

## National Recovery and Resilience Plan: Sweden

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### Abstract

This contribution illustrates the main elements of the National Recovery and Resilience Plan presented by the Swedish government in 2022 in the context of the NextGenerationEU Action Plan. Along with an overview of its general features, this contribution focuses on the Plan's social and labour components. It illustrates the reforms and measures the Swedish government presented in order to tackle major problems on the labour market, including inclusion of marginal groups, job training to improve skills in key professions, such as health and elder care, and to facilitate job transition, and to tackle labour shortages in key sectors such as elder care and education. The contribution also reviews the role of the social partners in dealing with the labour market effects of the Covid-19 pandemic through collective bargaining. There is also a retrospective analysis of their role in the 2008 economic crisis.

**Keywords:** Sweden, NextGenerationEU, National Recovery and Resilience Plan, Labour market reforms, Social Europe.

### 1. Introduction

This article provides an account of the Recovery and Resilience Plan (hereinafter the RRP) adopted by the Swedish government within the framework of the NextGenerationEU (NGEU) Action Plan adopted by the European Council in July 2020 to support EU national governments in the aftermath of the crisis caused by the Covid-19 pandemic. In line with the aims of this Special Issue, it focuses on the social and labour market policy reforms

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proposed in the Plan. The analysis of the labour market–related goals and measures contained in the Recovery Plan is preceded by a discussion of the Swedish government’s policy position during the (long and heated) negotiations that led to the adoption of the NGEU Action Plan and of the Recovery and Resilience Facility (hereinafter RFF), as well as by an overview of the Swedish Recovery Plan. Parallels are also drawn with the financial and economic crisis of 2008–2011.

## 2. The Swedish government’s policy positions in the negotiations on adopting the NextGenerationEU Plan – a ‘frugal’ stance

Sweden took a fairly exceptional approach to coping with the spread of the virus and the pandemic. No general lockdown was implemented; only limited bans to internal mobility were introduced (for instance, restricting public access to health-care and elder-care facilities and progressive bans on large public gatherings). Most measures took the form of recommendations.<sup>1</sup>

Several measures concerned employment and social security. Telework was implemented in all workplaces where the nature of the work made it possible. The risk of infection was treated as a health and safety issue at work.<sup>2</sup> Other measures introduced extraordinary income support under different forms: the social partners made extensive use of short-time working agreements at company level (collectively negotiated schemes between management and local trade union representatives that enable companies to cut labour costs by reducing their employees’ working hours without implementing collective dismissals<sup>3</sup>), while the government extended the possibility to apply for unemployment benefits and sick-leave schemes.<sup>4</sup>

At EU level the Swedish government was more inclined towards budgetary caution. In the context of the negotiations on the possible adoption of an economic recovery plan to support EU Member States, the Swedish government allied with the Austrian, Danish and Dutch governments to form a coalition sometimes dubbed the ‘Frugal Four’. Against another coalition, referred to as the ‘Solidarity coalition’,<sup>5</sup> formed by most other EU

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<sup>1</sup> See Nordberg A., Mattsson T., *COVID-19 pandemic in Sweden: measures, policy approach and legal and ethical debates*, in *BioLaw Journal – Rivista di BioDiritto*, Special Issue 1, 2020, 731–739.

<sup>2</sup> See Andersson P., Novitz T., *COVID-19 at Work: Exposing how risk is assessed and its consequences in England and Sweden*, University of Bristol Legal Research Papers, 2022, 1:

<http://www.labourlawresearch.net/sites/default/files/papers/COVID-19%20at%20Work%20Exposing%20how%20risk%20is%20assessed%20and%20its%20consequences%20in%20England%20and%20Sweden.pdf>

<sup>3</sup> See Rönmar M., Iossa A., *CODEBAR - Comparisons in Decentralised Bargaining Country Report: Sweden*, 2022, 47, <https://aias-hsi.uva.nl/en/projects-a-z/codebar/country-reports-codebar/codebar-country-reports.html>.

<sup>4</sup> For an account of all measures implemented by the Swedish government in the first months of the pandemic, see Johansson C., Selberg N., *COVID-19 and Labour Law: Sweden*, in *Italian Labour Law e-Journal*, Special Issue, 13, 1, 2020, at <https://doi.org/10.6092/issn.1561-8048/10774>.

<sup>5</sup> Fabbrini S., *Going beyond the pandemic: ‘next generation EU’ and the politics of sub-regional coalitions*, in *Comparative European Politics*, 4, 2022. Fabbrini also includes a third coalition – the ‘sovereignty coalition’ – formed by the governments of Hungary and Poland.

governments and led by the French, German (albeit under pressure<sup>6</sup>) and Italian governments, the ‘Frugal Four’ fiercely opposed the introduction of extraordinary EU budget expenditure to create a recovery fund for the Member States dedicated to dealing with the effects of the pandemic. In particular, the ‘Frugal Four’ opposed the introduction of ‘Corona Bonds’ – a form of loan borrowed from the experience of the Eurozone financial crisis – through which national governments could obtain financial support through debt. This was deemed to entail the risk that EU countries would be tied to each other.<sup>7</sup> This opposition stemmed mainly from fears that those measures would have constituted a first step towards a more integrated fiscal union. Instead, the ‘Frugal Four’ favoured national responsibility on fiscal issues.<sup>8</sup> The group also insisted on attaching strict conditionality clauses to the grants and loans concerning the actual implementation of the policies promised in the national recovery plans and respect for the rule of law.

