



## ***Measures proposed by the Swedish Trade Union Confederation (LO) to meet the unemployment crisis***

Sweden is in the midst of a severe economic downturn and is heading towards a deep unemployment crisis. The crisis risks becoming even more serious as national borders are closed and protectionism characterises the actions of many countries. LO wishes to protect Sweden's position as a country that stands up for global cooperation, international solidarity and free trade.

This memo focuses on central government initiatives for the acute phase as well as central government initiatives required in the short and medium term. Immediate action must be taken on all time horizons. The objective is to overcome the unemployment crisis and build an economically strong Sweden for the future.

### ***Acute phase***

The Government has implemented several wise and vigorous measures to meet the crisis. But some of the measures need to be augmented and further initiatives must be put in place quickly.

#### ***Strengthen the short-term lay-off model***

The trade unions and employers have acted fast to get the short-term lay-off system in place. About two million employees are covered by agreements that open the way for short-time employment. This shows the flexibility of the Swedish model. The liberalisation of the labour market model initiated in the January Agreement is no longer relevant. Now LO would like to see reinforcement of the short-term lay-off system in order to safeguard jobs and the business sector in Sweden.

- The Government has opened the possibility of lay-offs of up to 80 per cent. That is good. But full-time lay-offs should also be possible for a short period, where the State bears the greater part of the cost.
- Share dividends and variable remuneration to management must be stopped in companies that receive support for short-term lay-offs.
- To function effectively, the regulatory framework for short-term lay-offs needs to be adjusted in several ways.
- To avoid tax fraud and exploitation of employees, it must be a requirement when there are short-term lay-offs that the company has a collective agreement or an application agreement.
- Employers should be able to receive support for skills measures implemented during the lay-off period, including shared models for industry validation.

A memorandum on the subject was sent to the Ministry of Finance, the Ministry of Enterprise and Innovation and the Ministry of Employment on 8 April 2020.

### ***Safeguard welfare***

The Government has contributed substantial resources for 2020. But this is not enough, as welfare was already underfunded before the crisis. Above all, additional resources must be permanent in order to have a good effect on employment in municipalities.

- The State should make a promise to fully compensate for the municipalities' reduced tax revenues and the reduced revenues from public transport.
- Government grants need to increase in coming years to strengthen local government finances, both in terms of demographic requirements and to rectify the chronic understaffing in elderly care. Such a response would give municipalities a long-term planning framework and thus safeguard jobs. This is also necessary to give citizens high quality welfare provision.

- The State should initiate a temporary suspension of staff reductions in the public sector, in particular health care and social services.
- The State's direct compensation for extraordinary measures and additional costs in health and medical care need to be extended to also apply to social care.

### ***Maintain basic structure of society***

- Ensure that workers who work in close contact with people - not least in health and social care services, but also transport, retail trade etc. - have access to the right protective equipment and correct instructions and training in the use of the equipment.
- There have been many important central government initiatives for credit and liquidity assistance. Interest on liquidity assistance via the tax account has subsequently been made even more generous. It is important that the State is prepared to also try other methods as needed and/or extend its support via the guarantee programme for Swedish companies, Almi and the Swedish Export Credits Guarantee Board (EKN) and to ensure that banks use the facilities made available by the Riksbank and the Financial Supervisory Authority (Finansinspektionen). One way of doing this is not to be averse to extending the credit guarantees already being given.
- Develop ownership support to ensure that Swedish companies with unique technology and skills are not taken over by foreign interests. If the State contributes capital it must also become a partner and benefit from any upturn. But the support should not be aimed at a long-term increase in state ownership in Sweden.
- The State needs to broaden its procurement of critical national infrastructure to more (than eight) air routes and also include critical national transport routes for trains, boats, buses and taxis in community transport.

## ***Safeguard workers with weak financial protection***

A central premise for LO is that workers who have worked as far as possible receive financial protection during the crisis so that they do not have to apply for social assistance. Workers should not be forced sell their cars and homes in the event of unemployment during the crisis. Many workers have not had permanent employment contracts. This is especially true of those who are now affected in the tourism industry and retail trade. This makes it more difficult to qualify for the common social security systems. The Government has implemented several changes so that more people are covered by the unemployment insurance funds.

- The Government's increased minimum level of benefit gives an unemployed person who has previously worked full time just over SEK 11,000 before tax. LO's assessment is that this level needs to be further increased to avoid investigations on income support for this group of unemployed people.
- The minimum level of unemployment insurance benefit should also be the lowest level for income-related benefit.
- With rapidly rising unemployment, particularly in some unemployment insurance funds, combined with significant regulatory changes, the processing times will be considerably extended. LO has compiled a memorandum with proposals for various administrative simplifications to ensure that the unemployed receive their benefit as quickly as possible. This memorandum was sent to the Ministry of Employment on 3 April 2020.
- The Government has provided SEK 100 million in financial compensation as a lump sum to the unemployment insurance funds due to the heavier workload. But additional resources need to be provided to guarantee the operations of the unemployment insurance funds.
- Temporarily remove the 450-day limit for participants who have entered the job and development guarantee without previously having received unemployment benefit.
- Good economic incentives are needed for those who have previously had insecure employment, in particular in the tourist industry, to quickly begin studies. A proposal that LO has put forward is to introduce a study grant (see proposed measures submitted to the Government on 20 March 2020).
- An exception rule needs to be introduced into the Social Insurance Code that protects individuals on sick leave who, due to the current extraordinary situation, do not receive vocational or medical

rehabilitation and thus risk losing their sickness benefit when the rehabilitation chain time limits are reached.

