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**Neither sticks nor  
carrots: Swedish trade  
union involvement in  
the European  
Semester**



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Olle Jansson, Jenny Jansson  
and Jan Ottosson

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## Neither sticks nor carrots: Swedish trade union involvement in the European Semester Case study Sweden

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## Executive summary

The aim of this OSE Research paper is to ascertain to what extent the social partners in Sweden are involved in the different stages of the European Semester: *what do they expect (if anything) to gain from this involvement, and do they perceive that they have an influence on the outputs and outcomes of the process?* By studying available written documents and conducting interviews with representatives of the trade union confederations, employer organizations and civil servants from the government's office, we have reconstructed the involvement of the national-level social partners in the European Semester.

The Swedish case is characterized by a strong institutional framework for national social dialogue as well as weak EU pressure to adapt to the European Union's (EU) Country-specific Recommendations (CSR) or other policy recommendations emanating from the Semester. Sweden is not part of the Eurozone and the economic recovery after the great recession has been comparatively good. In terms of the geographical typology for industrial relations used in the INVOTUNES project, Sweden is one of the 'Northern countries', together with Denmark, Finland and Norway. Fundamental components of the Swedish model for industrial relations, together with the high unionisation rate and broad membership, are the strong status of collective agreements, workplace representatives with a mandate to negotiate, as well as the independence of the social partners from central government. The labour market is regulated by a number of principal agreements reached at the central level between employers' organizations and trade unions. These central agreements regulate aspects including negotiation procedures, dispute procedures and development issues. In contrast to many other countries, there are no state-administered minimum wage levels in Sweden, since the social partners negotiate these key aspects. The political situation in Sweden at the time of writing is characterised by a minority government, composed of the Social Democrats and the Green party, supported by the Liberals and the Centre party (two liberal parties).

The Swedish case illustrates how a strong national social dialogue and low degree of EU pressure mean that, on the one hand, the social partners have moderate to good access to the policy process and possess considerable resources which can be used to impact the European Semester. Regardless, they ultimately have limited incentives to use these tools to influence the outputs and outcomes of the policy process. So far, the outputs from the European Semester have not pushed for concrete reforms in the areas for which the social partners are mainly responsible, thus they have had few reasons to be involved in the process. Moreover, as the national social dialogue functions well, they have no interest in using the Commission to put pressure on the national government. Instead, the social partners wish to raise the awareness of the European Commission and others regarding how industrial relations function in Sweden and how beneficial this model is. The long-term goal of the social partners is to preserve their autonomy and the model of wage formation in Sweden, namely the freedom of the social partners to reach agreements through

negotiations. Reaching this goal includes protecting the wage formation model from reforms at European level. Therefore, this study suggests that the social partners monitor the work related to the Semester and take action if the CSRs concern issues that are important to them. So far this has rarely been the case. When the social partners choose to become involved in the Semester, they use insider strategies, i.e. they turn to national rather than European-level actors.

The Swedish government has created formal institutions for ensuring the involvement of the social partners in the Semester work. The partners have meetings with the government regularly during the Semester, while unions and employer organizations together write an annex to the National Reform Programme (NRP). For Sweden, the policy recommendations for meaningful involvement would probably call for a more focused dialogue between local and central levels within the social partner organisations. In trying to strengthen positive incentives for such dialogue, the unions would most likely need to involve the various members more actively than they do today.

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## 1. Introduction and setting the scene

The aim of this Research paper is to ascertain to what degree the social partners in Sweden are involved in the European Semester: *what do they expect (if anything) to gain from this involvement, and do they perceive that they have an influence on the outputs and outcomes of the process?* Sweden is a country with strong social partners and with highly institutionalised processes for influence and deliberation in most policy areas. This situation means that the Swedish social partners have excellent prerequisites for influencing the European Semester outputs and outcomes. On the other hand, Sweden is also a country where the pressure from the EU is comparatively low, entailing that there may not be many incentives for involvement.

The results of the paper draw on a mix of written documents and eleven interviews (see Annex 1 for detailed information) in the context of the Commission-funded INVOTUNES project <sup>(1)</sup>. By studying available written documents and cross-checking with the answers given in interviews, it is possible to reconstruct the involvement of the national-level social partners in the European Semester. The interviews are central in this report, not least due to the fact that there are few texts regarding the European Semester written by representatives from the social partners. All eleven interviews have been conducted taking a semi-structured approach, following a pre-set questionnaire but giving ample room for the interviewees to elaborate and for the researchers conducting the interviews to ask follow-up questions.

The interviewees include representatives from the social partners, including from the three Swedish trade union confederations the Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Employees (TCO), and the Swedish Confederation of Professional Associations (Saco). We also interviewed the Confederation of Swedish Enterprise (CSE, *Svenskt Näringsliv*), and the Swedish Association of Local Authorities and Regions (SALAR, SKL), as well as representatives from the European Commission in Sweden and civil servants within the government's office as well as within government agencies. By putting variations on the same set of questions to representatives from different organisations involved in the European Semester, it is possible to triangulate, compare and contrast these findings. This gives a more detailed and nuanced perspective on the role, involvement and influence of the Swedish social partners in and on the European Semester. The results from the interviews have also been cross-checked with the existing texts on the European semester.

The Working paper – which uses the INVOTUNES project's analytical framework (Sabato 2018) – is structured as follows. Following the 'Introduction and setting the scene', Section 2 describes the access channels and resources for Swedish trade unions' involvement in the Semester. Section 3

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1. For a description of the INVOTUNES project, see <http://www.ose.be/invotunes/>

looks at the linkages between the Semester and national social dialogue, while Section 4 is concerned with trade unions' strategies for involvement. Section 5 then provides a qualitative assessment of the influence of Swedish trade unions in the Semester. Section 6 discusses two in-depth case studies on two issues that help to illustrate the importance of the European Semester (or lack thereof) and also the level of influence exerted by the social partners. These case studies have been selected as significant. The first (Section 6.1) concerns the most widely known case of the social partners trying to actively affect the outputs of the European Semester by amending a country-specific recommendation proposed by the European Commission in 2012. The other case (Section 6.2) concerns the social partners' stance on an issue that has returned repeated times in the outputs of the European Semester: policies for social inclusion in the labour market. Conclusions and recommendations for improved trade union involvement in the Semester are provided in Section 7.

