

WORKING, YET POOR

NATIONAL REPORT Executive summary

SWEDEN


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This Report is the result of an investigation on the phenomenon of in-work poverty in Sweden in relation to the four specific VUP Groups identified within the “Working, Yet Poor” project: low or un-skilled standard employees; solo or bogus self-employed; fixed-term, temporary agency and involuntary part-time workers; and casual and platform workers. The purpose of the Report is to analyse the regulatory structures affecting the working conditions for the VUP Groups and to assess different aspects of regulations that can have an impact on the situation of in-work poverty for such workers. To this end the analysis includes the legal framework as well as collective agreements and the interplay between legislation and collective agreements as concerns the application of working conditions for the VUP Groups.

The analysis starts with an introduction discussing the extent of the problem of in-work poverty in Sweden, showing that in spite of relatively low rates of in-work poverty from an international perspective, the issue still deserves to be highlighted and given more attention in future debate and policy formation. After the introduction the Report continues by considering the basic premises of the regulatory framework by discussing the scope of application of the discipline and the different sources of regulation that impact the application of labour law and social security benefits. The main elements of labour laws and social security legislation are identified. Furthermore, the different interpretations of the concept of worker within labour law, social security law and tax law are mapped out, in order to provide an understanding for the basic premises for access to the protection offered through these different regulatory fields. The introduction concludes by taking into account the most recent changes to relevant legislation during and after the financial crisis until today, mainly as concerns the impact of these changes in relation to the situation for workers at risk of in-work poverty.

The Report further investigates policies and measure that directly impact on in-work poverty. In this section the concept of fair and adequate wages in relation to a decent standard of living is discussed. The lack of a clear definition of a fair and adequate wage in Swedish legislation and how this concept can be understood in relation to how different public law principles relating to requirements of a decent standard of living have been interpreted. The wage setting system in Sweden is further discussed and assessed in terms of the protection it offers to workers, its results as concerns adequate minimum wage levels and potential gaps of this system. The analysis of measures that directly impact in-work poverty further analyses the structures of the unemployment benefit system, its links with labour market policies, employment services and the scope of vocational training within the Swedish system as regulated in both statutory legislation and collective agreements. Protective measures in relation to crisis, insolvency and restructuring of enterprises are discussed and specific attention is granted to the system with short-time work allowances that was introduced after the financial crisis and reinforced during the Covid-19 pandemic. Social security measures offering income protection in case of sickness, parental leave and similar events are also assessed as part of the measures that directly impact on in-work poverty. The general analysis of the regulatory framework concludes by assessing measure that indirectly impact on in-work poverty. In this section the Swedish system concerning childcare and education as well as health care are briefly sketched out. Other measures of relevance such as family benefits and social assistance are also discussed.

Throughout the analysis the different regulatory schemes are assessed in terms of positive and negative impact on in-work poverty. The main findings of the analysis can be understood in terms of existing strengths and weaknesses of the Swedish system. The strengths of the Swedish system relate to a high extent to the well-functioning and strong Swedish model of labour market regulation through collective agreements. The Swedish model has generated a system with minimum wages generally set above 60 percent of the median wage and as such the wages in Sweden are set at a decent level. The high coverage of collective agreements, 100 percent in the public sector and 83 percent in the private sector, assures the vast majority of workers a good protection both in terms of decent wages and supplementary protection in case of sickness, parental leave, restructuring of the undertaking etc. These strengths of the Swedish system also generate a situation where having a full-time permanent employment will assure workers a high degree of protection against risks of in-work poverty. The issue of in-work poverty in Sweden is therefore not related to poor wages as such, instead the main driver is the number of hours worked and the consequences that fewer working hours cause in relation to different forms of social security benefits. Indirect measures on terms of childcare, education and healthcare also assure that such institutions are generally available, accessible and affordable in a manner that alleviates potential problems for those subject to in-work poverty.


However, the Swedish system is not without weaknesses and some issues need further attention in addressing the problem of in-work poverty in Sweden. Firstly, the design of social security benefits and loss of income protection is generally framed in relation to standard employment, which causes risks for workers in other forms of employment, particularly those with shorter temporary or part-time employment. The risks vary to some extent depending on the form of employment, but in principle the length of employment is of importance for access to social security and loss of income protection and the number of hours worked affects the level of the benefits paid. This generates a situation where workers employed on short contracts or working few hours are at the risk of either not being covered by social security benefits or having the amounts of such benefits set at very low levels. Even though the social security benefit system also involves specific structures for assuring self-employed access to these benefits, the design of these structures does imply certain challenges and insecurities also for self-employed. Secondly, the rules concerning fixed-term employment in Sweden are framed in a highly flexible manner providing a broad scope for short-term and intermittent employment contracts. This has generated a situation where less stable forms of temporary employment have become more common even though the overall share of temporary employment has remained fairly stable.