- LO is in favour of the abolition of the qualifying period deduction for sickness benefit but critical of the model chosen (where the individual must apply for a grant). It would be more effective to deal with the qualifying period deduction in accordance with the other proposal on sick pay.
- In a situation where childcare, school and out-of-school centres are closed there must be financial compensation for parents who cannot work. The compensation must also protect employees with insecure employment.

### ***Short and medium term***

The unemployment crisis must be used to improve the human capital and employability of the workforce. There is a high risk that the management of the Corona outbreak will have major negative economic effects and that the crisis will not be over quickly.

### **Swedish Public Employment Service**

The Government has expanded the Public Employment Service's financial framework by more than SEK two billion and implemented several well-directed initiatives, including extended maximum time for labour market policy measures.

- Ensure that the Public Employment Service has the necessary resources to cope with a significantly increased workload. The additional resources should reflect the needs and the ability of the Public Employment Service to use the contributions in an acceptable way.
- Put an end to experiments and reforms of the Employment Service and allow it to focus in peace on its mission. The Employment Service should focus on initiatives that we know work well.
- The Employment Service needs clearer objectives to substantially increase the number of participants in new and ongoing training programmes. Training programmes that work well should be procured directly, so that the Service does not get bogged down in long-drawn out tendering procedures. The possibility of vocational change should be promoted. An appropriate focus could be training programmes in shortage occupations vital to society, such as care assistants (must comply with the agreement described at Vård- och omsorgscollege (Health and Social Care College)).

### **Studies**

LO welcomes the Government's broad initiation of work to extend various educational forms, not least digital opportunities and vocational education and training. For LO, it is a priority that the Government is now also implementing initiatives that provide good opportunities for student financial support for the unemployed.

- Allow the Public Employment Service to allocate study places in municipal adult education (Komvux), vocational adult education (Yrkesvux) and higher vocational education (YH). In that case, the participant in education will have a labour market policy allowance. Open up the possibility of allocating places in longer education programmes - one or more years.
- The unemployment crisis needs to be used wisely: train the unemployed in occupations where we know there will be shortages. One concrete proposal

is to invest in allowing skilled workers who become unemployed to receive support to train as vocational teachers.

- Continue to increase the number of training places in vocational adult education and higher vocational education with an emphasis on shortage occupations such as assistant nurses and bus drivers.
- The National Agency for Education should be tasked with simplifying the application procedure as well as the management and administration of state grants for regional vocational adult education (Yrkesvux).
- Continue to expand digital study opportunities. The key to matching individuals to education in today's unique situation is that education providers expressly provide information about the training programmes they have available.
- Enhance study and vocational guidance and make it available to professionally active people as well.
- The State should strengthen efforts and ensure long-term financing for validation of the knowledge of professionally active people. The modules used by various sectors need to be used and scaled up (giving priority to jointly developed models where these exist) to meet the new requirements. In the slightly longer term, existing non-digital modules need to be digitalised where possible. The public sector needs to do what it can to facilitate scaling up by the various sectors.
- A memorandum was sent on 6 March 2020 to the Ministry of Education and Research and the Ministry of Employment concerning proposed appropriate digital education and validation opportunities.

### ESF funds for skills development

- Funds from the European Social Fund should be used for skills development and be open for applications from job transition foundations, companies and civil society. It is also of utmost importance that demands for co-financing be abolished and that the administrative burden is reduced, for example by enabling digital signing.

### Financial incentives for job transition

The State should already plan for initiatives that can be in place for the summer, the autumn and longer if necessary. It is also important that the State makes a contribution to structural policy measures for the digital transition the economic crisis will accentuate. But also to achieve important targets for increased housing.

- Public sector actors should already plan to bring forward procurements for new infrastructure projects, while already planned maintenance and construction must continue. Requirements for fair and safe working conditions must be made in public procurements.
- The State should substantially increase government grants for overhauling and upgrading Swedish infrastructure, particularly electricity and computer traffic.
- Increased resources should also be directed towards rail and other transport infrastructure, as well as towards energy and climate action.
- Gear up government support to industrial policy and innovation and needs-driven research efforts to maintain industrial development in digitalisation and climate adaptation, for example.

### ***Raise the ceiling in unemployment insurance funds - permanently***

The Government has proposed that the ceiling should be raised to SEK 1,200 per day for the first 100 days. This will cover income up to SEK 33,000 (currently salaries up to SEK 25,000 are covered). However, the increase is only temporary and is intended to be abolished in January 2021.

- Strengthen the unemployment insurance funds as insurance by raising the ceiling for income-related benefit and allowing the increase to cover the entire period of benefit. A permanently raised and indexed ceiling is important as an automatic economic stabiliser. This will be important when unemployment is high and consists of groups that have previously earned a monthly salary of more than SEK 25,000.