### *Industrial relations system and the state of social dialogue*

In accordance with the geographical typology for industrial relations used in the INVOTUNES project, Sweden is labelled as one of the 'northern countries', together with Denmark, Finland and Norway (Eurofound 2015). Sweden is characterized by a strong institutional framework for national social dialogue as well as weak EU pressure to adapt to Country-specific Recommendations (CSR) or other policy recommendations emanating from the European Semester (Michalski 2013).

Although it is arguably less important and influential on national policy formation than during the corporatist heydays, the national social dialogue in Sweden is still an important part of the so-called 'Swedish Model' (Magnusson 2018). A fundamental component of the social dialogue, together with the high unionisation rate and broad membership, is the strong status of collective agreements, workplace representatives with a mandate to negotiate, as well as the independence of the social partners from the government. In contrast to many other countries, there are no state-administered minimum wage levels in Sweden, since the social partners negotiate these aspects. The labour market is regulated by a number of principal agreements reached at the central level between employers' organizations and trade unions. These central agreements regulate key aspects including negotiation procedures, dispute procedures and development issues. At present, there are about 670 central collective agreements on wages and general terms and conditions of employment in Sweden. Approximately 90 per cent of all employees are covered by collective agreements (80 per cent in the private sector and 100 per cent in the public sector) (Medlingsinstitutet 2018: 13-225). The prime social partners are the three confederations of Swedish trade unions: LO, TCO, and Saco; plus the organisations representing the employers: CSE, SALAR and the Swedish Agency for Government Employers (SAGA).

Due to their relative size and the important and autonomous role social partners play in the labour market, the Swedish social partners have considerable political resources. 69 per cent of employees were members of a union in 2016 (however, the corresponding figure for the year 2000 was 81 per cent). Only 23 per cent of private companies are members of employer organisations, but these employ 77 per cent of all private sector employees (Kjellberg 2018: 21). Almost all unions belong to one of three confederations. LO has about 1.2 million members, TCO roughly one million and Saco just above half a million members (Medlingsinstitutet 2018: 222-223). With regard to political resources, the trade unions and the employers' organisations have a high degree of representativeness (i.e. level of coverage), although this has declined somewhat during recent decades. Thus, the national government has reasons to listen to the labour market parties and involve them in policy processes.

There are two general channels for accessing the domestic policy process that the social partners, and in particular, the trade unions can use to influence politics. The first is the referral system (*remiss*). Before the government formulates a legislative proposal, any actor that is considered to have a stake in the issue is invited to comment on the proposal. This system offers a broad set of actors from civil society (including the labour market parties) as well as governmental agencies, municipalities and regions a chance to review and comment upon most bills before they are presented in the parliament by the government (Öberg 2016). This procedure offers the social partners access to the legislation process.

A second general access channels is the historically strong relationship between LO and the Social Democratic Party. LO contributes financially to the party, and in exchange it is represented on the party's executive committee and the party board. The links between the two organizations are integrated and include personnel overlaps, a joint youth organization as well as regular formal and informal contacts and joint working groups (Jansson 2017).

During the period under scrutiny, Sweden has had both a centre-right government with four liberal-conservative parties (2006-2014), and a left-green government with the Social Democrats and the Green party (since 2014). Although the Social Democratic party has a much more positive attitude towards trade unions, both governments have for the most part accepted the social partners' autonomy and their strong role in labour market issues and wage bargaining. (It should however be noted that concessions that the current government had to make with two centre-right parties after the 2018 election is expected to lead to legislative changes in the labour market, particularly with regard to unemployment protection).

In yearly measurements of the level of trust in a number of different institutions, trade unions are currently at -6 on a scale from -100 to 100: this level has been more or less constant among the general public since 1986 when these trust surveys started. Although lower than the trust in most

government institutions, such as the courts (+40) or the central bank (+41), it is far above the trust in political parties (-22) (Martinsson and Andersson 2018).

### *Degree of EU pressure*

It has been hypothesised that strong national social dialogue should facilitate involvement in the European Semester due to the resources and influence of national social partners (Sabato 2018). On the other hand, a strong national social dialogue might mean that social partners are less interested in being involved in the European Semester (Sabato *et al.* 2017). Another hypothesis is that the European Semester can be used to overcome possible blockages at the national level (i.e. when it is not possible to influence the national government); references could, for example, be made to the Country Reports and CSRs, which may indeed put pressure on the national government and employers' organisations. This is not likely in the Swedish case however, due to the lack of significant EU pressure. Sweden is not a member of the EMU and has had a comparatively strong economy in recent years. With institutionalised processes for the social partners to influence national public policy, there are comparatively few blockages where the European detour would be an effective way forward. In other words, there is a lack of incentives to play an active part in the European Semester in order to accomplish gains in the national social dialogue.

Unsurprisingly then, the CSRs for Sweden have rarely been an issue that directly concerned Swedish trade unions. As can be seen in Annex 2, the recommendations have in recent years instead mostly focused on the macroeconomic imbalances caused by overvalued housing prices, in combination with rising household debt (this has been the focus of the CSRs every year since the introduction of the European Semester in 2011). In the latest assessment of Sweden's progress on implementing the Country-specific Recommendations, in the European Commission's 2018 Country Report, the overall conclusion is that the country has made limited progress (CSR 2018: 10-12). This is an issue that the trade unions do not consider as part of their area of competence, and, as Sweden is not part of the Euro-zone, such recommendations do not much concern the national budget. Although there are areas related to the Europe 2020 objectives where there is room for improvement, this has not led to any specific recommendations from the Council of the EU, with an important and notable exception in 2012, to which we will return in Section 6.1. Furthermore, Sweden scores well on the twelve indicators of the EU's Social Scoreboard, which are used to compare Member States' performance and which have recently been introduced in the framework of the European Pillar of Social Rights: the country scores 'on average' on two indicators, 'better than average' on five and is a 'best performer' on five indicators. There is therefore only limited pressure from the EU within the European Semester on issues of direct concern to the trade unions and employer organisations in the context of national industrial relations in Sweden.

In sum, Sweden has received few or no recommendations on issues that the social partners consider to be of vital importance, the country already scores high on the EU's Social Scoreboard, has a comparatively well-functioning national social dialogue, and is not in the Euro-zone, i.e. there is less direct pressure on the national budget. All these reasons taken together mean that the Swedish trade unions have not, to date, had compelling reasons to take part in the process. However, the unions have longer-term incentives to engage in the European semester; in particular, they are eager to protect their autonomous role in collective bargaining and to influence the overall development of social issues within the EU.