During the discussions in the *Riksdag* (the Swedish national parliament), the then Prime Minister of Sweden, social Democrat Stefan Löfven, endorsed the adoption of a recovery plan at EU level (against the positions of most political parties in the Parliament), but stood against a distribution of funds without strict rules on their allocation and use. In a letter to the *Financial Times* on 16 June 2020, Löfven, writing on behalf of the ‘Frugal Four’ group, warned against a recovery plan consisting merely of non-repayable funds and equally accessible to all Member States. He instead emphasised the need to adopt an economic plan based on loans, strictly targeting those countries that had been hit more harshly by the pandemic and not going beyond the aim of recovery. The overall aim was to attain ‘a realistic level of spending’. ‘Solidarity’, Löfven stressed, ‘goes hand in hand with sustainable European growth’.<sup>9</sup> Finally, a deal was reached by adopting a recovery plan grounded on a mix of loans and grants and with the promise of substantial rebates to EU budget contributions for ‘frugal’ countries, including Sweden.<sup>10</sup>

### 3. The Swedish Recovery and Resilience Plan: an overview

On 27 May 2021, the Swedish government adopted the final version of the Recovery Plan (*Återhämtningsplanen*) to be presented to the EU Commission and Council.<sup>11</sup> The requested amount of financial support was around 3.3 billion euros (€) (33 billion Swedish krona), only

<sup>6</sup> Genschel P., Jachtenfuchs M., *Postfunctionalism Reversed: Solidarity and Rebordering during the COVID-19 Pandemic*, in *Journal of European Public Policy*, 28(3), 2021, 350-369.

<sup>7</sup> Smaghi L.B., *Corona bonds—great idea but complicated in reality*, in Bénassy-Quéré A., Weder di Mauro B. (eds), *Europe in the Time of Covid-19*, CEPR Press, 2020, 162–166.

<sup>8</sup> Miró J., *Debating fiscal solidarity in the EU: interests, values and identities in the legitimization of the Next Generation EU plan*, in *Journal of European Integration*, 44, 3, 2022, 307-325,

<sup>9</sup> Löfven S., *‘Frugal four’ warn pandemic spending must be responsible*, in *Financial Times*, 16 June 2020.

<sup>10</sup> Ladi S., Tsarouhas D., *EU economic governance and Covid-19: policy learning and windows of opportunity*, in *Journal of European Integration*, 42, 8, 2020, 1041–1056.

<sup>11</sup> A few amendments were introduced after the adoption of the final version of the Plan. The Swedish Recovery Plan and the related documents are available at <https://www.regeringen.se/rappporter/2021/05/sveriges-aterhamtningsplan/>

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in the form of non-repayable grants. In the Plan, the government emphasises that 44.4 per cent of the requested grants would be dedicated to measures for achieving climate-related goals, such as the conversion to renewable energies, the reduction of carbon emissions in industry and improvement of the national railway system's capacity. A further 20.5 per cent of the total, the government specified, would be dedicated to measures aimed at achieving digitalisation-related goals, such as expanding broadband to scarcely populated areas and investing in public digital infrastructures. In both cases those shares of the grants exceed the threshold set by the EU Recovery and Resilience Facility (RFF) as requirements for the national plans to be approved and receive funding. On 29 March 2022, the EU Commission presented a positive assessment<sup>12</sup> of the plan and issued a proposal for a Council decision to approve it.<sup>13</sup> The Swedish Recovery Plan was finally approved by the EU Council on 4 May 2022, with the proposed amount of funding.

In line with the Commission guidelines, the Swedish Recovery Plan presents reforms in six main policy areas, reflecting the six policy pillars listed in the RFF: green transition; digital transition; smart, sustainable and inclusive growth; social and territorial cohesion; health care, and economic, social and institutional resilience; and policies for the next generation. For each of these pillars, the Swedish government presents a set of goals, and measures to achieve them, which take into consideration the implementation of the European Pillar of Social Rights, in accordance with the requirements set by Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility.<sup>14</sup> The goals and measures proposed by the Swedish government in each of those six policy pillars can be summarised as follows:

*Green transition:* in this area the Swedish government states that investments will be made to support sustainable transport, implement energy efficiency for housing, and reduce gas emissions in industry. In the government's view, these policies will also have a positive effect on the economy by helping to create new jobs and strengthen the competitiveness of the Swedish economy. The plan also includes an increase in environment-related taxes, with the aim of compensating a possible reduction in income taxes for employees and the self-employed.

*Digital transition:* digitalisation of public sector, and in particular of public services, is at the core of the measures proposed by the Swedish government in this area. These actions, it is stated, will also help to reduce emissions by facilitating communications and reducing the need for travelling, and by making energy consumption more efficient.

