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The Job Security Councils in Sweden

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Andreas Diedrich and Ola Bergström

School of Business, Economics, and Law, Göteborg University and
Institute of Management of Innovation and Technology (IMIT)

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Introduction

Given the negative effects of unemployment, not only for the individual, but also for regions and states, one important question is, how should the responsibility for the management of the consequences of restructuring be organized? In many countries this role was traditionally allocated to the state. It bore the responsibility for the consequences of structural change. An important actor in this respect was the Public Employment Service (PES). In the context of Sweden it has historically played an active role in labour market policy. It was established not only as a way to mitigate the negative consequences of structural change on the economy, but was also given a role in the support offered to workers and companies as part of such processes.

Recent developments in the Scandinavian countries have seen large and previously reliable employers, both public and private, undertake fundamental reorganisations as well as workforce reduction activities. Ericsson, the flagship of Swedish business, had to shed 50 000 employees, half of its total workforce, following the end of the IT boom in 2001. And Telia, the former state-owned telecommunications company, decreased its workforce by around 40 000 employees between 1990 and 2005. Continuous restructuring, competence-shift programs, an increase in temporary contracts as well as internships have are at the order of the day and the increasingly loose forms of employment have resulted in a greater need for supporting the affected persons from employment to employment.

As these developments unfolded, the PES was increasingly criticised from various positions. It was accused by the *Swedish Confederation of Professional Associations* (SACO), for example, of not being capable of adequately handling unemployed academics (SACO, 2005). This view was corroborated by Ericsson, one of the largest private employers in the country, who felt that the PES was not providing adequate support to their highly educated engineers.

The view of the traditional, bureaucratic PES, inefficient and unable to keep up with the times, has been documented in many European countries and has been suggested to have been instrumental in the switch to a system consisting of a number of public and private job placement organizations as is the case in Australia or the Netherlands (see Bredgaard & Larsen, 2005).

In Sweden, the monopoly on job placement fell in 1993, and it did not take long before a number of local and foreign actors such as outplacement companies established themselves

on the Swedish market (see e.g. Struyven, 2005) eventually leading to the development of what Bäckström (2006) has referred to as a “system of transition services”. The actors making up this system consist of temporary work agencies, public and private outplacement consultants, regional organizations working with restructuring, private insurance companies, web based services, the companies’ internal actors, and the job security councils.

In this report we examine more closely one set of actors that constitutes a peculiarity on the Swedish labour market: the job security councils (*trygghetsråden*). The work of the job security councils is based on collective agreements, the so called job security agreements, intended to give support to employees who have been given notice because of work shortages (*arbetsbrist*) in their efforts to find new employment. This support takes the form of active transition work as well as the provision of financial compensation complementing the general unemployment insurance benefits. The councils’ activities are financed by the affiliated members companies, each paying a “membership fee” in the form of a percentage of their total payroll.

The job security councils are described as an important set of solutions when it comes to managing the consequences of continuous business development in the form of divestitures or competence shift programs, for example, workforce reductions and organizational restructuring in general.

Although the job security councils are seen as the solution to a set of problems on an individual, organisational as well as societal level, the role of the councils in restructuring as well as their relationships with other actors in the “labour market jungle” (Bäckström, 2006) raises a number of questions such as, for example, who provides the support services in case of restructuring and who pays for them?

The report is based on a case study of two of the largest job security councils, *Trygghetsrådet TRR* and *Trygghetsstiftelsen TSn*, undertaken during the autumn 2005 and spring 2006. The material collected in the “field” is primarily constituted by different types of documents, but 11 interviews were also done with representatives from the councils, from affiliated companies and the PES.

In order to understand the development and sophistication of the job security councils in the following we take a closer look at the institutional framework in Sweden that has played a fundamental role in shaping the development.

The “Swedish Model”

There are three important institutions in Sweden affecting redundant employees and we will need to examine them in more detail in order to gain a better understanding of the development of the job security councils: the laws on employment protection, the different forms of income support such as severance pay or unemployment insurance and the various labour market activities such as competence development or retraining.

In 1974 the *Employment Protection Act (Lagen om anställningsskydd, LAS)* came into force. LAS is built on two principles: (1) employment for an indefinite period of time is the normal type of employment and (2) dismissals must be based on a just cause¹. Also, the employer has the obligation to try to prevent redundancies and he must account for his economic and financial decisions resulting in redundancies. The Labour Court’s task is to assess objectively whether valid reasons do in fact exist. Dismissals for personal reasons are subjected to closer judicial scrutiny. Moreover, LAS contains provisions on notification periods, priority rules in case of redundancy and judicial remedies. This legislation marked a turning point in the history of the Swedish labour law. First, it introduced fundamental restrictions on the employers’ freedom to dismiss. Second, it constituted a deviation from the tradition of regulating labour relations through collective agreements.

In 1976 another important law was passed. The *Co-determination Act (Medbestämmandelagen, MBL)* obliges employers bound by collective agreements to consult with the trade unions on all important changes in their organizations or in the labour relations of their workers². The importance of this law in the Swedish context cannot be understated, because in contrast to other European countries trade union membership in Sweden has remained high over the past decades. In 2000 almost 80% of the labour force was affiliated with a trade union, the largest ones being LO (*Lands Organisationen*), TCO and SACO,

¹ What is a just cause is a question that is treated differently in two types of situations. In the Swedish employment protection, a sharp distinction is made between redundancy (*arbetsbrist*) and personal grounds (*personliga skäl*). In case of redundancy, it is basically the judgement of the employer that is decisive. It is up to him to decide how many workers he wants to employ. As can be concluded from case law, it is very difficult to combat redundancies with arguments derived from the just-cause requirement. Redundancies are too closely related to the managerial prerogative to allow for a strict judicial test. If the employer succeeds in convincing the court that dismissal was necessary, his case will usually be accepted, unless he has neglected his duty to transfer, i.e. to seek other employment for the worker within his enterprise. In rare cases, redundancies are not accepted by the Labour Court.

