEK 8,400 per month. In addition, the employee will receive a tax-free, individual state benefit amounting to at most SEK 9,870 per month in 2019. The Government and the social partners agree that the salary and the individual benefit will follow wage developments. The individual state benefit can be claimed for no more than two years. The basic premise is that the size of the individual benefit should mean that there is an incentive for the individual to obtain regular employment.

The social partners and the Government intend to work together to ensure that when fully implemented, the scheme will cover at least 10,000 individuals.

The intention of the Government and the social partners is that external actors will provide the major part of the matching for entry agreements. Therefore, Arbetsförmedlingen (the Swedish Public Employment Service), together with the social partners, will be tasked with analysing the conditions for a model for procured matching for entry agreements, and examining its detailed design.

The social partners agree that they will establish a joint committee for the application of, and compliance with, union agreements on entry agreements.

The following are the conditions for entry agreements:

- there must be an appropriate control structure that minimises the risks of incorrect payments and repayment demands;
- the salary for an entry agreement must be covered by current regulations for employers' social security contributions and income tax;
- the salary must form the basis for social security benefits, and it is therefore necessary to examine how protection, e.g. in the event of illness, could be designed, while ensuring that controls are in place; and
- the social partners' final agreement will be valid for five years following its adoption, subject to notice of termination in accordance with the social partners' agreement of principle.

The ambition is to introduce entry agreements during the second half of 2019. It should be possible to provide the individual state benefit for an entry agreement even if the model for procured matching has not yet entered into force. In light of this, the Government intends to:

- draft a proposal regarding the design of the individual state benefit for state aid notification to the European Commission; and
- draft proposals for necessary legislative amendments and refer them for consultation.

There is also a need for measures so that Swedish for Immigrants and other regular training courses, and industry validation and validation in the regular education system, can supplement entry agreements. The Government therefore intends to review this together with the social partners. The scheme requires that:

- the model for entry agreements is compatible with existing regulations in the area of labour law;
- the model with multiple matching actors is feasible in practice;
- no obstacles arise in terms of state aid law; and
- the Riksdag takes necessary decisions.

The course of events prior to signing the Declaration of Intent

December 2016

The LO Executive Committee assigned LO with the task of examining the possibilities of negotiations with the Confederation of Swedish Enterprise regarding possible ways to facilitate the labour market introduction of newly arrived immigrants. The negotiations were launched, but the withdrawal of the Confederation of Swedish Enterprise stopped these.

February 2017

LO presented the Job and Education Initiative in a report (Utbildningsjobb för stärkt etablering), supported by the LO Executive Committee.

September 2017

Several LO affiliates requested negotiations with their counterparts within the Confederation of Swedish Enterprise. The basis for the negotiations was the report on the Job and Education Initiative.

November 2017

The negotiations between the unions and the employers led to an accord of principle concerning entry agreements. The next step was to initiate negotiations with the Government regarding how the Government could contribute to the process related to this initiative.

December 2017

The discussions and the work on this initiative were initiated with the Government.

March 2018

LO, Unionen, the Confederation of Swedish Enterprise and the Government signed a Declaration of Intent on entry agreements.

The Declaration of Intent contains, inter alia, an agreement on the levels of state benefits, as well as a list on the necessary legislative amendments to be prepared. The ambition is that the entry agreements will be realised by the end of 2019.