*Smart, sustainable and inclusive growth:* in connection with this pillar, the Swedish government focuses on the need to adopt public investments, especially in research and education, as means to achieve the goals of labour market inclusion and higher employment. The measures proposed in this area shall facilitate labour market transition and promote equality of

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<sup>12</sup> Commission Staff Working Document, Analysis of the recovery and resilience plan of Sweden accompanying the document Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for Sweden, Brussels, 29.3.2022, SWD (2022) 102 final.

<sup>13</sup> Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for Sweden, Brussels, 29.3.2022, COM(2022) 152 final.

<sup>14</sup> Art. 4 of Regulation (EU) 2021/241 of the European Parliament and Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L57, 17.

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opportunity. The Swedish government deems these to be the measures that will eventually contribute to sustainable economic growth in the long term.

*Social and territorial cohesion:* in this area, the government emphasises the overall objective of reducing social inequalities, both between regions and among people. In this connection, priority is given to measures to improve welfare services and resources. The goal is to increase pensions, improve elder care and health care, and promote labour market inclusion, especially for marginalised groups (such as people with immigrant backgrounds), but also to support culture, sport and other social activities to enhance inclusivity.

*Health, and economic, social and institutional resilience:* here the government asserts the importance of improving and increasing both the access and the capacity of the health-care system. In this regard, the Plan prioritises measures aimed at improving the skills, knowledge and working conditions of health-care and elder-care workers (nurses and home assistants in particular). It is stated that this can be achieved by making it possible to receive specialised education during working time (therefore paid), which will eventually also increase the attractiveness of the profession and therefore promote equality.<sup>15</sup> The focus in this area is also on labour market policies in general, which shall aim at introducing structural changes to promote inclusivity and equality in society. The government also includes here measures to fight against money laundering and financing of terrorism as goals for a better society.<sup>16</sup>

*Policies for the next generation:* with regard to the last pillar, the government indicates support for school and education in general as the main priorities. The focus here is on specialised training for teachers as to increase the general level of competence. It is, however, interesting to observe that the Swedish government's approach also extends to the socio-economic context in which pupils and students grow and live. In this sense, the plan mentions the need to provide better and accessible housing for families in general and for students in particular. Again, the focus is on the need for better welfare services, especially for young and elderly people to reduce intergenerational gaps in terms of access to and quality of different social services.

Overall, the priorities indicated by the Swedish government in the Plan seem to have strong relevance to the labour market and a strong social component. In this regard it is also worth noting that the Plan refers several times to the European Pillar of Social Rights, stressing the consistency of the policy measures proposed with the principles set forth by the Pillar. Several goals and measures are related to promoting inclusivity and equality on the labour market, as well as to increase the general skills level in certain key sectors, such as education and health care.

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<sup>15</sup> In this regard the Swedish government mentions the disproportionate share of women employed in health care and elder care as nurses and home assistants, and states that providing more training and better conditions might attract more men into the profession to balance the employment shares of the sexes in the sector.

<sup>16</sup> These issues are among the challenges identified by the country-specific recommendations issued by the Commission for Sweden in 2019 and 2020. See Recital 10 and Art. 3 of Recommendation for a Council Recommendation on the 2019 National Reform Programme of Sweden and delivering a Council opinion on the 2019 Convergence Programme of Sweden COM(2019) 527 final and Recital 20 and Art. 3 of Recommendation for a Council Recommendation on the 2020 National Reform Programme of Sweden and delivering a Council opinion on the 2020 Convergence Programme of Sweden COM(2020/) 527 final.

These objectives are in line with the principles of the European Pillar of Social Rights, in particular those stated in Chapter I on ‘Equal opportunities and access to the labour market’ and in Chapter III on ‘Social protection and inclusion’. These were also the challenges identified in the country-specific recommendations issued by the EU Commission in 2019 and 2020. Already in the pre-pandemic situation, the 2019 Country-Specific Recommendations pointed to the need to address labour shortages in certain sectors, such as education, construction and IT, as well as to deal with problems of the labour market exclusion of recently arrived migrants and their descendants.<sup>17</sup> The 2020 Country-Specific Recommendations also include health care and social work among those sections suffering from labour shortages and calls for action to improve quality of work for health-care professionals.<sup>18</sup>

It is also worth mentioning that in the section of the Plan on implementation, it is specified that the social partners – the three main trade union confederations and the employers’ associations for the private and public sectors – have participated in several meetings to discuss goals and reforms to be included in the Recovery Plan. This is also in accordance with the guidelines issued by the Commission to guide Member States in drafting their Recovery Plans.<sup>19</sup>

#### **4. The social and labour dimension of the Swedish Recovery Plan**

The Swedish Recovery Plan presents specific reforms in relation to five delimited policy areas (denominated ‘focus areas’): (i) green recovery; (ii) education, training and conversion; (iii) better conditions to meet the demographic challenge and ensure the integrity of the financial system; (iv) broadband extension and digitalisation of public administration; and (v) investments for growth and housing. These are the policy areas in which the Swedish government intends to intervene with targeted reforms in order to attain the objectives laid down in the six abovementioned pillars.

