

Agreement

**on industrial
development and
wage formation**

ALMEGA

AGREEMENT

ON

INDUSTRIAL DEVELOPMENT

AND WAGE FORMATION

1. Introduction

In March 1997, the parties within industry – the under-mentioned employer associations and trade union organisations – reached an agreement on industrial development and wage formation.

In that connection, the parties noted that there is a long tradition of bipartite co-operation in various industries at both industry-wide level and company level. The parties have found it desirable to build on this foundation and to establish practices for strong, trusting joint action in the future.

The object of this agreement on industrial development and wage formation is to promote industrial development, profitability and competitiveness. This provides the necessary conditions for favourable developments on the labour market, with high employment and low unemployment. It also lays down a foundation for favourable wage developments, and sound conditions for employees in other respects.

The agreement is based on certain common judgements regarding the conditions for industrial enterprise in Sweden. The parties also present their shared views concerning certain key issues to industry. The parties have also reached an agreement, in accordance with Appendix A – Negotiating Agreement for Industry – herein under the Negotiating Agreement.

2. Industry Committee

The parties herewith institute an industry committee comprising leading representatives of the central organisations concerned. The Committee consists equally of representatives of the employer and employee sides. The Committee appoints from among its members a Chair and one or more Deputy Chairs. The Committee meets at least twice a year and may, over and above this, meet at the request of either party.

The role of the Committee is to follow and promote the application of this agreement and otherwise to deal with questions whose purpose is to create sound conditions for industry and industrial employees.

The Industry Committee also has certain other functions as laid down in the Negotiating Agreement.

3. Economic Council for Industry

The Industry Committee shall appoint an Economic Council for Industry, consisting of four economists who are not employed by employer associations or trade union organisations.

The Economic Council shall be entitled to express comment, and to make recommendations on economic issues if so requested by the parties jointly, by an impartial Chair, or by the Industry Committee.

Compensation for the members of the Economic Council shall be regulated in separately.

A COMMON ASSESSMENTS AND VIEWS

1. Conditions for industrial enterprise

1.1 International competition

In many respects, Swedish industrial enterprises share common conditions and interests. These can differ from other sectors of private business, such as commerce, transport and communications, and building and contracting.

The international orientation of industrial enterprises is strongly emphasised. In structural terms, the Swedish industrial sector is dominated by large Swedish companies with international operations, which in their turn co-operate with groups of small firms, which function as sub-contractors or suppliers of services. In relative terms, very many of these industrial enterprises belong to international groups or have foreign shareholders.

Sweden has a very large number of large, internationally active enterprises in relation to its population. In this respect, Sweden can only be compared with Holland and Switzerland.

This international perspective is very important for Swedish industry and the Swedish economy. Practically all manufactured products are sold against international competition on both domestic and foreign markets. This is true of finished products as well as of components and other products from sub-contractors or suppliers at various stages.

Price formation and specifications are also largely determined by international considerations. The revenue side is affected by changes in economic conditions

generally in various parts of the world, new or alternative products, or new competitors with lower costs. Different industries face different cyclical conditions. Some are highly cyclical, such as metal ores and pulp. The corresponding variations may also apply to product prices.

1.2 Changing economic conditions

The economic policy environment has changed radically during the past few years. Not least in importance is the process of deregulation and internationalisation on financial markets. Interest rates are increasingly being determined on international markets. When stabilisation policy is being decided on, the risk of interest rate reactions cannot be disregarded.

This has resulted in the price stability requirement being given greater political priority. Sweden's central bank – the Riksbank – has a target of keeping inflation at around two per cent. The European Central Bank's inflation target is that inflation should be no more than two per cent.

The sharp reduction in inflation makes it possible to raise employees' real wages although nominal wage increases are lower than in the past. Consequently, improvements in real wages can be brought about without unfavourable effects such as high interest rates and loss of competitiveness. A strong competitive position and a sound industrial climate as such create the right conditions for steady improvements in living standards and employment.

A "virtuous wage formation circle" can be started in Sweden by this means, instead of the "vicious circle" caused by many years of high nominal wage increases that have pushed up and then eroded by high inflation. This weakened the competitive position of Swedish industry, and caused devaluations, unemployment, lower living standards, and resulted in insignificant improvements in real wages, or none at all.

The creation of the European Monetary Union (Emu) has altered the conditions for monetary policy in all EU countries. The inflation rate and certain associated factors, as well as public finances, are all affected. All EU countries have introduced forceful fiscal policy measures to strengthen their public finances. As far as Sweden is concerned, these measures have been particularly far reaching, as a consequence of Sweden's large budget deficit and high level of central government debt.