## **2. The involvement of national social partners in the Semester: access channels and resources exchanged**

In order to be involved in and influence the outcomes of the European Semester, the social partners need access to decision-making venues and procedures where they can exchange resources, in order to influence the agenda, the outputs and outcomes of the policy process. In this section we discuss through what channels the social partners have access to the procedures of the European semester and what resources they exchange with policy makers.

### **2.1 Access channels**

In the case of the European Semester, the Swedish government and the social partners have established institutionalized procedures for consultation. These include a reference group, involving the relevant ministries within the government and the social partners, that holds regular meetings at strategic points over the year (for example when documents such as the CR or CSR come from the Commission or when Sweden is due to deliver its NRP), for discussion and consultations on the implementation of the Europe 2020 Strategy in Sweden. These meetings have been taking place since the autumn of 2011, but were initially considered rather *ad hoc* by the social partners, which initiated the establishment of more formal structures for consultation. Their initiative to establish clearer arrangements was taken on board in 2012 and in August 2013 the Prime Minister's Office (*Statsrådsberedningen*) issued a memorandum clarifying the form and content of these consultation meetings (Eurofound 2016: 31). As established in the memorandum, the social partners and the prime minister's office meet at least four times a year: three meetings are between officials and one to two times a year the prime minister meets with the chairmen of the social partners (interview PMO). These tripartite consultations at national level have recently been strengthened through the establishment of Thematic Consultation Forums on EU affairs (*EU-sakråd*): these aim to make use of the expertise present in civil society, i.e. the social partners as well as Non-governmental organizations (NGOs) (NRP 2018: 41). This new procedure is part of a more general attempt to increase the involvement of civil society organizations in the policy making process, initiated by the government in 2015. In November 2018, a meeting was held at the European Commission representation in Stockholm with representatives from civil society and

the social partners (EESC Round Table, 16 November 2018, see also the report 'Involving Organised Civil Society in the European Semester').

Our interviewees are in agreement that the consultation between the national government and the social partners is functioning well, information is disseminated in time and there is enough time for consultation. This is also confirmed by the findings of a Eurofound report (Eurofound 2016). Moreover, the interviews also indicate that the channels for consultation have evolved over time, as the people involved have become accustomed to the European Semester process. However, Commission initiatives to strengthen social dialogue within the European Semester do not seem to have caused these improvements. A Trade Union Semester Liaison officer (TUSLO) did not think that his appointment had had any effect on his work as a trade unionist (interview TCO). Furthermore, the Commission representative in Sweden whom we interviewed did not use the title European Semester Officer (ESO) in contacts with government representatives or the social partners (interview EC). Arguably, the process was already functioning quite well at this time and those involved already knew each other. Instead, the improvement could probably be ascribed to the social partners and the government getting more used to the process. The social partners all agree that the best access channel is through the national government rather than through targeting the Commission. One interviewee described the national channels as better organized than at the European level (interview SALAR), indicating that the corporatist tradition where the government invites the social partners is still appreciated by the labour market parties.

Probably the most important access channel used by the social partners is the writing of a joint statement in the form of an appendix to the NRP each year, in which unions and employers' organisations present how their activities have contributed to attaining the targets of the Europe 2020 Strategy. These findings are in line with the Eurofound assessment for the years 2011-2014. According to Eurofound, the social partners in Sweden have indeed been invited to seminars and discussions with the Commission Representation in Sweden and, on one occasion in 2014, met with the Director-General of the European Commission's Directorate-General for Employment, Social Affairs and Equal Opportunities (DG EMPL). The unions were also invited to comment on the Europe 2020 strategy and the mid-term evaluation (Eurofound 2016: 38).

In a later study from 2017, it was argued that trade unions had high levels of interaction with the Commission in relation to the European Semester (Eurofound 2017). Our interviews do not confirm this assessment, even if they do not directly contradict it. Many of the interviewees had had contacts with representatives from the Commission, and regularly attended meeting and seminars at the Commission's national office in Stockholm, but our interviewees stress the interaction and exchange of resources at national level rather than with the European Commission or other institutions at European level. The trade unions do not use, for example, the ETUC or the European Commission as channels to influence the European Semester; this is because they rarely

have any pressing concerns to express related to the European Semester (interview LO). As we will see in Section 6.1, when they have had a pressing concern, they have used the national government as their point of access. Furthermore, previous research on civil society organizations (including the unions) concluded that the Swedish civil society organizations prefer to target the national level rather than the EU level (Scaramuzzino and Wennerhag 2015).

## ***2.2 Availability and exchange of key resources***

The INVOTUNES project applies a broad definition of the resources that collective actors may use to influence policies. These include political resources, measured by the representativeness of the union confederation and employer organisations; financial and economic resources that allow them to establish mechanisms for internal and external coordination; legal resources, in the form of legal obligations for national policymakers to listen to and involve the social partners; cognitive resources, including information that other actors are interested in acquiring through exchange; and organisational resources, such as the number of people involved in influencing the process and coordinating with internal and external actors (Sabato 2018).

Due to the unions' importance in the national context, the social partners can be certain that representatives from both the Commission (in their fact-finding missions) and the national government will interact with them. Several of our interviewees mentioned that the technical officials within the government contacted union experts to inquire about the information they needed for the drafting of the NRP. Due to the role and involvement of the social partners in issues such as vocational education and training as well as occupational safety and health, they have cognitive resources, i.e. information, that the government needs. With regard to the other resources – economic and organisational – referred to in the project's analytical framework (Sabato 2018), there are arguably fewer of these available for the Semester, but this appears to be the result of choice. The trade unionist interviewed at LO reasoned that they had sufficient resources: they could attend all meetings they were invited to and draft inputs such as the annex to the NRP, but would not have sufficient organizational resources if they wished to involve themselves further in the European Semester.

Coordination between the trade union confederations is mostly carried out by staff at the central level and through the joint office in Brussels (the Brussels Office of the Swedish trade unions). In this regard, LO is looking into ways of further strengthening its work with regard to European issues through a more structured organisation (interview LO). Saco expresses similar thoughts; as the smallest confederation it also has the smallest central administration, and only one person works exclusively on international issues, and on the European Semester (interview Saco). Representatives from TCO argued that they already use quite a lot of resources for EU-related issues.