A dimension related to social and labour issues is present – to different degrees – in all five areas. For instance, the reforms proposed in relation to the components ‘green recovery’ and ‘broadband extensions and digitalisation of public administration’ will require substantial public investments, which will eventually contribute to create jobs and employment opportunities. The need for new skills on the labour market will be a further effect of the reforms in those areas, which would impact present employees by requiring them to learn new skills and eventually to transit to other sectors, and future recruitments, which would then require new competences in the education system. In relation to the digital transition,

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<sup>17</sup> Recital 8 Recommendation for a Council Recommendation on the 2019 National Reform Programme of Sweden and delivering a Council opinion on the 2019 Convergence Programme of Sweden COM(2019) 527.

<sup>18</sup> Recital 18 Recommendation for a council recommendation on the 2020 National Reform Programme of Sweden and delivering a Council opinion on the 2020 Convergence Programme of Sweden COM(2020/) 527 final.

<sup>19</sup> Commission Staff Working Document Guidance to Member States Recovery and Resilience Plan SWD(2021) 12 final, 47.

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the Plan includes significant investments in research, which will provide new job opportunities within universities.

Similar considerations apply to the reforms in the component ‘investment for growth and housing’. Here, the Plan suggests that the reforms will stimulate public and private investments in the construction sector, which will contribute to creating new job opportunities. At the same time, the main goal within this area is to provide better and more affordable housing, which is indicated as a factor that can contribute to labour market efficiency by facilitating geographical mobility. Some reforms in this policy area aim at supporting private initiatives, in particular, those reforms that aim at facilitating and simplifying administrative procedures for obtaining construction permits from the municipal public authorities.

Two policy areas in which the proposed reforms deal explicitly with labour market questions are ‘education, training and conversion’ and ‘better conditions to meet the demographic challenge and ensure the integrity of the financial system’. In the area of ‘education, training and conversion’, it is mentioned that the reform objectives shall be to make the labour market more efficient and effective, especially as regards increasing the employment rate and opportunities among marginal groups. The government identifies those groups mainly with adults with low education, in particular non-EU citizens and foreign-born. To tackle this problem, the government suggests increasing opportunities for adult education and vocational training. This would also have the effect of creating more jobs in education. The proposed reforms are therefore aimed at creating a more qualified workforce (also as regards Swedish language skills for migrants) to match the needs of the labour market.<sup>20</sup> Among the suggested reforms in this area, the government includes the need for a reform of labour law that would increase labour market flexibility – as requested by the employers – to be compensated, however, by enhanced opportunities for lifelong learning for workers, to improve their chances of finding another job in the event of redundancy. The Plan also refers to the 2020 Agreement on security, transition and employment protection signed by the Confederation of Swedish enterprises, Svensk Näringsliv, PTK (the cross-sectoral council for negotiation and cooperation for 25 private-sector, white-collar and university graduates/professional trade unions), and the blue-collar trade union confederation LO.<sup>21</sup> The agreement, which was signed in June 2022 and will enter into force in October 2022, will change the current legislation on employment protection by modifying the terms and conditions for dismissals in order to simplify (as declared by the proposers) the legal grounds for terminating employment contracts.<sup>22</sup> It will also introduce rules for

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<sup>20</sup> In this regard the 2020 Country-Specific Recommendations mention that 50 per cent of employers in the IT sector in Sweden have difficulties recruiting qualified workforce, see Recital 19 Recommendation for a Council Recommendation on the 2020 National Reform Programme of Sweden and delivering a Council opinion on the 2020 Convergence Programme of Sweden COM(2020/) 527 final.

<sup>21</sup> LO joined the agreement only in 2021. At the time of drafting the Recovery Plan only the two biggest LO-affiliated trade union federations, IF Metall (manufacturing) and Svenska Kommunalarbetsförbundet (services), were part of the agreement. See Svenskt Näringsliv samt LO, *Partsöverenskommelse om trygghet, omställning och anställningskydd*, 2021-11-10.

<sup>22</sup> See Selberg N., Sjödin E., *2020-talets modernisering av anställningstryggheten: Gränserna mellan politik och kollektiva förhandlingar förskjuts och partsöverenskommelser blir lag*, in *Arbetsmarknad & Arbetsliv*, 28, 1, 2022, 69–83.

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skills development and transition on the labour market, two of the main elements of the reforms proposed by the government in this area of the Recovery Plan.

