



**Intergenerational Bargaining:  
towards integrated bargaining for younger and older workers in EU countries**

**Sweden – Abstract**

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**1. Introduction**

In Sweden, as in the EU more generally, there is a need to advance the inclusion of both younger and older workers in the labour market, to combat youth unemployment and promote active ageing and longer and healthier working lives for older workers. Demographical developments and an ageing population together with the employment and labour market implications of the economic crisis form an important background.

This report aims to discuss and analyse intergenerational bargaining in Sweden. In this context intergenerational bargaining refers to the integration of policies and strategies for younger and older workers through collective bargaining and social dialogue. The focus is on three case studies about introduction agreements for younger workers, collective agreements on partial retirement for older workers, and transition agreements. The report also outlines the general framework for intergenerational bargaining in terms of labour law, industrial relations and collective bargaining, the pension system, the labour market situation of younger and older workers, and policy debates.

Younger and older workers must be defined in a contextual way. EU statistics often cover the age groups of 15–24 and 55–64. National and EU legislation, policy initiatives and collective bargaining measures may have a different and broader or more limited scope.

This report combines a legal-analytical method, and an analysis of legal sources, with a socio-legal approach, and an integration of industrial relations perspectives. In the case studies, analysis of the specific collective agreements is complemented by interviews with social partners and other actors in the labour market, to gain further insights into the context, goals, content and implementation of collective agreements and the views and strategies of the trade unions and employers' organisations. Interviews were conducted with representatives of blue-collar and white-collar/professional trade unions in the private and public sector, with representatives of employers' organisations in the private and public sector and with a representative of a transition fund, established by the social partners by way of collective agreement.

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## **2. Intergenerational Bargaining and Younger and Older Workers in the Swedish Labour Market – a Framework**

In Sweden, the strong emphasis on collective bargaining and social partner autonomy together with strong trade unions and employers' organisations (reflected *inter alia* in a high trade union organisation rate and collective bargaining coverage rate) create favourable basic conditions for intergenerational bargaining. Wages, terms and conditions of employment and other working-life issues are generally collectively bargained.

EU and Swedish law contain a ban on age discrimination, but also provide that differences of treatment on grounds of age do not constitute discrimination if they are objectively and reasonably justified by a legitimate aim, including legitimate employment policy, labour market and vocational training objectives, and if the means of achieving that aim are appropriate and necessary. In Sweden some age-related regulation does exist in legislation and collective bargaining, such as mandatory retirement, seniority rules in redundancy dismissals and seniority-based benefits and working conditions. – In general, the introduction agreements are targeted at younger workers, while the collective agreements on partial retirement are targeted at older workers. The transition agreements regulate restructuring, redundancy and transition in general (but their scope and benefit coverage is often seniority-based). – This age-related regulation is linked to the traditional and legitimate role afforded to age in labour law and in the organisation of the labour market more generally. EU age-discrimination law (for example, through allowing social partners a broad margin of appreciation) in principle enables intergenerational bargaining and collective bargaining on age-related measures for younger and older workers.<sup>2</sup>

The regulation of flexible work, especially fixed-term work, is closely connected to employment protection, and younger workers are over-represented when it comes to flexible work. The statutory employment protection regulation, along with its interplay with collective bargaining, is a fundamental feature of Swedish labour law. Employment protection in redundancy situations and seniority rules, as well as their important links to the transition agreements, have been central to the discussion in this report. From an intergenerational perspective, employment protection is seen as both providing necessary protection for older workers and hindering the entry of younger workers into the labour market. Swedish law provides for rules on mandatory retirement at the age of 67; these rules have been tried by the Court of Justice of the European Union against the ban on age discrimination, and have been found acceptable.

The Swedish pension system underwent a crucial reform relatively early – in the late 1990s – *inter alia* to achieve sustainable pensions and prolong working life for older workers. Further reform is seen as necessary and now the issue of an increased pensionable age is in focus. Also in this case, the Swedish system is characterised by an important interplay between legislation (the statutory pension system) and collective bargaining (occupational pension schemes).

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<sup>2</sup> See B. ter Haar and M. Rönömar, *Intergenerational Bargaining, EU Age Discrimination Law and EU Policies – an Integrated Analysis*, Report for the project 'Inter-generational Bargaining: towards integrated bargaining for younger and older workers in EU countries' (2014).