The EU community is not only concerned with questions pertaining to economic integration. Great importance is also attached to giving the community a Social Chapter.

With the object of drawing further attention to and, should the parties deem it suitable, seeking to influence the outcome of the steadily broadening European integration, the parties have agreed to set up an International Committee.

Emu was formed on January 1st 1999. There is at present some uncertainty regarding whether or not Sweden will join Emu, and if so, when. However, Emu will in any case be an important factor affecting Sweden's economic development, regardless of whether Sweden joins or remains outside.

The changes in economic policy have intensified the need for wage formation in Sweden to be compatible with the maintenance of a strong competitive position.

1.3 International Committee for Industry

The role of the International Committee for Industry is as follows.

In the case of proposals for labour law directives and other EU rules and guidelines in the social sphere, the International Committee should inform itself about the proposals as soon as possible, analyse them and consider whether and to what extent a common position can be arrived at.

In the case of industrial issues of overall and general interest to all branches of industry, the International Committee should consider whether common positions and measures, such as lobbying or special representation, are called for.

2. Competitive environment

2.1 Competitive strength is determined nationally

Industrial production generally involves the use of technical equipment and raw materials that are available to everyone internationally. The main domestic factors that influence competitive strength are access to and the cost of qualified personnel, a well developed infrastructure in the form of transport facilities, regulatory systems and institutions, as well as access to world class research and development.

In general, industrial enterprises operate from established facilities and have often made substantial investments in machinery and equipment, upon which a return has to be earned. Decisions on location, production and capital expenditure are made from a long-term perspective. Marketing factors are very important for decisions on where to establish facilities.

This means that decisions on whether to establish or discontinue an industrial enterprise are generally one part of a long process and are only affected to a limited extent by factors of apparent relevance at the time. Whether a manufacturer or industry grows or fails is therefore determined largely by long-term conditions.

In simple terms, it may be said that whereas industrial enterprises compete on international markets and with internationally determined prices, the competitive conditions are determined at a national level.

For the Swedish economy and employment to make favourable progress, Swedish industry must be highly competitive internationally. It is important that the competitive strength of Swedish industry is based on a high level of competence among industrial employees and on the production processes and products being among the very best in their respective fields. The determination and drive of the employees to tackle new tasks, and to develop their competence and skills, are key factors in bringing about such a situation. This also creates an excellent opportunity to improve the real wages of industrial employees.

A strong international competitive position depends on a further factor, namely, the ability of industry to attract highly qualified personnel.

2.2 Supply of energy

An ample supply of energy at a reasonable price is of great importance for industrial activities in Sweden. Companies in Sweden have enjoyed a competitive advantage in the form of cost-effectively generated energy from domestic sources. This advantage has, however, weakened. For most electricity-intensive industries the cost of electricity is now higher than in the main competitor countries. The introduction of taxes and charges that do not exist in other countries will further weaken the competitive position of industry in Sweden.

The Swedish economy is highly dependent on electricity on account of the industrial structure, climate and challenging environmental goals. After all, the higher the price of electricity in Sweden, the harder it is to justify new investments in Swedish facilities. Swedish raw materials will then be processed in other countries, which are often located closer to the market. Such a development will lead to the loss of many jobs, not only in the electricity-intensive companies but also at their sub-contractors and suppliers, transport and service companies and local municipalities. The Bergslagen and Norrland regions will be particularly affected.

The result of the referendum in 1980 represented a definite decision in favour of reducing dependence on fossil fuels as a source of energy. During the second half of the nineties, Sweden undertook, in international agreements, to reduce its carbon dioxide emissions. This means that nuclear power cannot be replaced by the extensive introduction of fossil fuel based electricity, which would lead to higher CO₂ emissions. Nuclear power therefore has to be used until such time as new, renewable sources of energy became available in sufficient quantities and at competitive prices.

It is of the utmost importance that we safeguard the supply of competitive and eco-friendly electricity, for both employment and environmental reasons. The premature phase-out of nuclear power, as well as specific Swedish electricity taxes that distort competition, conflicts with these conditions. A strategy to reduce CO₂ emissions

must be arranged in such a way as to promote industrial development, competitiveness and employment in Sweden.

2.3 Taxes and non-wage labour costs

The parties have discussed various taxes and their importance for industrial development and competitiveness. The parties have noted that, even though there are significant differences of opinion, they agree on many important points.

It is becoming more and more necessary to adopt an international approach to the tax structure in Sweden. The international perspective is particularly important in the case of taxes with a variable tax base, which is the case with very many of the taxes on capital. If this approach is not adopted, unhealthy “tax competition” between countries can be the result. This is serious if the differences between national tax systems influence the location of, for example, production, product development, legal domicile, head office, sales rights and/or ownership of companies.