The reforms proposed in the area of ‘better conditions to meet the demographic challenge and ensure the integrity of the financial system’, have a strong social and labour dimension, too. The government sets out from the observation that the Swedish population is aging, and that this entails challenges in terms of ensuring decent pensions and decent living conditions for the elderly, including decent pensions and access to high quality welfare and elder care. With regard to the former, the government identifies the main challenge in financing the pension system. The proposed reform is to raise retirement age to prolong people’s working lives in order to foster a financially sustainable pension system. To this end, the government stresses the importance of having a skilled and experienced workforce in the long term and a robust elderly care sector. In this regard, the goal is to make employment in the sector (especially for lower-paid professions such as nurses and nurses’ assistants) more attractive. The government’s proposal is to improve options for skill development during employment, enabling employees to take paid time-off for studying and for career advancement. A further proposal in this area concerns the introduction of recognised qualifications for nursing. There is a need, according to the government, to clarify what skills are important for the profession and how people may acquire them. In this sense, the Plan proposes to introduce specific titles. In the government’s view, these reforms would also make working in elder care more attractive, and have the effect of creating more gender balance in a sector that is female-dominated (92 per cent of nurses and nurses’ assistants are women). According to the proposal, skills development shall also target management in elder care to ensure good organisation and leadership skills in the sector.

## **5. The Swedish Recovery Plan under assessment by the EU Commission – focus on labour market policies**

In its assessment of the Swedish Recovery Plan, the EU Commission, before scrutinising the measures proposed by the Swedish government, underlines the generally high level of Swedish society and economy in term of wealth, equal opportunities, care for the environment, innovative capacity, equality and inclusivity. The Commission also acknowledges how the Swedish economy has shown a higher degree of resilience during the pandemic than the average EU country and welcomes the measures adopted by the government with regard to, among other things, covering the costs of temporary unemployment and sick leave as a result of the pandemic, as well as providing fiscal support for firms and the self-employed to cover losses. However, the Commission document also highlights a few challenges in relation with the labour market: in particular, the integration of foreign-born workers and youngsters, as well as the skills mismatch between employment demand and supply.<sup>23</sup> In this regard, the Commission stresses that the Covid-19 pandemic

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<sup>23</sup> See nt. (12), 8.



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had the effect of widening the gap between national and foreign-born workers in terms of access to and knowledge of IT skills, which became necessary to perform telework. The same applies to education. Furthermore, the lack of affordable housing is indicated as a factor that undermines the younger generation's access to the labour market, and thus contributes to raising youth unemployment.<sup>24</sup>

The Commission's assessment highlights how the digital and green transitions are the Plan's main and intertwined policy targets. In both cases, it is pointed out that the reforms and investments proposed by the Plan will accelerate green transition and digitalisation through structural improvements.<sup>25</sup> The Commission also acknowledges that the Plan has a strong focus on gender equality, albeit lacking a more targeted examination of the challenges and measures related to young and foreign-born women's problems obtaining access to the labour market.<sup>26</sup> It also welcomes the consultations with stakeholders – in particular, the social partners – held by the Swedish government in drafting the Plan.<sup>27</sup>

The digital transition is indicated in the Commission's document as one of the strongest elements of the Swedish Plan. The policies in this area are deemed to contribute to labour market improvements in terms of creating job opportunities in research and development, as well as in terms of training and up-skilling with the objective of promoting employability.<sup>28</sup> This aspect is also emphasised in relation to improvements in welfare and elder care. The reforms proposed by the Swedish government are considered to achieve social resilience by favouring better training of elder-care workers to enable them to provide a better elder-care service.<sup>29</sup> A similar assessment is made in relation to the green transition. In this regard, the Commission states that '[b]y equipping the labour force with the necessary skills for the future [...], the plan will help improve the labour market transition and thus contribute to allow all citizens to make best use of the opportunities of the twin transition'.<sup>30</sup> At the same time, the Commission welcomes reforms aimed at both tackling demographic challenges, such as those related to pension age limits, which are deemed to ensure the sustainability of the Swedish economic and social model,<sup>31</sup> and 'modernising' employment protection as a way to favour transition on the labour market.<sup>32</sup> The latter is indicated as benefitting 'those without extensive professional experience and will thus help increase job prospects for the younger generation'.<sup>33</sup>

In conclusion, the Commission states that the Swedish Recovery Plan 'represents, to a large extent a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of the RRF Regulation, taking the specific challenges and the financial allocation of Sweden into

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<sup>24</sup> See nt. (12), 9.

<sup>25</sup> See nt. (12), 16.

<sup>26</sup> See nt. (12), 18.

<sup>27</sup> See nt. (12), 18.

<sup>28</sup> See nt. (12), 21.

<sup>29</sup> See nt. (12), 23.

<sup>30</sup> See nt. (12), 22.

<sup>31</sup> See nt. (12), 22.

<sup>32</sup> See nt. (12), 23.

<sup>33</sup> See nt. (12), 23.

account'.<sup>34</sup> The final assessment therefore rates the Plan with an 'A', which, according to the criteria indicated in Annex V of the RRF Regulation, means that the Plan contributes to 'a large extent' to achieving the objectives of the six pillars.

The same 'A' rate is also given for the Plan's adequacy to the challenges identified in the country-specific recommendations adopted by the EU Commission under the European Semester in the 2019 and 2020 cycles.<sup>35</sup> With regard to labour market issues, the assessment mentions that the reforms aim at increasing opportunities for vocational training, especially in elder care and health care. The measures aimed at the digital transition are also deemed as likely to promote new skills on the labour market. The proposed reform of employment protection is also indicated as a measure that will 'scale up' human capital and improve labour market access for certain groups, such as foreign-born and young workers. Accordingly, the Swedish Plan is assessed as 'effectively addressing all or a significant subset of challenges identified in the country-specific recommendations [...] by the Commission under the European Semester, and the recovery and resilience plan represents an adequate response to the economic and social situation of the Member State concerned' (Art. 2.2 Annex V of the RRF Regulation).