² The employer is required to present as soon as he has called for consultation, and in writing, the following information: a) the reason for the proposed dismissals, b) the number of employees who will be affected and their employment category, c) the number of employees who are normally employed and the employment categories to which they belong, d) the planned duration of the dismissal process, e) the method of calculating any compensation to be paid in conjunction with dismissals in addition to that which is required pursuant to applicable collective bargaining agreement.

(*Swedish Confederation of Professional Associations*) and SIF, (*Swedish Union of Clerical and Technical Employees in Industry*).

Trade union representatives are to play an active role in the restructuring process as stipulated by the Co-determination Act. In practice their role can take on a variety of shapes depending on the differences in union tradition at the different workplaces, the various interests of the union members and the personal interests and ambitions of the elected union representatives. However, they are often involved from the very beginning of the process and play an influential part in the choice of restructuring strategy.

Traditionally, deviations from LAS have been negotiated or approved at the so-called “central” level by the unions and employers’ organisations covering a whole branch of industry. Often, the central unions have delegated the power to negotiate certain deviations from LAS to the local union representatives. In 1996 the legislation was amended. The amendment implied that certain deviations from LAS still required the consent of the ‘central’ organisations. These concerned the notification periods, the requirement to notify a worker about the termination of a fixed-term contract at least one month in advance and the duty of the employer to negotiate about priority of hiring in cases where the rules for the ‘right to return’ of formerly-dismissed workers apply. In certain other cases, deviation can be agreed locally, but only under the condition that the employer is bound by a ‘central’ collective agreement. Thus, the legislator hoped to promote the concluding of collective agreements especially among small firms, where this was not yet common practice. Such local deviations are allowed with regard to the LAS provisions on fixed-term contracts, trial periods, priority rules for redundancies and priority rules for the right to return.

Apart from the employment protection legislation, the income support structures have constituted an important institution in the Swedish context. In most European countries employers bear the costs of severance pay, either partially or in full. In Sweden severance pay is regulated through collective agreements between the Confederation of Swedish Employers and the trade unions. Employers who dismiss workers due to work shortage are normally not inclined to carry the costs of severance pay. Instead, in the private sector this is covered for the white-collar workers by the AGE system (*Avgångsersättning, or severance pay*). The AGE is a complement to the general income-dependent unemployment benefits. It depends on the education, age, seniority, the family situation and lost earnings of a person and is therefore hard to calculate in advance.

For the private blue-collar workers there is the AGB-insurance scheme (*Avgångsbidrag, or severance benefit*). Severance payments are relatively small in size and are not allowed to

exceed the workers' actual earnings at the time of their dismissal. The design of the system results in costs for employers being kept low.

Another aspect of the income support is the unemployment benefit system in Sweden. As in other European countries, the income-dependent unemployment benefit is set, for those who are insured as a proportion of the amount earned before the dismissal, up to a certain earnings ceiling. In principle the unemployment insurance is voluntary and dependent on the membership in a trade union or, for workers who are not members of any union, membership in an unemployment benefit society.

Last but not least labour market policy has been one of the most important parts of economic policy in Sweden after World War II. In order to achieve full employment while at the same time maintaining a strong value of the Swedish currency, one of the most important tools in Swedish economic policy has been a "selective labour market policy" (SOU, 2002:59, p. 37). It is referred to as selective because it is directed at those individuals registered as unemployed and its application is adapted to the local situation on the labour market. Since the early 1960s the selective labour market policy's two main instruments have been the labour market education (*arbetsmarknadsutbildning*) and the preparatory work (*beredskapsarbete*).

But the Swedish context is also characterised by an active labour market policy in form of activities aimed at promoting mobility among the workforce, such as various employment services, moving support, and/or retraining.

An important actor in this context is the public employment service (PES), which historically has played an active role in Swedish labour market policy. It was established not only as a way to mitigate the negative consequences of restructuring of the economy, but was also given a role in the support offered as part of such processes.

When an organisation decides to reduce its workforce it is required to notify the *County Labour Board (Länsarbetsnämnden)* at least 30 days in advance. This obligation applies to collective redundancies involving roughly ten percent of the workforce. According to the Employment Promotion Act (1974) the notification must include relevant information regarding the number of redundant workers, the cause of redundancy, and at a later stage also the names of those to be dismissed and the consultations entered into. This information is then used together with other statistical material on notices compiled by the County Labour Board in order to establish an early warning system concerning the developments on the labour market.

The PES's role is then to use this information in order to better predict possible changes on the labour market and coordinate a response. Increasingly, however, the PES is described by critics as a political organisation working primarily with delivering positive employment figures for the ruling Social Democrats.

When it comes to the PES's support role in the restructuring process, this can be described as being rather limited today. In the majority of cases the local PES cannot get involved in the process in any particular way as redundant workers are not the target group of their activities, primarily designed to care for those groups of workers who are already unemployed, especially those who suffer long-term unemployment.