Finally, in spite of the overall well-functioning Swedish model, the protection that the collective bargaining structures offers are not without blank spots. In the relatively few workplaces where there is no collective agreement there is no regulation of minimum wages. Even though wages set in sectoral collective agreements have a normative function for the sectors and many employers that are not bound by collective agreements apply similar wage levels it is still the case that in workplaces where there is a surplus of potential workers, the employer is able to more or less set the wages unilaterally. If workers in such cases are not members of a trade union, then

they would have to go through a process of court action in order to enforce a decent wage case-by-case, a process which is not easily overcome without support from a trade union. This blank spot of the Swedish model therefore causes risks for specific vulnerable categories of workers who might have difficulties finding work that offer better conditions. When considering that rates of collective agreement coverage as well as trade union membership are lower in specific sectors where for example young and foreign-born workers are also over-represented, this blank spot of the Swedish model cannot be neglected as a risk in relation to in-work poverty in Sweden. In addition to this, the indirect measures available for income support in Sweden, such as family benefits and social assistance schemes are generally designed for persons without income rather than persons earning a low income from work. This means that such measures are not fully apt to alleviate the precarious groups of workers from in-work poverty, instead they are mainly suited for limiting the extent of poverty for persons outside the labour market.

On the basis of the general analysis of the regulatory framework in Sweden, the Report explores the consequences of the regulatory structures and the in-work poverty situation for the specific VUP Groups. The overall assessment in relation to this can be briefly explained as showing that young, female and foreign-born workers are more at risk of in-work poverty due to them being over-represented in several of the more precarious forms of work in relation to in-work poverty. Slightly simplified, in-work poverty is not an issue for households with two persons earning an income from work, especially not if they have a medium to high work-intensity. Claiming that the problem of in-work poverty in Sweden is a transitory problem for young people in the process of establishing themselves on the labour market, does not explain the full scope of the problem though. The reason is that not only single person households face specific risks of in-work poverty. Instead, single parent households and couple households with children, with only one person working, are also subject to high risks of in-work poverty.

In the more specific analysis for the different VUP groups, the situation for standard workers in low-wage and low-skill occupations is firstly assessed. Even though there is no sector in Sweden falling within the EU definition of a low wage sector, some specific sectors are identified as potentially more at risk in terms of in-work poverty. However, the in-work poverty risks for these workers in general are not differing much from the overall figures for Sweden, nor is the rate of severe material deprivation. These workers are generally covered by the protection offered through social security and supplementary benefits from collective agreements and the minimum wages are also above the poverty threshold. Some specific categories of households at risk of in-work poverty within this VUP Group are identified in terms of: young single persons employed on a contract with a wage set for young and inexperienced workers; single parent households; and couple households with children, but only one person working. In spite of wages generally set at decent levels in Sweden, there are clear indications that the lower wages in certain occupations are not fully sufficient for supporting a family in spite of minimum wages above 60 percent of the median wage. In addition, for the specific vulnerable categories of households in this VUP Group the indirect measures, potentially available for increasing the income of the household, are not readily designed for households with at least one person earning a full-time wage.




Continuing with an analysis concerning the dependent self-employed (VUP Group 2) it is shown that these workers face certain challenges and risks partly due to the specific regulations concerning social security and unemployment benefits for self-employed and partly due to the fact that these workers are not included in collective agreements and as such have less access to supplementary benefits and a lower protection in terms of wage regulation. Whether or not these workers are at higher risk of in-work poverty is less clear though. The reason is that in spite of high rates of in-work poverty, these workers are not subject to risks of severe material deprivation, which indicates that for this group of workers the in-work poverty measurement is not suitable for assessing their actual standard of living. If the dependent self-employed is the only person in the household working and there are children in the household, then there seems to be an increased risk of in-work poverty for dependent self-employed. There are difficulties in mapping out a clear picture of the in-work poverty risks for this VUP group, but the risks associated with a family dependent on the income from only one person are also prevalent for this group.