The parties are also agreed that a new tax reform is needed to stimulate labour, education and training, and enterprise. Income tax must be lowered, and marginal effects successively reduced in all tax brackets, taking into account the maintenance of stable public finances, and the demands on a modern welfare state to make resources available for education, health and the caring services. Stable public finances as such are an important foundation for a healthy business climate.

The parties agree, when they deem it suitable, to take joint action in various ways to see to it that the Swedish and European tax systems are structured so that they strength Sweden’s development capacity as a country for business with the object of stimulating growth, employment and living standards.

2.4 Research and development

Industry plays a key role in the creation of prosperity and growth. One crucial factor influencing the strength of industry is research and development that is relevant, of sufficient extent, and with a focus that further industrial development.

It is only with the aid of research – mainly technical and scientific – of the very highest world class that Sweden will be able to maintain and consolidate its position as an industrial nation. This requires a well functioning national innovations system. If satisfactory results are to be achieved, a holistic and shared standpoint with regard to the purpose of state funding for research and development is required, so that the various contributions/players complement each other.

Closer co-operation and co-ordination is required among the players in the innovations system. The interaction between industry, universities/institutions of higher education, and research institutes should be developed to enable industry’s many

different needs to be satisfied. Awareness of this is a key underlying principle from which to assess what resources should be allotted to the various players.

Our ability to apply R & D results that are reached outside Sweden needs to be developed. Experiences from other countries are important.

If the R & D is to achieve worthwhile results more detailed information is required about the needs of small and medium-sized firms, what potential they have for applying R & D results, and what sources of information they otherwise possess.

The union organisations and the employers in industry have agreed to co-operate within the framework of the Industry Committee as a means of contributing their views on a national strategy for R & D.

2.5 Education, training and competence development in industry

Qualified personnel are essential for competitive and successful industrial activities. The very rapid technical developments in industry are one reason why the demands on industrial employees are continuously being raised. Recurrent competence development has also become more and more an essential condition for the ability of industrial employees to retain their position on the labour market throughout their working life.

It is important that society's resources for education and training, and further training, are sufficient to prevent problems due to bottlenecks arising in key areas of knowledge. In addition, it is essential that the parties in industry co-operate in competence development for the employees.

The parties follow and influence developments in the fields of education, training and competence development within the educational system and in companies to ensure they satisfy the needs of industry. The intention is that a joint position and joint action should emerge within the Industry Committee.

2.6 Bipartite co-operation at regional and local level

The parties note the existence of many cases of bipartite co-operation at local or regional level with the object of developing industry and its employees. This may involve projects intended to match the supply and demand for labour more effectively by means of competence development measures, to benefit from the competence and research results at local universities, to strengthen the links between business and the community in a town, and much else. In many cases, these projects also mean that society's resources can be put to more effective use to the benefit of industry and its employees.

Local and regional activities of this type are in line with the intentions of the agreement, and the Industry Committee sees it as part of its role to stimulate such projects.

3 Other factors

The parties are reviewing within a bipartite working group the regulatory system on the labour market in order to provide industry in Sweden, and its employees, better conditions for growth and development.

B VALIDITY

The undersigned parties within industry have, in accordance with special rules within each agreement area, adopted the amended Agreement on Industrial Development and Wage Formation, dated August 18th 1999, together with its appendix, the Negotiating Agreement.

The parties are agreed that this agreement shall come into effect on October 5th 1999 and remain in effect until further notice with six months mutual notice of cancellation.

Stockholm, October 5th 1999

ALMEGA Industrial and Chemical Association	Employers' Association of Swedish Building Material Manufacturers
Employers' Association of Swedish Mine Owners	Employers' Association of the Swedish Food Industry
Federation of Swedish Forestry and Agricultural Employers	Employers' Association of the Upholstered Furniture Industry
Employers' Association of Swedish Steel and Metal Industry	Employers' Federation of Swedish Forest Industries
Swedish Engineering Employers' Association	Swedish Employers' Federation of Welding Engineering
Employers' Association of the Swedish Wood Products Industry	Swedish Textile & Clothing Industries' Association
Swedish Woodworkers' Union	Swedish Textile and Clothing Industry Workers' Union
Swedish Union of Graduate Engineers	Swedish Union of Industrial Workers
Swedish Union of Forestry and Wood Industry Workers	Swedish Union of Salaried Employees in Industry
Swedish Food Industry Workers' Union	Swedish Metal Industry Workers' Union
Swedish Paper Industry Workers' Union	

NEGOTIATING AGREEMENT FOR INDUSTRY

The parties undertake to adhere to this agreement in their negotiations on industry-wide agreements (collective agreements at industry level) for their members.