The Job Security Councils

As mentioned above, the job security councils are a peculiar feature of the Swedish labour market. The first councils were developed in 1972 and 1974 against the backdrop of the deteriorating economic conditions in Sweden in the late 1960s and the massive job loss of white-collar workers in the wake of the oil crisis in 1973. The PES was not regarded by employers as providing sufficient support for white-collar workers to find new jobs. Therefore the social partners agreed upon establishing a particular organisation that would provide services to this group of workers. Over time such organisations have been established in most segments of the labour market and today there are more than 10 job security councils in operation (see Table 1). The council an employer or employee belongs to depends on the collective agreement they fall under as well as their trade union membership.

Today even blue-collar workers whose trade union (LO) historically regarded the PES as providing sufficient support for their members, are covered by such agreements. Recent negotiations initiated by LO with the *Confederation of Swedish Enterprise* (Svenskt Näringsliv) led to the signing of the *Omställningsingsavtal* (Transition Agreement) in 2004. It covers 900 000 privately employed (privatanställda) workers and is administered by the *Job Security Foundation* (TSL).

| | Council | Contractual Partners | No. of employees | Sector |
|----|---|--|------------------|--|
| 1 | Trygghetsrådet TRR | SAF (The Confederation of Swedish Enterprises) and PTK (The Negotiation Cartel for Salaried Employees in the Private Business Sector) | 700 000 | private white-collar workers (since 2004 even private blue-collar workers) |
| 2 | Trygghetsfonden TSL | SAF (The Confederation of Swedish Enterprises) and LO | 950 000 | private blue-collar workers |
| 3 | Trygghetsstiftelsen TSn | Swedish Agency for Government Employers, the Union of Swedish Academics, the Union for Service and Communication Employees and the Public Employees' Negotiation Council | 245 000 | public white-collar employees |
| 4 | Trygghetsrådet TRS | The Employers' Alliance, Swedish Performing Arts and PTK | 30 000 | private blue-collar workers and white-collar employees |
| 5 | Trygghetsrådet Fastigo | Fastigo, SIF, Ledarna, CF, AF, SKTF | 8 800 | employees in the real estate sector |
| 6 | KFS-företagens Trygghetsfond | KFS Kommunal, SEKO, etc. | 30 000 | Employees of companies close to the municipality |
| 7 | Trygghetsfonden BAO/Finansförbundet | BAO and Finansförbundet | 45 000 | Employees within the banking sector |
| 8 | Trygghets- och AGE-fond för KFO Tjänstemän samt Trygghetsfond för butikstillräden och lagerarbetare samt frisörer | KFO and Handelsanställdas förbund | 35 000 | |
| 9 | TFL, Trygghetsfonden Fastigo-LO | Fastigo, LO | 13 000 | employees in the real estate sector |
| 10 | Job Security Foundation 2005 | Sv. Kyrkans församlingsförbund, Kommunal, SKTF, SSR, JUSEK, Kyrkans Akademikerförbund, Lärarnas samverkansråd | 7 500 | The Church |
| 11 | Four smaller job security councils | | 1 000 | |

Table 1: The Job Security Councils (adapted from, Bäckström 2005; 2006, www.tris.se and SOU 2002:59)

Today, in all about two million employees in Sweden are included under job security agreements. These agreements are collective agreements reached between the social partners as the result of negotiations facilitated within the framework of Swedish employment protection legislation. The social partners in Sweden have traditionally taken a large degree of

responsibility through labour legislation by means of collective agreements and over 80% of the workforce are in some form or other covered by these types of agreement. The reason for this can be found in the semi-dispositivity of LAS, meaning that the employment protection legislation is binding when it comes to a minimum level of protection that is not negotiable, at the same time as it leaves room for more advantageous conditions (be it for the employer or employee) in the form of collective agreements.

The job security councils were established to administer the support that is given in accordance with the respective Job Security Agreements. Their activities are organised under a special legal entity referred to as a *Collective Agreement Foundation* (*Kollektivavtalstiftelse*). This specific form of foundation was created to satisfy important practical needs of the social partners. Among others, one advantage with this type of foundation is that it is exempted from having to pay taxes, under the condition that at least 80% of the foundation's returns on capital are redistributed to the clients (in the case of the job security councils the workers receiving some form of support).

Each job security council is made up by a board of representatives from the different partners involved in the agreement, with the seats split equally between the employer representatives and employee representatives. The board has the task of deciding upon the scope and content of the support that is to be granted.

The councils' activities are financed by the employers who continuously contribute with a percentage of their total payroll. The contribution's level is determined as part of the collective agreement (e.g. TRR: 0,3% of payroll).

The job security councils' employees, both advisors and consultants, have a high degree of freedom to prepare, based on the decisions that are made by the board, the support for each and every employee individually. This possibility of providing support tailored to the needs of the individual is considered as one of the strengths of the Swedish job security councils. When questions are raised concerning the interpretation of certain aspects of the agreement or its implementation, these are generally taken up and resolved between the different partners of the agreement.

The councils are given an important role in providing workers with support in the event of restructuring (SOU, 2002:59) and are described as highly valuable not only from an individual perspective but also from an economic as well as societal perspective (SOU, 2002). The same enquiry comes to the conclusion that there should be job security councils for all the sectors of the labour market in order to "guarantee an independent position, professionalism and quality" when it comes to restructuring issues. The municipal sector is

currently witnessing the establishment and development of job security councils. This means, in principle, that the whole labour market is covered by job security agreements.

How the Councils Work in Practice

The work of the councils is usually premised on two ideas: first, that a person who is given notice of dismissal can easily become demoralised and can experience difficulties in adapting to the new situation. And second, that such a change in ones' life can in fact have positive consequences and can lead to new ideas, contacts and opportunities.