For the VUP Group 3, comprising fixed-term, temporary agency and involuntary part-time workers the situation varies to some extent. Whereas statistics on in-work poverty specifically for temporary agency workers are impossible to retrieve, this group of workers is concluded to be well protected in the Swedish system. The reason is mainly the high degree of responsibility taken by the social partners on order to regulate this form of work in Sweden. The collective agreement coverage rate for temporary agency work is high at 97 percent and the regulations in collective agreements restrict the use of temporary and casual employment whilst at the same time providing wage regulations that actually assure the workers that otherwise would be more at risk of in-work poverty a decent wage. The risks in relation to in-work poverty for temporary agency workers are therefore most likely associated with the general risks of households with children that are dependent on the income from only one person than the actual employment as a temporary agency worker. For fixed-term workers the situation is somewhat different, since the length of the employment has an impact on access to social security and supplementary benefits from collective agreements as well as potentially affecting the wage and level of social security benefits due to fewer working hours as a consequence of shorter employment contracts. For this VUP Group it is possible to see that young, female and foreign-born workers are over-represented both in terms of the share of these categories amongst the workers and in terms of in-work poverty rates. In addition, a low level of education and a low skill-level in the occupation increase in-work poverty risks, which provides ground for concluding that it is a problem associated with both class, gender and nationality. Even though the statistics can indicate that fixed-term workers are less likely to have children the households most affected by in-work poverty are still single earner households, but young single person households without children could be more common amongst those subject to in-work poverty.

Similarly for part-time workers, the number of hours worked affect both the wage and potential levels of social security benefits and supplementary benefits from collective agreements. This means that the lower the numbers of working hours for a part-time worker, the higher the risk

of in-work poverty will be. For this category there is a very strong gender dimension since female workers are strongly over-represented amongst part-time workers in Sweden. Specific challenges exist for this group of workers, not least when considering that the main reasons for working part-time are either that the person has not been able to find a full-time job or that the person is not coping with working more hours because of health reasons or the high physical or psychological demands of the work. These reasons for working part-time are also more prominent amongst women in blue-collar occupations than for other part-time workers, which also highlights the class dimension to this problem. In spite of certain protection offered through legislation, but even more so through collective agreements in relation to obligations for employers to seek to promote increasing working hours for part-time employees it seems as if involuntary part-time work is a persistent issue on the Swedish labour market. The fact that not coping with more working hours is one of the main reasons for working part-time also highlights the issue of potential gap in relation to sickness benefits and the application of those regulations for workers with a partially decreased working capacity. As for the households most at risk of in-work poverty amongst the part-time workers, those are concluded to be the same households at risk amongst the fixed-term workers: i.e. young single person households; single parent households; and couple households with children, but only one person working.

The final VUP Group 4 comprises various forms of casual and platform workers. This is a group for which it is difficult to assess the extent of the problem of in-work poverty since it has not been possible to retrieve statistics specifically for such workers. It is, however, likely that persons belonging to this group are found amongst the population in the statistics on fixed-term and involuntary part-time workers, even though platform workers in particular might fall outside the scope of the statistics. What can be concluded though is that the flexible regulations on fixed-term employment in Sweden have generated a situation where different forms of casual jobs have increased as a share of the overall numbers of fixed-term employment. These workers also face similar challenges as the fixed-term and involuntary part-time workers do in terms of earning a lower wage due to lower number of working hours and difficulties in relation to both access to and low levels of social security and supplementary benefits from collective agreements. Of importance for casual workers is that the challenges and vulnerabilities are exacerbated due to the less predictable income and insecurities in relation to for example application of sickness benefits rules on assessing the decreased working capacity. These workers simply face higher risks of not being able to access social security benefits and thus be left without sufficient protection in case of loss of income. For platform workers the situation is even more precarious, because these workers are to a less extent working under employment contracts and therefore subject to specific risks since their unclear legal status might cause them to fall outside the scope of protection offered through social security schemes. Collective agreements are also rare for platform work, but the first specific collective agreement for a platform company recently entered into force and hopefully, this agreement can provide a good example influencing other platform companies. Even though the number of persons dependent on platform work for their living is likely to be small, those who are dependent on this form of work are in a highly vulnerable situation due to the lack of regulation on wages and unclear legal status in relation to social security schemes. Certain categories of workers are also over-represented amongst casual and



platform workers and there are indications that risks of discrimination on the labour market might cause specific categories of workers to become trapped in these forms of employment with more persistent risks of in-work poverty.

Based on the above there are good reasons for giving the issue of in-work poverty in Sweden further attention. Even though there is an ongoing debate on changes to the legal framework, both in relation to social security schemes and regulations on fixed-term employment, in-work poverty needs to be given increased attention in the further debate and policy formation. If this issue is continuously neglected, by for example assuming that it is a transitory problem for young people in the process of establishing themselves on the labour market, then there are risks that we will see an increasing problem of in-work poverty in Sweden.