In the event of the law on mediation being amended or the rules for handling disputes being changed the parties may request that this agreement be referred to new negotiations.

§ 1 Purpose of agreement

The purpose of this agreement is to give the parties in industry the conditions needed to engage in constructive negotiations on agreements with a balanced result without resorting to industrial action. This agreement represents the acceptance by the parties of joint responsibility for wage formation in their area of the labour market.

§ 2 General principles

Within each agreement area the industry-wide agreement shall serve to strengthen the competitive position and growth of companies, to the benefit of employment, development and job security.

Moreover, the work organisation, wage formation and working conditions shall be designed so as to promote a good performance, developing work and improved competence.

The underlying principle is that new industry-wide agreements shall be reached before those in effect have expired.

§ 3 Industry Committee

The role of the Industry Committee is to supervise this agreement and ensure that its rules and purposes are respected.

§ 4 Impartial Chair

When this agreement comes into effect the Industry Committee shall appoint a group, consisting of a minimum of five and a maximum of ten members, whose role, as an impartial Chair, is to support the parties to this agreement in negotiations concerning collective agreements in accordance with the rules in this agreement. An executive member shall be appointed from among the members of the group.

If the group later needs to be enlarged, or anyone withdraws from the group, it shall be possible to complement it with additional members. Decisions to add members are made by the Industry Committee.

Compensation to individuals who are appointed to the impartial Chair shall be regulated in a separate agreement.

§ 5 *Timetable for negotiating collective agreements*

In connection with the re-negotiation of collective agreements at industry-wide level, the parties shall plan and carry out the negotiations with the intention of concluding them before the current agreement has expired.

Unless the parties decide otherwise, the negotiations shall be started at least three months before the expiry date by the parties putting forward their demands. Further demands may be put forward later only if the party can refer to factual grounds that prevented the demands from being put forward at the proper time.

One month before the expiry date, the parties shall be supported by an impartial Chair, which shall intervene in the negotiations on its own initiative, and shall, within the framework of the Negotiating Agreement, take such measures as it considers necessary to complete the negotiations by the correct time.

Should the parties wish to extend the current agreement, this shall require the consent of the impartial Chair.

The impartial Chair for certain agreement areas is appointed by the executive member of the group referred to in §4. When necessary a second impartial Chair shall also be appointed.

A party that intends to give notice of industrial action is obliged to inform the impartial Chair orally and in writing before giving such notice.

The intention of the parties is to avoid any industrial action that would have a harmful long-term effect on business activities in the agreement area, that is unnecessarily damaging to third parties, or that is not in the national interest.

§ 6 *Powers of impartial Chair*

An impartial Chair, on its own judgement as to what, in accordance with the purpose and principles of the Negotiating Agreement, would benefit the negotiations between the parties, can, when necessary after consultation with the second Chair, decide on its own initiative to take the following measures:

- enjoin the parties to investigate or add precision to individual aspects of the negotiations
- request a statement or reply to questions put by the Economic Council
- subject to the agreement of the parties, direct that individual aspects of the negotiations shall be determined by arbitration
- put forward its own proposals for resolving a negotiating issue, and

- delay industrial action of which notice has been given by one party until all conceivable means of reaching a solution have finally been exhausted, subject to a limit of fourteen calendar days.

The tasks and powers of an impartial Chair under the terms of this agreement apply throughout the duration of the negotiations and set aside the provisions of the Mediation Act.

§ 7 *Retroactivity*

If industrial action of which a union organisation has given notice comes into effect, all claims for retroactive application of wages or other compensation become null and void.

§ 8 *Disputes*

If an industrial dispute breaks out in a given agreement area, the Industry Committee can enjoin a party to temporarily halt its industrial action, if to do so would benefit the negotiations. Such a decision can be made on the initiative of the Industry Committee itself or at the request of the impartial Chair in the area concerned. The decision shall be preceded by hearing the respective parties.

§ 9 *Application of industry-wide agreement and peace obligation*

Once an industry-wide agreement has been reached it is incumbent on the parties to ensure compliance with and due application of the agreement.

The parties may agree that a dispute shall be settled by arbitration instead of by the Labour Court.

If illegal industrial action breaks out, all local negotiations that may be in progress at the company shall immediately be terminated. Only discussions in accordance with §43 in the Co-Determination at Work Act may take place, with the object of restoring labour market peace.

If a question in an industry-wide agreement was the cause of industrial action, local negotiations, if any, on this issue shall be deemed to have been concluded. If the question was not previously fully dealt with in accordance with the negotiating procedure, the parties at industry level are entitled to bring it up for discussion.

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