In relation to the objectives set by the European Pillar of Social Rights, the labour market reforms and policies – including those related to digital transition – proposed by the Swedish Recovery Plan are assessed as contributing to social cohesion, in particular by boosting employment. This is achieved by adopting policies aimed at up- and re-skilling that target disadvantaged groups, such as foreign-born workers, and areas with labour shortages.<sup>36</sup> However, the assessment also indicates that, while expected to address challenges related to gender equality and equal opportunities, the Plan does not explain the impact of these measures on gender employment and the gender pay gap.<sup>37</sup> Similarly, the Commission identifies the 'disability employment gap' as an area to monitor.

Overall, labour market policies focused on training and skill formation are also seen as contributing to Sweden's competitiveness and facilitating adjustments in case of 'adverse economic circumstances'.<sup>38</sup> In this sense, the Plan is also rated 'A' in relation to the objectives of the European Pillar of Social Rights, which means that the proposed reforms will have a 'high expected impact' on its implementation (Art. 2.3 Annex V of RRF Regulation).

Those labour market policies are also expected 'to have a lasting impact over the medium and longer term on policies by permanently enhancing innovation capacity, environmental sustainability, human capital, digital skills and labour force participation'.<sup>39</sup> The investments proposed for education are also expected to have a positive impact in terms of supporting labour force participation and productivity.<sup>40</sup>

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<sup>34</sup> See nt. (12), 23.

<sup>35</sup> See nt. (12), 26. According to the Commission, however, challenges related to the housing market and private debt are only partially tackled. See nt. (12), 24

<sup>36</sup> See nt. (12), 29.

<sup>37</sup> See nt. (12), 30.

<sup>38</sup> See nt. (12), 30.

<sup>39</sup> See nt. (12), 39.

<sup>40</sup> See nt. (12), 41.

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In the 2022 Country-Specific Recommendations for Sweden, the Council welcomes the Recovery Plan presented by the Swedish government and invites the government to proceed with its implementation. The challenges related to equal opportunities in education, training, and labour market inclusion of persons with migrant backgrounds are among the issues that the Council raises and calls on Sweden to take action. It is interesting to note in this regard how the Council binds these issues by stressing that inequality of opportunities in education leads to marginalisation on the labour market because of a lack of skills.<sup>41</sup> Despite the sudden alteration in the geo-political situation as a result of the Russian invasion of Ukraine, the Council emphasises the need for Sweden to '[r]educe the impact that pupils' socio-economic and migrant backgrounds have on their educational outcomes by providing equal access opportunities to schools and by addressing the shortages of qualified teachers', as well as to '[d]evelop skills of disadvantaged groups, including people from migrant backgrounds, by adapting resources and methods to their needs to help their integration into the labour market'.<sup>42</sup>

## 6. The labour market and the Covid-19 crisis in retrospect: a comparison with the 2008 economic crisis

A key characteristic of the Swedish model of labour market regulation is the social partners' broad scope for collective autonomy.<sup>43</sup> This implies that working conditions, including minimum wages, are decided via collective bargaining and laid down in collective agreements. Collective autonomy also has the prerogative of setting rules on wider labour market policies, including pensions, unemployment benefits, transition and training.<sup>44</sup> Sweden is traditionally classified as a 'coordinated market economy'.<sup>45</sup> In relation to the 2008 economic crisis, this type of political economy, in which the social partners play an active part in regulating the labour market through collective bargaining, has been identified as doing better than other types of political economy on managing the negative consequences of the crisis for employment and labour market. The flexibility ensured by collective bargaining enables social partners to take temporary measures – even harsh 'austerity' measures – to deal with the contingent effects of the crisis, with the aim of long-term sustainability in terms of preserving employment and business.<sup>46</sup> In the Swedish context, the

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<sup>41</sup> Recital 25 Recommendation for a Council Recommendation on the 2022 National Reform Programme of Sweden and delivering a Council opinion on the 2022 Convergence Programme of Sweden 9427/22 – COM(2022) 625 final.

<sup>42</sup> *Ibid.*, point 3.

<sup>43</sup> Rönmar M., *Autonomous Collective Bargaining in Sweden under Pressure*, in López López J. (ed.), *Collective bargaining and collective action: labour agency and governance in the 21st century?*, Hart Publishing, Cheltenham, 2019, 189–212.

<sup>44</sup> Johansson C., *Occupational pensions and Unemployment benefits in Sweden*, in *International Journal of Comparative Labour Law and Industrial Relations*, 36, 3, 2020, 339–366.

<sup>45</sup> Hall P.A., Soskice D., *An Introduction to Varieties of Capitalism*, in Hall P.A., Soskice D. (eds), *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*, Oxford University Press, Oxford, 2001, 1–68.