In dealing with these challenges, the idea is that a person might develop both professionally as well as personally and supporting him or her in this endeavour is understood as crucial. This support should come not only from his or her family, but also from the workplace: the employer who is responsible for the redundancy process, the local trade union representatives and the person's colleagues. But then there are also a number of external support resources such as the local PES, the occupational health care services and, last but not least, the job security councils.

The work of the councils is constituted by a range of activities and measures aimed at supporting the dismissed workers efforts to turn the often devastating experience of having lost ones job into an opportunity and finding new employment. The various councils share this objective but there are differences between them when it comes to the timeframe for achieving this. As we shall see later on, some councils view it as essential that a persons finds a new job as quickly as possible irrespective of what the job is, while other councils view it as more important to guide and support a person towards finding the "right" job, even though this might take longer (there may be different interpretations on this point depending on whether or not one is referring to voluntary or forced dismissals).

The support activities may include the preparation of an employee profile and individual activity plans, the arranging of job-seeking activities and/or the facilitation of contacts in one way or another with other employers. They may also include financial support, e.g. a salary during introductory training at a new workplace, support for new business creations, various courses, additional training or retraining. Each case is estimated and decided individually according to the person's needs and the councils' representatives we interviewed went to great lengths to stress the importance of the active involvement of the dismissed persons in this process.

Apart from the above mentioned support activities the agreements also make provision for a financial compensation as complement to the general unemployment benefits exceeding the

so-called *A-kassataket* (the maximum amount of unemployment benefits a person is entitled to) administered by the PES and the *Unemployment Benefit Fund*. Should a person find new, though lower-pay employment, the Job Security Agreement makes provisions for the payment of the difference over a limited period of time.

On a more general level, the restructuring support activities offered by the different councils display many similarities. Often they are initiated by some form of counselling, guidance meetings or advisory seminars used to determine the state the person finds himself or herself in as well as to inform the worker of what lies ahead. These initial activities are usually followed, if necessary, by further measures in the form of training/education, personal development activities, studies or support in finding new employment starting a new business. Looking more closely at the work of the different councils reveals some variety in their approaches.

The differences generally have to do with the different contexts within which the agreements have been signed. Characteristically, the work with providing support in the restructuring process is to a high degree dependent on the sector within which the redundancies occur, the situation of the individual workers who have been dismissed, their particular interests as well as the current state of the labour market. When the agreements are signed between the social partners these factors in some way or another play a role.

Other differences may lie in the question of who administers and executes the support activities. While TRR, for example, organises and executes everything themselves, including guidance and training activities, the largest council in terms of affiliated employees, TSL, has signed contracts with nine suppliers of outplacement services that the local partners can freely choose from. They can even choose other suppliers if they so wish. Based on the contract signed between TSL and the suppliers, the local partners can order specific, tailor-made restructuring programs, which are then implemented in the workplace.

Also, because the work process starts at the latest with the dismissals coming into effect, the period of notice is used to a varying degree for the restructuring work. In some cases production continues during much of the period of notice, in the other extreme case, the retrenched persons discontinue their work activities immediately. The cooperation between the companies and other organisations and the councils however usually works in such a manner that it is possible to carry through restructuring activities during the period in which notice of dismissal is given. In the public sector the dismissed individuals have the right to leave of absence with full pay in order to participate in the activities of the councils. In the private sector, on the other hand, it is sometimes the case that the job security councils cannot

work with their restructuring activities during the period of notice, because employers do not allow it.

In the following we will examine in further detail two of the three largest job security councils, the job security council Trygghetsrådet (TRR) for the private sector white-collar employees³ and the job security council Trygghetsstiftelsen (TSn) for employees in the public sector.

The Job Security Council Trygghetsrådet (TRR)

TRR's history can be traced back to 1973. It was the first job security council to be established; the outcome of an agreement signed between the *Swedish Employers' Association* (SAF) and the *Federation of Salaried Employees in Industry and Services* (PTK). The main idea behind the agreement was that both partners wanted to give the white-collar employees of the private sector "something extra" compared with the various educational and retraining schemes organised and financed by the government through the PES, which had proved insufficient in meeting the special needs of white-collar employees.

The extra service that the partners eventually agreed upon was constituted on the one hand by an added financial support structure, the so-called *Avgångsersättningen* (severance pay) or AGE, and on the other hand by a support structure aimed at helping dismissed white-collar employees to find new employment opportunities (*omställningsstöd*) as well as preparing employees for possible future redundancy.

Both of these services formed the basis around which TRR activities began to take shape during the 1970s. To this day they remain the focus of the council's activities. However, according to one manager at TRR the methods used and services offered by the organisation have been continuously refined throughout the years.

Organising TRR

The contractual partners in TRR are the *Confederation of Swedish Enterprise* (Svenskt Näringsliv) and the *Federation of Salaried Employees in Industry and Services* (PTK). The contract covers 32 000 companies and 700 000 white-collar employees (and in some specific cases even other employees) in the private sector, and is the second-largest of the job security councils. TRR today has 325 employees working in 40 offices spread out throughout Sweden. Of those 180 are counselor with an average of 24 years of working experience.

³ Since 2004 TRR under a separate agreement even covers blue-collar workers in the private sector. The support is administered by one of TRR's subsidiaries, TRR AB.