Furthermore, it could be argued that representatives from the government and the social partners who work on the European Semester and other international or EU related issues at national level have stronger connections with each other than with the Commission. The general perception from the interviews is that the consultations with the Prime Minister's Office, as well as other meetings and the exchange of information with the central government, are considered as the most important access channels for influencing the European Semester. Interviewees feel that they potentially could have more direct access to the Commission, but do not use this access as much as they probably would if the European Semester were more important for them. For example, the LO official mentioned consultations between the EU's Employment Committee (EMCO), the Social Protection Committee (SPC) and the Commission as potential channels for access – they did not, however, use these: they would not want to take up seats at the meeting to press for minor issues when there were colleagues from trade unions in other countries on these committees with more pressing concerns (interview LO). As there is only limited pressure on the social partners and few incentives for them to be actively involved in the European Semester, they are choosing to use their economic and organisational resources on other issues.

Although the European Semester is not a prioritized issue for the social partners, all the interviewees argued that the process is working better now. This is, according to those interviewed, more to do with learning-by-doing than the result of additional resources, at least from the point of view of the social partners. The introduction of the functions of Trade Union Semester Liaison Officer (TUSLO) and European Semester Officer (ESO) has had little direct impact on the interaction between the representatives involved. The TUSLO interviewed said it had not changed anything, and the ESO interviewed did not himself use his ESO-title in his work.

An ETUC self-assessment concluded that Swedish trade unions have access to medium levels of resources for the European Semester (ETUC). This suggests that trade unions in Sweden have the resources to be involved in the European Semester but might not have sufficient resources to participate fully in both the 'EU' and the 'national' cycle of the European Semester. However, the interviews indicate that this self-assessment refers to the resources that the trade unions *choose to invest* in the European Semester, rather than the resources they *have available* to them. The unions have, on average, plenty of resources, in the form of financial resources, political influence and access to important information. They do not, however, at the moment have the organisational resources needed to be heavily involved in all aspects of the European Semester, so they delegate some of the involvement in the 'EU' cycle of the semester to the ETUC. If Swedish trade unions had more incentives, positive ('carrots') as well as negative ('sticks'), the situation might be different.

To summarise, the Swedish social partners have significant political, legal and cognitive resources to use or exchange for involvement and influence in the European Semester. The involvement of

the social partners in the European Semester is regular, predictable and highly institutionalised. The social partners exchange resources in the form of information for the CR, through regular contacts with the Commission representatives in Stockholm, as well as through meetings during the Commission's fact-finding missions. In a similar fashion, they provide information to government administrators for the writing of the NRP and have regular consultations with the government throughout the European Semester cycle. Finally, through the drafting of the annex to the NRP, the social partners also contribute directly to this output of the European Semester.

### **3. Linkages between the Semester and national social dialogue**

#### ***3.1 Correspondence between the themes of the Semester and the themes of national social dialogue***

The European Semester is not a prime driver for domestic reforms in Sweden. This does not mean that the Semester is irrelevant or unrelated to national reforms, however. One way to gauge the correspondence between the themes of the European Semester and national social dialogue is to compare the themes in recent social partner documents on national policy – the LO and TCO political policy platforms for the September 2018 election, and the Social Policy Programme for 2018-2021 from Saco's 2017 Congress – with the themes in the most recent Country Report and CSRs.

The LO programme focuses on the themes of social security, jobs and equality. Security is the overarching theme, with calls for improvements in replacement rates in unemployment protection, social security schemes and pensions. LO also wishes to protect the 'Swedish Model', increase vocational education for the labour market of the future and increase job protection. Equality is to be achieved through equal learning opportunities as well as tax reforms (LO 2018). The TCO's political platform for the 2018 election is more explicitly focused on economic growth through reforms. The focus is on investment in education and skills, so that companies in Sweden can compete at the high end of the global value chain, also in the future. Access to higher education and the possibility of lifelong learning is essential in order to reach such goals. Equality is to be achieved through reforms to the social security system, leading to more equal participation in the labour market during the course of people's lives (TCO 2017). Saco, finally, also focused mainly on education, with calls for increased possibilities for lifelong learning, and enabling highly-skilled immigrants educated abroad to gain access to work. They also advocate tax reforms which would be more beneficial for those with longer education and more responsibilities (Saco 2017).

The 2018 Country Report describes Sweden's social safety net as 'well-developed' and is said to facilitate labour mobility while ensuring economic security. The success of the Swedish economy is based on relatively knowledge-intensive production processes, and entry wages are high compared

with the other Member States. Few jobs require less than an upper-secondary education. Demand for highly-skilled workers is not fully matched by supply, with a growing skills mismatch. Investment in higher education and training is crucial to reduce the gap between labour supply and demand. Therefore, education and training opportunities play a key part in maintaining appropriate skill levels and ensuring that students are equipped with skills that are in demand. Education and training opportunities are also perceived to be essential to ensure appropriate integration of newly-arrived migrants and, ultimately, to achieve social cohesion. The Country Report does, however, express concern regarding the signs of growing inequalities (European Commission 2018). The Commission's 2018 (single) CSR to the country notes that the challenges for Sweden include integrating people with a migrant background, especially women, into the labour market, and the widening educational performance gap between pupils from different socioeconomic backgrounds. Thus, there are some thematic overlaps, for instance lifelong learning, between the national social dialogue and the CRs and CSRs.

### ***3.2 Awareness and relevance of Semester messages and initiatives for national social dialogue***

There are hence several similarities between the European Commission's Country Report and national trade union priorities. It is, however, debatable whether there are any linkages between the social partners' involvement in national policy debates and the outputs from the European Semester. The in-depth case study in Section 6.2 is an example of the apparent decoupling of the European Semester from national reforms involving the social partners.

The Commission's 2012 CSR stated that most of the suggested active labour market policy measures and education reforms 'seem relevant and credible', but that 'the level of ambition could be increased if the challenges were tackled in a more comprehensive way, by also addressing relatively high wages at the lower end of the wage scale and differences in employment protection between regular and temporary workers' (CSR 2012). This 'attack', as it was generally perceived, on the autonomy of the social partners was heavily criticized. Thus, in cases where the CRs and the CSRs contain issues important to the unions, they seem to have some knowledge about this.

Those responsible for international issues in the confederations regularly disseminate information to representatives from national trade unions, but the involvement and interest of those receiving the information seem to be limited. According to the Saco official, the trade union representatives were happy that Saco dealt with the Semester, so they did not have to (interview Saco). The trade union representative from the LO had regular meetings with representatives from the fourteen LO-unions, but observed that interest from the movement overall is limited. She could not say for sure if this is because trade unionists lack knowledge regarding the process, or because they are not

interested, or because the Semester has so little direct influence and importance for the social dialogue and reforms in the national context (interview LO).