<sup>46</sup> Lallement M., *Europe and the economic crisis: forms of labour market adjustment and varieties of capitalism*, in *Work, Employment and Society*, 25, 4, 2011, 627–641.

traditionally central role of the social partners in regulating the labour market has had a decisive impact on dealing with recurrent crises.<sup>47</sup> This factor is strengthened by structural elements of the legal framework for industrial relations, which provides the social partners with mechanisms to deviate from statutory provisions through collective bargaining.<sup>48</sup> During and after the 2008 economic crisis, this aspect of the Swedish model prevented the introduction of reforms affecting the relationship between the legal system and collective bargaining, as occurred in other EU countries.<sup>49</sup> The experience of the 2008 economic crisis was put to advantage during the pandemic. The social partners at different levels – from cross-sectoral to sectoral and company levels – have been directly involved in dealing with the consequences of the pandemic for employment and business.<sup>50</sup>

During the 2008 economic crisis, the social partners made wide use of the instrument of collective agreement for short-time working (*kollektivavtal om korttidsarbete*). This instrument was initially introduced through a sectoral collective agreement (denominated ‘crisis agreement’ – *kerisavtal*) in the metallurgic sector, signed in 2009 between *IF Metall* and the employers’ association *Teknikföretagen*. The instrument, which was conceived as temporary, gave an opportunity to company-level actors – local trade unions and company managements – to deal with the effects of the crisis by negotiating company-level collective agreements with the aim of preserving employment and business by striking a balance between reductions in working hours and salary cuts.<sup>51</sup> The use of this instrument worked well and spread quickly to other sectors. The annual report for 2009 published by the Swedish Mediation Office indicates that around 400 short-time collective agreements were signed before the end of the year;<sup>52</sup> and the report for 2010 mentions that, during that year, the reduction in working hours at national level was 18 per cent on average, against an average 13 per cent reduction in salary levels.<sup>53</sup> In total, 30 per cent of the workforce in industry was covered by this type of collective agreement.<sup>54</sup> The widespread use of this instrument led the legislator to codify it in the Act on Short-Time Working Allowance (*lag (2013:948) om stöd vid korttidsarbete*), although it was not implemented until the outbreak of the Covid-19 pandemic.<sup>55</sup>

<sup>47</sup> Anxo D., *Industrial relations and the crisis: the Swedish experience*, International Labour Office, Governance and Tripartism Department, Geneva, ILO, 2017.

<sup>48</sup> Iossa A., *L'autonomia collettiva al tempo dell'austerità: la normale eccezionalità del sistema svedese*, in *Rivista Giuridica del Lavoro e della Previdenza Sociale*, 4, 2019, 721–742.

<sup>49</sup> See, among others, Schömann I., *Reforms of collective labour law in time of crisis: towards a new landscape for industrial relations in the European Union*, in Busby N. (ed.) *The future regulation of work: new concepts, new paradigms*, Palgrave Macmillan, Basingstoke, 2016, 145–163.

<sup>50</sup> Rönmar M., Iossa A., *CODEBAR Comparison in Decentralised Collective Bargaining. Country Report Sweden*, 47.

<sup>51</sup> Gläva M., *Kunskapsambüllet, facket och den svenska modellen – reflektioner kring ett lönesänkingsavtal*, in Ahlberg K. (ed.), *Vänbok till Ronnie Eklund*, Iustus, 2010, 245–253. See also Ahlstrand R., *Integrative strategy, competitiveness and employment: A case study of the transition at the Swedish truck manufacturing company Scania during the economic downturn in 2008–2010*, in *Economic and Industrial Democracy*, 36, 3, 2015, 457–477.

<sup>52</sup> Medlingsinstitutet, *Avtalsrörelsen och lönebildningen 2009*, Stockholm, 2010.

<sup>53</sup> Medlingsinstitutet, *Avtalsrörelsen och lönebildningen 2010*, Stockholm, 2011.

<sup>54</sup> Fransson A., Kjellström C., *Pandemin och korttidsarbetet*, Stockholm, Medlingsinstitutet, 2020, 17.

<sup>55</sup> Johansson C., Selberg N., nt. (4), 3.

As early as 2018, the Swedish government initiated a procedure to enhance the legal framework for negotiations on short-time collective agreements and the outbreak of the virus accelerated the process. Then, under pressure of the emergency due to the pandemic, the government introduced temporary legislation to support the negotiation and conclusion of collective agreements on short-time working, along with specific economic support for unemployment benefits and other social security allowances for employees and companies affected by the economic consequences of the pandemic.<sup>56</sup> In 2021, the government amended the existing legislation to establish a permanent legal framework, in force since October 2021, for companies to access public financial support in cases in which a local collective agreement on short-time working has been signed.<sup>57</sup> The legal framework provides for state support to companies that experience economic difficulties and conclude short-time working agreements with local trade unions (under the requirement to be covered by a sectoral agreement). Under this scheme, employers and employees also have the possibility to negotiate reductions in working hours in exchange for education and training as a means to develop individual competences.