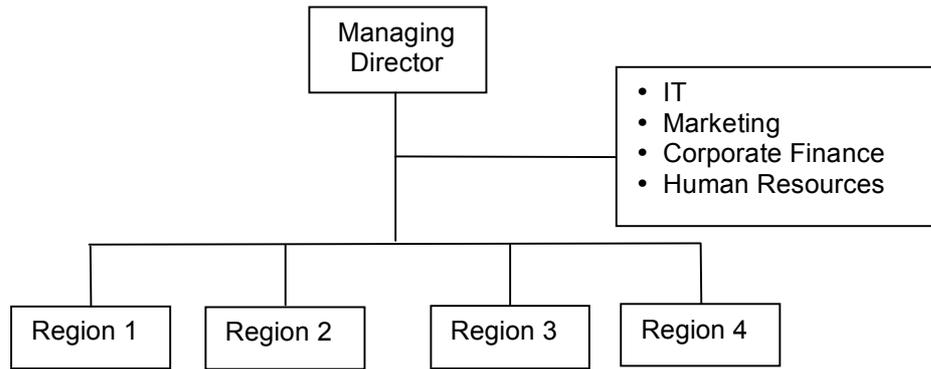


Fig. 2: Organising TRR

Over the last decade TRR has provided support to 140 000 clients all over Sweden. Its activities are in part financed by the 32 000 affiliated companies as an insurance system for their 700 000 employees. The membership fee amounts to 0.3% of a company's sum of the total payroll for employees covered by the agreement. Companies affiliated via their employers' association in the *Confederation of Swedish Enterprises*, and for which the job security agreement applies are automatically connected to TRR. For the separately-affiliated employers the fee increases to 0.7%. In total these fees amount to approximately 780 million SEK (80 million €) per year. TRR is organised as a collective agreement foundation and pays out 80% of the revenues it collects every year to its clients, the employees who have been dismissed, in the form of severance payments (AGE) and transition support. With TRR's annual turnover being close to 1.1 billion SEK (approx. 105 million €), the resulting 300-million-SEK-deficit is financed through the foundation's capital.

The Role of TRR in the Restructuring Process

Financial Support

One of the pillars upon which TRR activities rest is the financial support they grant their affiliated members in form of severance pay (*Avgångsersättning, or AGE*). If a person is made redundant due to work shortage he or she may be entitled to AGE. The AGE is a complement to the general income-dependent unemployment benefits. As a result the person is paid 70% of his or her previous salary during the first 6 months and 50% thereafter. In order to be entitled to receive AGE a person is required to:

- have worked for a company that is affiliated with TRR
- been made redundant due to work shortage

- have turned 40 years before the employment ends as well as to have worked for the company for a minimum of 5 consecutive years (min. 5 hours per week) or to have previously been dismissed from a TRR-affiliated company.
- search for employment.

According to one of our interlocutors, the job security agreement governing TRR's work has been formulated too generously in some respects. The transition support for those individuals who have been dismissed before 31 December 2003 is applicable during a period of 5 years. For persons dismissed after 31 December 2003 that date the period has been reduced to 2 years. This is due to the fact that experience has shown that long transition periods are detrimental when it comes to a person's motivation for finding new employment. Apart from the financial support, TRR also offers a range of transition support activities, such as early intervention and "Early Risk Service".

Early Intervention

According to our interlocutors at TRR, the council plays an important role at different stages in the restructuring process. In the early stage of the process TRR's counsellors provide the employer as well as trade union representatives with expertise pertaining to the restructuring issues at hand. How should the process be organised and where should the focus be placed? Once the decision has been taken on which restructuring strategy to pursue, TRR's focus shifts towards providing guidance and support to the employees affected by the restructuring activities. For this purpose a number of tools and methods, described as characteristically Swedish, have been developed over the years. These methods are not static, but need to be continuously "refined", in the words of one of our interlocutors, in order to fit in with the rapidly changing business environment.

One of these tools is the so-called guidance counselling. Every dismissed person has a personal guidance counsellor who guides him in along the career path. The process is usually initiated when a company representative or trade union representative contacts TRR and informs the council of dismissals in the organisation. A counsellor then visits the company meets with its leadership as well as trade union representatives and presents the TRR organisation and their work procedures for supporting leaders and trade union representatives in their work with restructuring. The counsellor also meets with the employees in question and presents the work procedures of the council, before finally meeting with each one of the affected individuals in order to discuss the future strategy for the person, e.g. how often the counsellor and the redundant employee are going to meet for individual consultations.

Early Risk Service

Apart from the guidance counselling, TRR offers the so-called Early Risk Service (*Tidig risk tjänst*), intended as an anticipatory measure focused on career planning and directed at companies and employees that in one way or another may be affected by redundancies. Through various activities such as personal consultations, professional support in the personal development process, career planning, the setting up of goals and an activity plan and in conjunction with TRR's in-house recruitment service, the aim is to better prepare employees for possible future dismissals. It is not required for the individuals participating in these activities to be earmarked for dismissal. On the contrary, the service is intended to be used before redundancies are defined in terms of individual employees. The idea behind Early Risk is to provide competence development activities for employees and thereby strengthen their competitive advantage on the labour market independent of whether they remain employed at the company in question or not.

As is generally the case when it comes to employing the services of the *Job security councils*, the company and the local trade union have to be in agreement concerning which groups of individual employees may use the Early Risk service. In other words, there is no negotiated redundancy at this stage in the process, but the employer representatives and the trade union representatives should be in agreement that there is redundancy at the company. The period during which the service is offered is usually between 3-5 months long. It may be terminated earlier if TRR as a result of discussions with the company in question decides that the redundancy situation in the company is unclear.