### ***3.3 Use made of Semester messages/initiatives in national social dialogue***

Our interviewees indicate that the European Semester is only very rarely used in national social dialogue. While the Europe 2020-strategy was occasionally referred to in messages from LO, messages from the Semester had never been used in national debates, according to one of the interviewees (interview LO). A search in the Swedish national newspaper database (*Svenska dagstidningar*, comprising of 552 newspapers), confirms this statement: the European semester (*planeringsterminen*) was only mentioned 39 times in Swedish newspapers during 2011-2018. The Saco representative could not recollect any instance when a message or priority from the Semester had been used at the national level (interview Saco). The CSE representative did, however, state that they occasionally used the Country Reports, including at least one opinion piece in a major newspaper, and argued that such reports (at least in principle) fulfilled the same function as assessments and reports from the OECD (interview CSE).

## **4. Trade unions' strategies for involvement**

### ***4.1 Strategies for involvement***

Trade unions can follow different strategies in order to be involved in the European Semester. Strategies can be divided into insider and outsider strategies. Insider strategies mainly consist of contacts with bureaucratic and elected bodies, at national and/or EU levels, while outsider strategies are actions such as media campaigns or mobilisation of union members. The choice of strategies depends on the resources available to the social partners for involvement.

The Swedish trade union confederations have access to the Semester process through the sharing of information and consultation with the Swedish government. Since LO has institutionalized cooperation with the Social Democratic Party, which includes information exchange on a day-to-day basis (Jansson 2017: 211) and representation in the party's work committees on policy issues (including the committee on EU related issues) (Socialdemokraterna 2017: 119), the union also accesses information through the Social Democratic Party. At EU level, Swedish unions access information through ESOs and TUSLOs, as well as through representation in the Employment Committee (EMCO), the Social Protection Committee (SPC) and the European Economic and Social Committee (EESC). This means that they are, to some degree, involved in all stages of the European Semester. However, as already hinted at in the previous sections, inputs from and coordination with other levels and departments of the trade unions are more limited. Most of the internal coordination takes place between staff members at the central office and with the office in Brussels. According to the trade union representative from LO, this procedure is mostly due to the

lack of interest in EU affairs in general, a lack of knowledge and the limited influence that the Semester has on the national social dialogue (interview LO).

There is better-established coordination *between* the various social partner organizations than between the different levels *within* these organisations, for example through the jointly written annex to the NRP (interview LO). One of the interviewees also mentioned that since the Social Summit in Gothenburg in November 2017, where the European Pillar of Social Rights was proclaimed, the representatives from the Swedish social partners – who were invited by the Swedish Prime Minister Stefan Löfven to be involved – have an informal network for the exchange of information (interview Saco). Among the organizations we interviewed SALAR is possibly the one best coordinated between different organizational levels. Due to their dual role as an employers' organization and as an organisation that represents and advocates for local government in Sweden, SALAR is the organization that expressed most interest in the semester.

The social partners have very little or no contact with other actors, such as social NGOs, concerning the European Semester. As mentioned earlier, a process to remedy this started in November 2018 in Stockholm, at a meeting at the Commission representation. Overall, the opinion expressed by trade union representatives of NGOs ranges from indifference to strongly critical (interviews with LO, TCO, SN). When the social partners have meetings with the government or with representatives from the Commission, they never meet them together with representatives from other NGOs. In their opinion they do not want or need to collaborate with such organisations with regard to labour market related issues, and one of the interviewees openly questioned the representativeness and legitimacy of such organisations. The trade union representative from the LO, however, mentioned that they have had some contacts with The Swedish Union of Tenants (*Hyresgästföreningen*) with regard to some of the CSR recommendations on the housing market (interview LO).

Swedish trade unions make little use of the European Semester as a way of putting pressure on the national government in order to achieve reforms. The policy initiatives mentioned in the NRPs and the social partners' appendix are not really the result of EU-pressure but are initiatives that arise from the national policy debate. The long-term strategic goal of the trade unions, and, to some degree of the Confederation of Swedish Enterprises, is to protect the Swedish industrial relations system, with its strong and autonomous social partners, an arrangement that is perceived to be under threat from the European Union. A representative from TCO described it as 'preparing for a war that might never come' (interview TCO, interviewee 1).

It is therefore stated in the social partners' annex to the NRPs that the social partners in Sweden safeguard their autonomy as a party and their independence to regulate aspects including negotiation procedures, dispute procedures and development issues on the labour market. In light

of this, the jointly written annex to the Swedish NRP should be seen as a document in which the Swedish social partners signal to the EU their important role in the Europe 2020 Strategy as independent and autonomous actors. The underlying message is therefore that it is the social partners which, through bilateral and collective agreements, hold the solutions to many challenges – not central government.

#### ***4.2 Channels for internal coordination***

As our interviewees work on the Semester and other international issues, they have comprehensive knowledge of the messages and initiatives from the Semester. However, the interviewees generally confirmed that most trade unionists in Sweden, beyond those working at the Confederation central offices, have limited knowledge of these matters. Due to this, interaction with trade unions below the confederation level is limited. Knowledge regarding the Semester is generally perceived to be concentrated in the Confederation offices in Stockholm. The Brussels Union Office (*Brysselkontor*) of the Swedish Trade Unions (established in 1989) – jointly run by LO, TCO and Saco – is also probably an efficient way of dealing with many EU issues for the union confederations. Furthermore, this office is important to provide up-to-date EU information for the social partners involved.

The trade union interviewees tend to prefer to use the ETUC as a channel for access, rather than having direct contact with the Commission. This coordination is not perceived as unproblematic, as trade unions in other countries do not always approve of the stance of the Swedish confederations against labour market legislation and regulations, although this access channel was, according to one of those interviewed, '95 per cent OK' (TCO). The need to inform and educate other European actors, trade union representatives as well as representatives from other national governments and the European Commission, about the benefits of social partner autonomy on the labour market is, from the point of view of Swedish trade unionists, not confined to the Commission. In a similar fashion, CSE has contacts with Business Europe (although the interviewee did not mention any friction).

#### ***4.3 Determinants of the strategies***

It is apparent that the Swedish trade union confederations and the employer organisations mostly use insider strategies for involvement. The choice depends on a number of factors, that include their access to the policy process, the relative importance (or lack thereof) of the Semester for national social dialogue, and the long-term goals and ambitions of their involvement in the Semester.