At the outset of the pandemic, the first sectors that made use of short-time collective agreements were the cultural sector, hotels and restaurants, and retail, in which the social partners had to deal with the hardest and most immediate economic consequences of limited mobility and restrictions.<sup>58</sup> Its use spread quickly into almost all sectors, however, with the conclusion of thousands of short-time collective agreements. In this process, the consolidated experience of dealing with company crisis situations gained by social partners during the 2008 economic crisis equipped them with knowledge and instruments, such as sectoral ‘crisis agreements’, that have been mobilised in order to deal with the impact of the pandemic on the labour market.<sup>59</sup>

## 7. Concluding remarks

In light of this discussion, the Recovery Plan presented by the Swedish government seems to comply well with the requirements laid down by the RFF, the guidelines provided by the Commission to aid the drafting of national plans, and the 2019 and 2022 Country-Specific Recommendations issued to the government in the context of the European Semester. Green recovery and digital transition are the government’s main goals. However, strong emphasis is also placed on goals and reforms tackling structural problems on the labour market, especially those connected with labour migration.<sup>60</sup> In this regard, the Swedish

<sup>56</sup> Kjellberg A., *Den svenska modellen 2020. Pandemi och nytt huvudavtal*, Arena Idé, Stockholm, 2021.

<sup>57</sup> Government Proposition 2021/22:113.

<sup>58</sup> Fransson A., Kjellström C., *Pandemin och korttidsarbetet*, Stockholm, Medlingsinstitutet, 2020, 25–27.

<sup>59</sup> See Rönnmar M., Iossa A., *CODEBAR Comparison in Decentralised Collective Bargaining. Country Report Sweden*, which investigates the role of sectoral and local social partners in dealing with the pandemic in the manufacturing, retail and public health-care sectors.

<sup>60</sup> Andersson P. et al., *Assessing the Swedish labour law model through a sustainability lens*, in *Retfærd. Nordisk Juridisk Tidsskrift*, 2, 2022, 75–96.

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government seems very concerned to enhance inclusivity and equality on the labour market. The aim is to facilitate labour market inclusion by providing better education and vocational training in order to provide job opportunities for all and in particular for vulnerable and marginal groups, such as low-educated and foreign-born citizens and migrants.

The attention that the Recovery Plan dedicates to health-care and elder-care workers is also significant. Besides being the frontline in dealing with the pandemic, the health-care and elder-care sectors are structurally affected by labour shortages and their workers are generally not satisfied with their working conditions.<sup>61</sup>

The proposed reforms aim at making employment in these sectors more attractive in order to remedy labour shortages and to balance the gender gap in these female-dominated professions. However, it is interesting to highlight how the proposed reforms focus on training, education, and legal recognition of qualifications, rather than on actual working conditions. This is of course because working conditions, including wages, in Sweden are entirely negotiated by the social partners and the government does not have a say. Yet the proposed reforms focus only on ‘employability’.

Overall, skills development and training seem to be the main focus of the labour market-related reforms proposed by the Swedish government in the Recovery Plan, as the key to both addressing the issue of labour shortages and achieving inclusion of marginal groups. In this regard, the link must be stressed between those aspects of the Recovery Plan and the current labour law and labour market debate in Sweden. As already mentioned, in June 2022 a new general agreement on security, transition and employment protection was signed and since July 2022 key amendments to the Employment Protection Act have entered into force with the aim of increasing labour market flexibility by simplifying rules for dismissals. In October 2022 new rules will then be applicable for the regulation of dismissals and employment protection in general.

These rules are part of a more comprehensive labour market reform which includes strengthened rights to lifelong learning and skill developments for workers as a way to facilitate transition on the labour market – more employability as against increased flexibility. In this sense, one of the labour market-related goals of the Swedish Recovery Plan is already on its way to being accomplished. Although supported by the top leadership of the trade union movement – also because it has been introduced through a general agreement signed by cross-sectoral social partners<sup>62</sup> – the reform has also been widely criticised as lowering the standards for employment protection and making it easier and cheaper for employers to dismiss employees.<sup>63</sup> A concluding critical note can then be added: this way of advancing reforms that have their roots in a neoliberal understanding of labour markets seems to have

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<sup>61</sup> Selberg R., Mulinari P., *Exit spirals in hospital clinics: Conceptualizing turnover contagion among nursing staff*, in *Scandinavian Journal of Public Administration*, 26, 1, 2022, 87–107.

<sup>62</sup> Ulander-Wänman C., *The social partners as actors in new labour law legislation in Sweden*, in *European Labour Law Journal*, 13, 2, 2022, <https://doi.org/10.1177/20319525211068863>.

<sup>63</sup> See Selberg N., Sjödin E., *Oförklarad olikhet inför lagen i nya Las sanktionsystem*, in *Lag & antal: arbetsrättslig tidskrift*, 3, 2022, 40–41.

come in the wake of what already in 2007 was described by Naomi Klein as ‘disaster capitalism’, that is, the deliberate use of crises as means of ushering in neoliberal policies.<sup>64</sup>

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<sup>64</sup> Klein N., *The shock doctrine: the rise of disaster capitalism*, Metropolitan Books, New York, 2007.