Recent Developments

TRR's business activities are governed by two important developments in Sweden. Firstly, the country has lately witnessed changes when it comes to restructuring practice; more specifically, the tendency by companies to opt for so-called soft dismissals instead of the traditional, formal dismissals according to LAS. Soft dismissals are based on employees voluntarily signing up for early retirement in exchange for some form of competence development, bonuses or other severance packages.

Secondly, TRR has faced an increase in competition from outplacement companies. In 1993 legislation regulating the PES's monopoly on employment exchanges was abandoned. Soon afterwards, temporary work agencies flooded the Swedish market, followed by a number of international as well as local outplacement companies. From having been the only

player on the market, TRR suddenly found itself facing a plethora of competitors and in 2004 the TSL agreement for blue-collar workers mentioned previously put even more pressure on the council's business activities.

As a consequence of the competition from outplacement companies, an increasing number of companies choose to terminate the contract with TRR when it comes to the provision of support during restructuring. One reason for doing so may be that the company wishes to organise and administer the restructuring support on its own or in conjunction with the trade unions. It may also be the case that a company intends to employ the services of other outplacement agencies, TRR's competitors on the market:

From the stable system we had previously where TRR was a large actor, and there were a few other smaller ones, we have now entered a new one. Nowadays, many new actors come into the market and are very aggressive, and are able to challenge TRR because of the financing arrangement we are subjected to. They do so by saying to our members "sit down and negotiate with your local trade union organisation and reach an agreement on going to TRR and getting out 19 000 [SEK], so that you can pay my services. As a competitor of TRR we can help your company and see to it that your dismissed find their solution a lot faster than at TRR". Sometimes it works, and sometimes it doesn't work. [TRR representative].

However, it is not possible for companies to terminate the AGE payments as these are part and parcel of the collective agreement. A company may however terminate the part of the agreement concerning the restructuring support from TRR. In order to do so, the employer representatives and local trade union representatives concerned have to agree on the termination of the contract. If the contract is terminated, the company is paid 19 000 SEK for each person concerned, i.e. affected by the restructuring activities.

In those cases where the employer and the trade unions reach agreement on terminating the contract with TRR this affects the individual employee in that she will not be given support or advice by TRR in her efforts to find new employment.

Once the decision has been taken by a company and trade union to terminate the agreement with TRR, there is no turning back. If the individuals who are affected by the termination of the contract between their employer, their trade unions and TRR do not find a new job, either with or without the help of other outplacement agencies, they cannot come back to TRR at a later point in time and in order to get support and advice. Once the contract is terminated this right is revoked.

The number of companies that chose to terminate their contracts with TRR is still relatively small and not more than around 50 of the affiliated 32 000 companies have done so. But, according to one of our interlocutors at TRR, there is an increasing tendency among the

companies to do so. It is especially the smaller companies that choose to terminate their contracts. According to our interlocutor, the smaller companies are often the ones that cannot afford expensive extra activities in a restructuring context and are more than happy to collect the 19 000 SEK per individual. The larger companies, on the other hand, generally have the financial means to pay for the support and, if needed, extra support activities aimed at guiding their employees through the restructuring process. They either organise the support themselves or hire outplacement agencies.

Faced with increased competition it has become more and more important for TRR to measure the outcome of its activities and come up with some tangible evidence of the value of their services. As one TRR manager explained:

The pressure on TRR to continuously deliver value-added increases, and that is good. I believe that we gain a lot from this. [...]. We always have to find value-added, something that provides value-added not only to the company that pays, but also to the clients who use the services. There has to be value added all the time. [TRR representative]

According to the council's representatives 140 000 clients have found some form of solution – new employment, starting a new company or engaging in studies/training – through their support. It took about 8-10 months for 90 % of the clients to find a new solution with 80% returning to a similar or higher job position with the help of the council, retaining or even increasing their salaries. TRR takes these figures as proof that the council's strategy – of working towards getting their clients into the *right* jobs as opposed to just any new job, referred to as “refinement work” (*förädlingsarbete*) – pays off.

The Job Security Foundation (TSn)

But even government employment in Sweden is today not as secure as it used to be. The past few years have witnessed profound changes in government administration. In line with ideas surrounding New Public Management, government agencies see the need to rationalise their processes, make them more efficient and thereby cut costs. In many cases this meant reducing the headcount, and many public employees lost their jobs.

It came as a shock to the state employees when they were dismissed. [...]. And this send shockwaves through the state sector: how the hell was it possible to be dismissed in this way? [...]. But today, people have gotten used to the fact that we are living in a different world and that it is possible to be dismissed. [TSn representative]

Responding to these developments the job security council TSn was established in 1990 under the *Job Security Agreement for Government Employees*, which came into force at the same time. The contractual partners are the *Swedish Agency for Government Employers*

(Arbetsgivarverket), the *Union of Swedish Academics (SACO-S)*, the *Union for Service and Communication Employees (SEKO)* and the *Public Employees' Negotiation Council (OFR-S)*. At the time of its birth the Swedish public sector employed around 400 000 people, but since 1990 this number has dropped by almost 50% to around 240 000 employees in 2004, mainly due to the deregulation of the public markets as was the case with Vattenfall or the Swedish Post.

Today the TSn agreement covers 250 companies and other organisations with 245 000 employees in the public sector. Over the last 15 years the council has supported 85 000 dismissed employees. The activities of the foundation are financed through fees paid by the affiliated employer organisations, i.e. the government authorities and agencies (incl. the Swedish Armed Forces). These fees, as is the case with the other councils, are regulated by a collective agreement and representatives of the signatory organisations to the agreement are members of TSn's board. The board members are appointed by the government as well as trade union representatives.