## 5. Influence of national trade unions in the Semester

### 5.1 Influence on agenda-setting

As explained above, trade Unions in Sweden make little use of the Semester to put pressure on the national government in order to achieve reforms. Policy initiatives mentioned in the NRPs and the appendix from the social partners should not be perceived as the result of EU-pressure, but as initiatives arising from the national policy debate. The long-term strategic aim of the trade unions, and arguably at least to some degree, of CSE, is to protect the Swedish industrial relations system, with strong and autonomous social partners. As part of this strategy LO and the Social Democratic Party formed a working group in 2012 with the aim to formulate a strategy for implementing a social dimension in the EU. One part of the strategy work was to establish support for a social dimension in other member countries and the group organized meetings with social democrats from both Germany and the UK (Socialdemokraterna 2014: 88). The working group also published a report in 2014, in which it expressed the need for the introduction of a Pillar of Social Rights (LO 2014). Later in 2014, the Social Democrats won the national elections and formed a government with the Green Party, and could then make sure that Sweden actively worked for the social dimension. One of the stated aims of the introduction of the Pillar of Social rights is to ensure that Member States cannot compete with each other through a race to the bottom on social issues (LO 2014: 6).

With the proclamation of the European Pillar of Social Rights in Gothenburg in November 2017, the issue has moved on to how such rights should be included in the European Semester. TCO has stressed the importance of the social partners in defining the indicators used within the framework of the Semester, and the need to include gender equality issues in the process (TCO 2016). The Saco International Secretary stressed in our interview that she constantly pushes for the inclusion of social issues in the process, including the pillar of social rights and the Social Scoreboard. An important long-term strategic goal is to incorporate the Social Scoreboard into the Union's long-term economic planning (Interviews with Saco and TCO 2018). There is, however, some disagreement between the trade union confederations and SALAR on the one hand (Micko *et al.* 2017) and the employers' organization on the other, with regard to Pillar of Social Rights. The issue is whether the inclusion of these in the European Semester might threaten the autonomy of the social partners in Sweden (Svenskt Näringsliv 2018).

### 5.2 Influence on the outputs of the process

While the social partners might disagree on the issue of the Pillar of Social Rights, they are in agreement on the need to protect the Swedish industrial relations model, with autonomous social partners which reach agreements on wages through collective bargaining. In the first European Semesters, this was seemingly not something to which the Commission paid much attention (see Section 6.1). In order to protect this cornerstone of the Swedish industrial relations model, and to

flag up the social partners' policy stance on these issues, it was habitually stated in the social partners' annex to the NRPs that the social partners in Sweden 'are responsible for the formation of wages on the Swedish labour market and they safeguard their autonomy as a party' including their independence to regulate negotiation procedures, dispute procedures and development issues on the labour market (NRP 2018). The social partners write the annex together, highlighting their recent achievements. According to the interviewees, the work on the annex is comparatively easy, owing to a consensus on many issues relating to the European Semester. The official from LO did, however, remark that they often wanted to use more and stronger intensifiers, i.e. more strongly-worded language, than some of the other social partners in the annex to the NRP (interview LO). They do not try to influence the rest of the NRP, as it is, in the words of a TCO-representative, 'not much more than an abbreviated copy-pasted text based on last year's national budget' (interviews TCO TUSLO, also interview CSE).

This strong preference amongst the social partners was not taken into account when the Commission made its Country-specific Recommendations in 2012 (see Section 6.1) but it does seem to have been taken more into consideration in recent years. Looking at the Country Reports for Sweden during the years 2014-2018, a slight change can be seen towards a more positive view of the social partners. In 2014, the role of the social partners in the labour market is thought to contribute to *relatively* positive outcomes and an *adequately* flexible labour market, but too narrow a wage structure (European Commission 2014: 17-18). In 2015 and 2016 the social partners are thought to contribute to positive labour market outcomes, although it is difficult for the low-educated and low-skilled on the labour market (European Commission 2015: 35; 2016:43). In the more recent Country Reports from 2017 and 2018, Sweden is not only portrayed as a country with a well-functioning labour market with strong social partners, but their contributions, to resolve problems for newly arrived immigrants and those with limited skills through initiatives and programmes, are acknowledged (European Commission 2017:35-36; 2018: 37-38, 43).

It is hard to disentangle the factors behind these changes in the discourse in the Country Reports. Although work on the annex of the Swedish NRP may have contributed to these changes in outputs, they might also be due to increased Commission awareness of the role of social partners. For example, the LO interviewee has noticed that the appointment of ESOs and the exchange of information with them have improved the Country Reports (interview LO). Generally speaking, as exchanges of information between the Commission and the social partners have increased (ESOs, fact-finding missions etc.), the description of the conditions in Sweden in the CRs and CSRs has become more closely aligned to the perceptions of the social partners, in their view. Although the social partners only, from the viewpoint of the Commission, provide facts, while the Commission carries out the analysis (interview EC), it is, of course, conceivable that the analysis is not completely unaffected by these contacts.

### ***5.3 Influence on the outcomes of the process***

The social partners have some tangible influence on the outputs of the European Semester, as they write an annex for the NRP. In other aspects, the influence is elusive at best. When asked directly, most of those interviewed answered that their organisation had no influence on the Semester. It could, however, be argued that they might have had some influence on both the agenda-setting and the outputs of the Semester. In alliance with the Social Democratic Party and government, the trade unions have been pushing for the proclamation of a Pillar of Social Rights for the European Union, which in the long-run encourages the agenda-setting of the Semester towards a stronger focus on social issues. It is probably telling that this influence came through their access to the *national* government rather than through the ETUC or contacts with the Commission. If they have had any direct influence on the European Commission, it is by providing a better understanding of the working and benefits of the Swedish model of industrial relations, through the annex in the NRP and possibly also in the CRs.

## **6. The involvement of Swedish trade unions in the 2012 recommendation and policies for labour market inclusion of refugees: case studies**

Finding an example of the social partners' influence on reforms in Sweden, for an in-depth case study, is comparatively easy. It is much harder to find an example which also connects with the European Semester. The in-depth case studies aim to analyze issues where the degree of EU pressure is high, but such policy initiatives seem not to exist. The CSRs for Sweden have rarely been on issues that directly concern Swedish trade unions. Instead, this report presents two cases that illustrate a) the relative lack of importance of the European Semester for industrial relations in Sweden; and b) the ability of the social partners to influence the Semester if they see a need for this. The first case, the amendment of the Commission Country Recommendations in 2012, shows the strength of the social partners when a document from the European Semester threatens their autonomy. The other case, the involvement of national trade unions in policies for labour market inclusion of refugees, illustrates both the unimportance of the European Semester even on issues that are raised in the CSRs, as well as the notion that the social partners are able to resolve social problems.