The Swedish labour market is generally characterised by high employment rates. However, in recent years the youth unemployment rate (15–24 years) in Sweden has been about 24 percent. In comparative European terms, the labour market situation of older workers in Sweden is good. The employment rate among older workers is high – about 73 percent in the age group 55–64 – and the average retirement age is about 65 years. Still, in some sectors, such as industry and health care – as discussed in this report – it is difficult for employees (especially blue-collar employees) to stay in working life until ‘normal’ retirement age. Thus, there is a need for an adaptation of the work and working environment. There is also a general need for prolonging working life for older workers beyond ‘normal’ retirement age to cover future costs for pensions and the health care system. Here, the collective agreements on partial retirement become relevant. High youth unemployment and younger workers’ difficulties in entering and establishing themselves on the labour market is a fundamental problem, from both an individual and a societal perspective. The debates on ways to combat youth unemployment and promote the labour market inclusion of younger workers revolve around such factors as entry wages for younger workers, the scope for flexible employment contracts, and the strength of the employment protection and implications of the seniority rules.

### **3. Intergenerational Bargaining – Three Case Studies**

The discussion of the labour law and industrial relations framework and the three case studies reveal that Swedish labour law and collective bargaining lack a clear intergenerational perspective, as well as an articulated debate on intergenerational conflict or solidarity (even though, for example, the employment protection regulation and seniority rules are partly discussed in terms of intergenerational tension). The interests of younger and older workers, and the labour market inclusion of these groups, are basically dealt with separately and in parallel. Likewise, strategies to combat youth unemployment and to promote active ageing and a prolonged working life for older workers are largely viewed as separate, though equally important and non-conflicting strategies. Thus, in Sweden, the perspective of intergenerational conflict or solidarity is not clearly in focus. The discussion is more complex, and revolves around issues such as: what is needed to enable younger workers to enter and establish themselves in the labour market?; what is needed in order to prevent older workers from retiring early or going on sick leave?; and, what is needed in order to get older workers to work until the ‘normal’ retirement age of 65, and beyond?

Given the lack of direct intergenerational bargaining in the Swedish context, it has not been possible to select only those case studies which display a direct and central intergenerational element. Instead collective agreements that address the interests and situation of younger workers, *the introduction agreements*, and older workers, *the collective agreements on partial retirement*, were included. In addition, *the transition agreements* were included, since they are central to labour market restructuring and company reorganisation, and fundamentally linked to employment protection and redundancy, when the interests and inclusion or exclusion of younger and older workers may be competing. In addition, all three types of collective agreements are recently concluded or subject of renegotiations, and topical and debated. Within each type of collective agreement, one or a few collective agreements were studied more closely. The collective agreements in question cover both the private and public sector of the labour market and blue-collar and white-collar/professional employees.

In recent years a number of national sectoral collective agreements, so-called introduction agreements for younger workers, have been concluded in Sweden, and have attracted a lot of attention. Youth unemployment and labour market inclusion of younger workers form one background, and the introduction agreements regulate employments for younger workers, combining work with education, training and supervision.<sup>3</sup> The *case study on introduction agreements* highlights that apart from combating youth unemployment and promoting labour market inclusion of younger workers, an important aim of the agreements is to secure current and future competence provision. The social partners involved in the introduction agreements subjected to study here emphasised that there are no direct intergenerational elements in the aim or content of the agreements. However, there are indirect intergenerational implications of the introduction agreements linked to generational renewal, competence provision, and supervision, training and education. Supervision and education are likely to be provided by older workers, who will then be able to transfer their knowledge and experience to younger workers. Being supervisors may also help individual older workers to stay in the job and in working life longer. The introduction agreements, to different degrees, are age-related and tied to a specific group of younger workers. For example, one of the agreements in the municipal sector does not contain any age limits, while the upper age limit has recently been removed in the other agreement. The case study also highlights the challenges and difficulties of combining a social partner initiative and collective agreements with a governmental financial support scheme and the activities of the Public Employment Service.

In the Swedish labour market, several collective agreements, for both blue-collar and white-collar employees, offer possibilities for employees to apply for partial retirement from the age of 60 or 62.<sup>4</sup> The *case study on collective agreements on partial retirement for older workers* emphasises that the aim of the provisions of partial retirement is to provide an opportunity for a longer working life and create fruitful conditions for generational renewal. In line with the strategy on active ageing, this right to partial retirement is not about early retirement or about making room for younger workers. Instead it is a question of prolonging working life from the individual (older) employee's perspective. Thus, these collective agreements also have some, more indirect, intergenerational elements. Apart from prolonging working life for older workers, it is hoped that the partial retirement of older workers will also lead to a corresponding recruitment of younger workers. A crucial question for the realisation of the right to partial retirement is of course the level of economic compensation. And, here, a long-term perspective must be applied in relation to the build-up of adequate funds for partial retirement pension benefits.