Organising TSn

TSn has a similar regional structure compared to TRR with several advisers working together in each region. Its organisation is smaller in size though with only 38 employees working at its head office in Stockholm and the regional offices in Umeå, Växjö, Göteborg, Nyköping, Malmö and Västerås. TSn also operates as part of their business activities a number of centres in Stockholm, Malmö, Göteborg and Umeå. These centres are called *ArbetsKraft* (WorkForce) and it is here that jobseekers from all over Sweden meet with TSn's advisors or other specialist staff who lend support, provide training and educate in job seeking methods.

The Role of TSn in the Restructuring Process

TSn sees its own role as making sure that when a government employee is given notice of dismissal due to redundancy, the person does not become unemployed in the first place or can as quickly as possible find a new employment opportunity. This is also the case when an employee does not accept relocation. It is important in this respect to understand what the foundation can and cannot do. TSn does not take over any responsibility for the redundancy process from the employer. The foundation understands its role as being a cooperation partner together with the employer and employee representatives in the workplace and as a complement to other support resources such as the PES (although using the PES was previously not necessarily an option for employees in the public sector). One condition is that

the redundant employee himself assumes responsibility for the situation and makes an active effort to achieve a solution.

TSn cooperates with public employers and trade union organisations and provides support to the individual employees who have been dismissed. The Job Security Agreement its work is based upon applies to those persons who have been in permanent government employment for more than one year and have been made redundant or were given notice due to lack of work. In special circumstances it may also apply to employees who do not accept relocation. Employees who have had a number of consecutive temporary jobs are eligible for partial support, provided that the overall period of the employments exceeds five years. The Job Security Agreement does not apply to persons who are offered new employment in connection with the merger of two organisations, or the transfer of responsibility for a public venture from a state level to the communal level, for example, were the new position is similar to the old one in both work tasks and salary/wage, and the person avoids being dismissed. More specifically, the agreement grants the eligible employee:

- *Extended period of notice*, meaning that the period of notice fixed by law or under a collective agreement is doubled. The reason for this is to give the person who has been given notice a better chance to find a solution before becoming unemployed.
- *Paid leave* for those taking part in activities organised by the Foundation.
- *Job security income supplements* for those who find a new job that pays a lower salary. This supplement provides full compensation for two years and 50 % compensation for the following two years.
- *Subsequent job security*, which means that a person can “return” to the job security scheme if he is laid off from a new job without such a scheme.
- *Supplementary unemployment benefit* is granted to unemployed persons for whom the general unemployment benefit does not amount to 80 % (2001) of their earlier salary.
- *Early retirement and pension* are granted to persons who have reached the age of 60 on termination of their employment if they do not wish to seek a new job. Under special circumstances such pension may also be granted to persons under 60 years of age. (Source: www.tsn.se)

TSn’s engagement begins as soon as a public authority or agency informs them that dismissals have been initiated or are about to take place. In that case TSn appoints one of its consultants as the contact person in the case. The consultant has the task of guiding the organisation through the restructuring process. The cooperation often begins with the consultant visiting the workplace and meeting representatives working with the restructuring process both, on the employer’s side and the trade union side. Together a strategy is devised for how the work should be done and meetings are arranged with the concerned employees.

TSn does not take on the responsibility for the restructuring work at the organisation, but makes itself available as a support resource until the restructuring work is concluded.

For the dismissed individuals it is possible to receive support even after their employment contract has been terminated.

Discussion – The Job Security Councils and the Public Employment Service

There is a widespread assumption among practitioners and academics alike that active labour market policies are important to fight unemployment and the PES is often given an important role in this endeavour. When the first job security agreements were signed in Sweden in the beginning of the 1970s they were seen as complements to the PES. During those years in the wake of the oil crisis, private white-collar workers were suddenly faced with large-scale redundancies. Previously this group of workers had been left unscathed by the economic changes. Now without much warning many of them found themselves without work. The PES traditionally bestowed with the task of helping them to find new employment as quickly as possible were perceived by many employers' unions as well as private white-collar workers' unions as incapable of supporting their affiliated members and incapable of performing the task they had been given. As a result of this development, the first job security agreement began to take shape as a result of negotiations between the private employers association and white collar workers' trade unions.

To view the job security agreements solely as a support measure for employees affected by dismissals is assumed by its proponents to paint too narrow a picture. The agreements are also understood as contributing to the smoother facilitation of structural change and improving the functioning of the labour market through an individual matching and upgrading of competencies⁴.

As such, the tasks of the labour market policy and the PES on the one hand and the job security councils on the other hand coincide to a certain extent. However, the two pursue different goals and answer to different principals. Labour market policy is an instrument within the framework of the general economic policy and as such is intended to contribute to the fulfilment of economic and political goals, such as for example the equalisation of economic situation. On top of this, the Labour Market Board acts as a public authority in relationship to people seeking employment, for example, when it comes to unemployment

⁴ This argument is probably best symbolised by one of the slogans used by TRR: "Att hjälpa marknaden på traven" (Helping the market on its feet).

benefits. The job security councils on the other hand explicitly focus on the individual with the goal that everyone should find new employment. They have the freedom to choose their own methods and tools and make their own decisions about the kind of efforts that are needed with regards to every individual’s situation in relationship to the current situation on the labour market, and they enter the restructuring process at a much earlier stage (see fig. 1).