### ***6.1 The amendment of the 'wage flexibility' recommendation in 2012***

In the Commission's 2012 CSR for Sweden, the third recommendation was that Sweden should:

*'Take further measures to improve the labour market participation of youth and vulnerable groups by focusing on effective active labour market policy measures, **encouraging increased wage flexibility, notably at the lower end of the wage scale**, and reviewing*

*selected aspects of employment protection legislation like trial periods to ease the transition to permanent employment.* (European Commission, 2012 emphasis added).

This recommendation was not well received by the Swedish social partners, to put it mildly. They, or at least the trade unions, felt it to be unacceptable that the Commission should come with recommendations concerning wage bargaining. The minister of finance, Anders Borg (Moderate Party), was contacted by union representatives, and after a meeting, the minister concurred with the view that this was not acceptable, and this section of the recommendations was amended for the Council's 2012 CSR for Sweden (Martos Nilsson 2012). In the new recommendations, neither wage flexibility nor employment protection legislation were mentioned (European Council CSR 2012). The amendment of the CSR was justified with the argument that the CSR was inappropriate for the wage formation model and the actual situation of the labour market in Sweden (Zeitlin and Vanhercke 2014: 50).

Several of those interviewed for this report were present at the time the 2012 CSR was proposed by the Commission. However, their recollections of these events differ in some details. The LO representative downplayed the case, stressing that there was agreement between the social partners and the government that wage bargaining was an area in which the EU has no competence (interview LO). The TCO still held some resentment against CSE for not sharing their initial outrage. One representative argued that he thought and hoped that TCO would have backed the CSE if the text, for example, had advocated higher wages (interview TCO). The CSE interviewee echoed the statement of the Commission representative in Sweden: he argued that the recommendations are for the country as a whole, not the government, implying that this recommendation should not be interpreted as an assault on the autonomy of the social partners (interviews CSE and EC).

No recommendation like that proposed by the Commission in 2012 has come up in any European Semester document since. As argued in Section 5, this could be interpreted as evidence of the success of the social partners of Sweden in raising the awareness and acceptance of the Swedish industrial relations model. This case also shows the relative strength of the social partners and their potential influence on the outputs and even outcomes of the European Semester when it comes to the long-term goal of protecting the Swedish industrial relations model. It also shows, however, the differing interests of the trade unions and employers' representatives, who were less dismayed when the threat to the model was in the direction of their preferred position than the trade unions. This implies that the social partners might act in an opportunistic fashion in the future, using the European Semester recommendations to gain the upper hand against their counterparts, but at the same time reducing the level of trust in their relationships.

## **6.2 The involvement of Swedish trade unions in labour market inclusion policies**

One of the issues raised in more recent CSRs is the need to create ways to include refugees and other groups that are struggling to get a foothold on the labour market. At the root of the problem, with high thresholds in the Swedish labour markets, according to several economic experts, are the comparatively high wages for unqualified jobs. The difficulty, the argument goes, is that the productivity of many newly arrived migrants is below the minimum wages in the collective agreements. The 2012 CSRs from the Commission state that Sweden should encourage 'increased wage flexibility, notably at the lower end of the wage scale' to address this problem. Although such recommendations, threatening the role of collective agreements in wage bargaining, were not included in further recommendations, the problem was again mentioned during the years that followed.

In March 2018, a declaration of intent was issued by the government and the social partners concerning the establishment of Vocational introduction jobs (*etableringsjobb*) for the hiring of newly arrived migrants. The principle of these jobs was enshrined in collective agreements signed independently between LO and CSE several months earlier, but needed the involvement of the government in order to subsidise parts of the agreement with public funds. This caused some disagreements between different unions. The Transport Workers' Union (*Svenska Transportarbetareförbundet*) said immediately no, and after an agreement was reached, the Building Workers' Union (*Svenska Byggnadsarbetareförbundet*) and the Forest, Wood and Graphics Workers' Union (*GS, Facket för skogs-, trä- och grafisk bransch*) chose to not adhere to the agreement. The Swedish Union for Service and Communications Employees (*SEKO, Service- och Kommunikationsfacket*), the Painters' Union (*Svenska Målareförbundet*) and Building Maintenance Workers' Union (*Fastighetsanställdas Förbund*) have been reluctant to take a stand (Martos Nilsson 2018). Implementation of this agreement would mean that the wages for newly arrived migrants would be considerably lower, and that the employers' costs would be on a par with or below the productivity of this group of employees.

This is a solution negotiated by the social partners, that would address the concerns and recommendations addressed in early CSRs. However, although this tripartite agreement might be perceived as a response to needs addressed by the Commission in 2012, there are no indications at all that the CSR had any connection with this reform, which emerged, rather, from national policy debate and concerns. When the issue was brought up during the interviews, none of those interviewed thought that the recommendations from the European Semester had any influence at all on this agreement. It should also be noted that education and training, in principle, is an important part of this new form of employment, thus making the agreement more in line with current policy standpoints amongst most, if not all, of the trade union confederations.

## 7. Conclusions and policy recommendations

### 7.1 Conclusions

Sweden has 'strong' institutional arrangements for national social dialogue as well as 'weak' EU pressure to adapt to recommendations emanating from the European Semester. A strong system for national dialogue is thought to facilitate the social partners' involvement in the Semester, but may also mean that there is less interest in becoming involved, as there is no apparent need to overcome national blockages with the help of the Semester documents and recommendations. This, according to the results of the case study so far, is what we can observe in Sweden. This outcome is further boosted by the weak EU pressure and the relative unimportance of the European Semester in national policy debates on the areas and issues at the core of trade union interests. There have been no labour market- or social policy-related recommendations in the CSRs since 2014. It could be argued, as the ETUC has done in a self-assessment, that Sweden only has moderate resources for involvement in the Semester. The number of people involved in Semester-related issues is comparatively low, and these work at the offices of the Confederations. Involvement of and interest from trade union representatives is limited at best (there are, of course, other EU-related policy issues, such as the Posted Workers Directive and fallout from the Court of Justice of the EU's decision on the 2007 case of Laval versus the Swedish Building Workers' Union, which garner a lot more attention). The Swedish social partners also, apparently, have access to channels for involvement but do not use them to significantly influence the European Semester, because they have no apparent interest in doing so.