Transition agreements cover all sectors (private and public, blue-collar, white-collar and professional employees) and large parts of the labour market. They constitute a key feature of Swedish labour law and collective bargaining, and an important

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<sup>3</sup> The case study contains a closer study and discussion of the 'pioneer' introduction agreement, *Avtal om yrkesintroduktion*, concluded by *Teknikarbetsgivarna* and *IF Metall* in the industry sector, and two introduction agreements, *Överenskommelse om Bestämmelser för arbetstagare i arbetslivsintroduktionsanställning – BAL 13* and *Överenskommelse om Bestämmelser för arbetstagare i utbildnings- och introduktionsanställning – BUI 13*, concluded by *SKL* (and *Arbetsgivarförbundet Pacta*) and *Kommunal* in the health-care and care area in the municipal and regional sector.

<sup>4</sup> This case study contains a closer study and discussion of provisions on partial retirement for older workers, recently included in collective agreements in the industry sector, *Teknikavtalen*, between *Teknikarbetsgivarna* and the blue-collar trade union *IF Metall* and the white-collar and professional employees' trade unions *Unionen/Sveriges Ingenjörer*, respectively.

complement to the statutory employment protection regulation on redundancy dismissals – but also to the active labour market policies and the unemployment insurance. The transition agreements provide employees facing dismissal owing to reasons of redundancy different rights to severance pay and economic compensation and active transition support measures, by way of coaching, job-searching services, training and re-education etc. They also provide support for employers in re-organisations and redundancy situations.<sup>5</sup> The *case study on transition agreements* highlights that in general the transition agreements complement the statutory employment protection regulation in important ways, focus on employability and transitions, and offer redundant employees both severance payment and active transition support. One indirect intergenerational element of the transition agreements relates to the interplay between the transition agreements and the employment protection regulation and the seniority rules. Some transition agreements, such as the SN-PTK Transition agreement, enable and promote the conclusion of local collective agreements that set aside or adapt the last-in-first-out-principle, and may therefore favour younger workers in relation to older workers. At the same time, the scope and content of the transition agreements seem to favour older workers in several other respects. Furthermore, the renegotiations of the SN-PTK Transition agreement, and the trade unions' attempt to expand the scope of the agreement beyond redundancy to include employees who have to leave their employment due to sickness or health problems, contribute to a 'blurring' of the boundary between redundancy and personal reasons, a questionable 'conceptual dichotomy' which characterises Swedish employment protection.

#### 4. Concluding remarks

An important theme in this report is the key role played by *competence, qualifications and education*, and the urgent need to secure future competence provision for the Swedish labour market. In this context, generational renewal is central to collective bargaining developments, such as the introduction agreements and the agreements on partial retirement.

Collective bargaining developments and the case studies display a *lack of direct and explicit intergenerational bargaining* in the Swedish context. However, several *indirect and implicit intergenerational elements* can be found in the introduction agreements, the collective agreements on partial retirement, and the transition agreements. These indirect intergenerational elements relate, for example, to generational renewal in terms of future competence provision, competence development and transfer of knowledge and experience between older and younger workers, and older workers' participation in education and supervision of younger workers, as a way of adapting the working environment to enable a longer working life.

Intergenerational redistribution of employment between older and younger workers is alien to Swedish public policy and collective bargaining. Thus, Swedish developments are in line with economic research (of both a theoretical and an

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<sup>5</sup> This case study contains a closer study and discussion of the leading transition agreement between *Svenskt Näringsliv* (SN) and *PTK* (Council for Negotiation and Cooperation, a joint negotiation organisation of trade unions, representing private-sector white-collar and professional employees): *Omställningsavtalet*, covering private-sector and white-collar and professional employees. However, the transition agreement in the municipal and regional sector and the transition agreement between *Svenskt Näringsliv* and *LO* for private-sector blue-collar employees are also discussed.

empirical nature), which emphasises the ‘lump of labour fallacy’, and opposes propositions that mandatory or premature retirement schemes will help combat youth unemployment or that older workers crowd younger workers out of the labour market.

The case studies, and interviews with social partners, imply that there is *limited integration or synergy* among the three different types of collective agreements. This seems to be the case even though some collective agreements, such as introduction agreements and collective agreements on partial retirement for older workers, are concluded by the same collective bargaining partners. However, fruitful linkages can be found and developed, not least in the practical application of these agreements – for example, when it comes to the educational element and the supervision of younger workers.

In the Swedish context, one challenge is to address the interests of both younger and older workers, and the strategies to combat youth unemployment and promote a prolonged working life, appropriately and forcefully. Another challenge – and possibility – is to promote a further integration and coordination between these interests and strategies.

#### **Disclaimer**

The project ‘iNGenBar’ – Intergenerational Bargaining – is financed by the European Commission, DG Employment, Social Affairs and Inclusion; Social Dialogue, Industrial Relations (Grant Agreement nr. VS/2013/0353). The Commission is not responsible for the content and author’s views in this report, nor for any use that may be made of the information it contains.