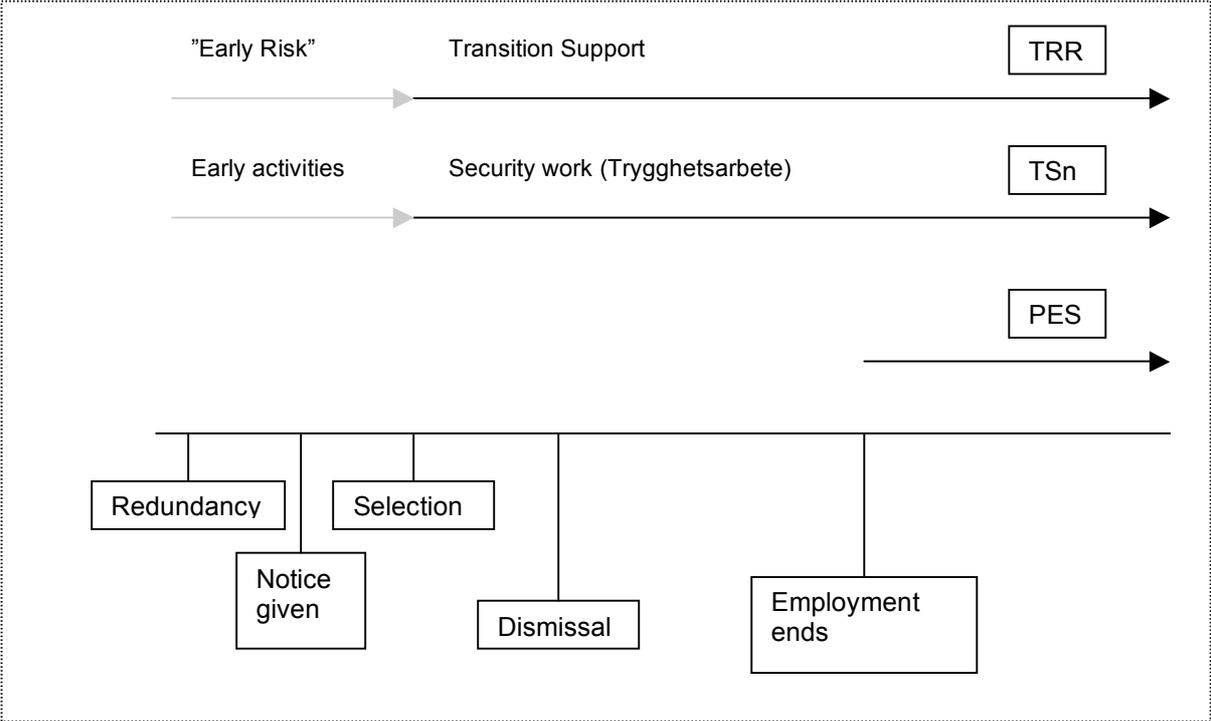


Fig. 1: The Job Security Councils and the PES (adapted from SOU 2002:59)

For example, the social partners within the public sector, on the basis of the job security agreements, assume that affiliated employers and employees take advantage of the possibilities that, among others, the PES has to offer. This has in some instances resulted in cooperation between TSn and the PES. Notwithstanding the cooperation taking place, from the job security councils’ perspective the cooperation with public authorities including the PES is generally seen as rather limited (Bäckström, 2006).

Furthermore, the fact that the job security councils are seen as a complement to the PES and not intended to replace it, means that apart from problems that may arise such as the “creaming off effect” (see e.g. Bredgaard & Larsen, 2005). The creaming-off effect connotes the situation where the unemployed workforce is divided into those who are highly competent and prone to quickly slip into new employment and into those workers who may be described as “difficult cases”, those workers who experience psychological problems or physical

illnesses or lack the competencies and skills that are required by the labour market. The competent workers in demand on the labour market move quickly through either the job security councils' or other outplacement companies' transition support programs. The difficult cases remain in the programs and at the end of the transition period they become unemployed and either remain in the program or are transferred to the PES. As a consequence the PES has to handle the difficult cases, while all the competent, easily employable persons are taken care of by other actors either private outplacement companies or the job security councils' programs. In the longer term this may have consequences for how the responsibility for managing the consequences for workers made redundant due to restructuring is organised between the involved actors, both public and private, on the labour market.

Conclusions

The argument we have pursued in this report is that while the state can be said to have reduced its undertakings when it comes to job placement this contributes to the organizing of a market where different actors such as outplacement companies, temporary employment agencies and job security councils compete with one another to insure people against the increased risks associated with employability.

It has been argued that the responsibility for being employable and for developing one's employability seems to rest more and more on the individual and less on the employer (Bäckström, 2006). This can be regarded as part of a trend towards externalisation of the employees' responsibilities (Bergström, 2001).

In this report we have built on this argument by suggesting that these developments have had a profound influence on contributing to the construction of what it means to be employable on today's labour market.

The report focused on the role of the job security councils in these developments. As they are a specific feature of the Swedish labour market, one question of interest focuses on how their development may be explained? One possible explanation states that the involved actors attempt to develop a market for employability insurance by connecting different already existing models associated with transition support. One of these models, the traditional one, sees the responsibility for ensuring the employability of employees as resting with the employer. Another one sees it as resting with the state, and a third model sees it as resting with the individual.

The constructing of a collective solution situated somewhat in-between the individual, the state and the employer, as is the case with the job security councils, means that conditions are created in which all the actors have an interest in further developing the market.

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