The most important channel for access for the social partners is the regular consultations with the national government at the Prime Minister's Office. These are an opportunity for the social partners to discuss long-term policy issues with each other and the government. In these discussions, the trade unions, and to a certain degree employers' organisations, have more in common than on most other issues they discuss. Their long-term ambition is to protect the autonomy of the social partners in sorting out bargaining issues through collective agreements, without government, or EU, involvement. The annex to the NRP functions as a showpiece, where the social partners can explain to the Commission that they are competent to solve many labour market-related issues without government involvement. All the social partners agree on this. One of the issues they differ on is whether there is a need for Pillar of Social Rights. Sweden ranks high on the Social Scoreboard indicators, a ranking made more important in the European Semester thanks to the solemn proclamation of the EPSR. The introduction of the Social Scoreboard will therefore probably not result in any further Country-specific Recommendations for reforms in Sweden. It may, however, put further pressure on other countries in the common market, with lower labour costs and taxes. These low-cost countries constitute a potential threat to the employment of union members in Sweden, while support for such reforms will help unions in these countries to gain a stronger influence in their national policy debates. For an employers'

organisation, the introduction of a common market is in itself a reason to be less concerned with such social issues. For this reason, the European Pillar of Social Rights is perceived as a potential threat by the Confederation of Swedish Enterprise, as it might lead to more EU involvement in social reforms, without any upside for its members.

The conclusions generally support the INVOTUNES project's initial hypotheses. A strong national social dialogue and low degrees of EU pressure mean that the social partners have moderate to good access and resources, but have only limited incentives to use these to influence the outputs and outcomes of the policy process. The long-term aim of the social partners is not to influence the outputs and outcomes of the Semester cycle. The outputs from the Semester do not push for concrete reforms in the areas for which the social partners are mainly responsible and, as the national social dialogue functions well, they have no interest in using the Commission to put pressure on the national government. Instead, they wish to raise the awareness of the European Commission and others regarding how industrial relations function in Sweden and how beneficial this model is, in order to protect it from reforms at European level that would threaten the autonomy and role of the social partners in Sweden. In this, LO, TCO and Saco are in agreement with the CSE.

## ***7.2 Policy recommendations for good-quality and meaningful involvement***

For Sweden, the policy recommendations for meaningful involvement would probably call for a more focused dialogue between local and central levels within the social partner organisations. In trying to strengthen positive incentives for such dialogue, the unions would most likely need to involve the various members more actively than they do today. Although the interviews give examples of new organisational measures in this direction (better-coordinated approaches), there is certainly potential for a more engaged dialogue on these matters between local level-unions and the central organisations. As we have argued in this working paper, the priorities of the Swedish social partners will determine whether they promote a truly meaningful involvement in these issues. Also, we suggest that both national and European authorities would benefit from an increased regional and local dialogue in Sweden. Otherwise, there is a risk that Sweden may remain silent *vis-à-vis the EU*. Without a doubt, this could have negative consequences, also for the social partners.

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**Annex 1****List of respondents**

<b>Interview no.</b>	<b>Organisation</b>	<b>Date</b>	<b>Mode</b>	<b>Code</b>
1	LO	21/5/2018	Face to face	Trade unionist
2	Saco	24/5/2018	Face to face	Trade unionist
3	AMV	27/6/2018	Face to face	Government agency representative
4	TCO	18/10/2018	Face to face	Trade unionist, interviewee 1
5	TCO	18/10/2018	Face to face	Trade unionist, interviewee 2
6	TCO	18/10/2018	Face to face	Trade unionist, TUSLO
7	EC	18/10/2018	Face to face	EC representative in Sweden, ESO
8	CSE	24/10/2018	Face to face	Employers' organisation representative
9	SALAR	20/3/2019	Face to face	Swedish Association of Local Authorities and Regions, interviewee 1
10	SALAR	20/3/2019	Face to face	Swedish Association of Local Authorities and Regions, interviewee 2
11	PMO	24/4/2019	Face to face	The Prime Minister's Office

## Annex 2

### Country-specific Recommendations for Sweden (2014-2018)

Year	Recommendation
<b>2014</b>	<p>Continue to pursue a growth-friendly fiscal policy and preserve a sound fiscal position, ensuring that the medium-term budgetary objective is adhered to throughout the period covered by the Convergence Programme, also with a view to the challenges posed on the long-term sustainability of public finances by an ageing population.</p> <p>Moderate household sector credit growth and private indebtedness. To this end, reduce the effects of the debt bias in personal income taxation by gradually limiting tax deductibility of interest payments on mortgages and/or by increasing recurrent property taxes. Take further measures to increase the pace of amortisation of mortgages.</p> <p>Further improve the efficiency of the housing market through continued reforms of the rent-setting system. In particular, allow more market-oriented rent levels by moving away from the utility value system and further liberalising certain segments of the rental market, and greater freedom of contract between individual tenants and landlords. Decrease the length and complexity of the planning and appeal processes, by reducing and merging administrative requirements, harmonising building requirements and standards across municipalities and increasing transparency for land allotment procedures. Encourage municipalities to make their own land available for new housing developments.</p> <p>Take appropriate measures to improve basic skills and facilitate the transition from education to the labour market, including through a wider use of work-based training and apprenticeships. Reinforce efforts to target labour market and education measures more effectively towards low-educated young people and people with a migrant background. Increase early intervention and outreach to young people who are unregistered with the public services.</p>
<b>2015</b>	<p>Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes, and by increasing the pace of mortgage amortisation. To alleviate the structural under-supply of housing, foster competition in the construction sector, streamline the planning and appeals procedures for construction and revise the rent-setting system to allow more market-oriented rent levels.</p>
<b>2016</b>	<p>Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes. Ensure that the macro-prudential authority has the legal mandate to implement measures to safeguard financial stability in a timely manner. Foster investment in housing and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and by revising the design of the capital gains tax to facilitate more housing transactions.</p>
<b>2017</b>	<p>Address risks related to household debt, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes, while constraining lending at excessive debt-to-income levels. Foster investment in housing and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.</p>
<b>2018</b>	<p>Address risks related to high household debt by gradually reducing the tax deductibility of mortgage interest payments or increasing recurrent property taxes. Stimulate residential construction where shortages are most pressing, notably by removing structural obstacles to construction, and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.</p>