



# Swedish Collective Agreements and Employers' Willingness to Hire and Retain Older Workers in Employment

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## ABSTRACT

Demographic change is transforming the EU population structure for the coming decades. One challenge that society faces is to preserve social welfare when elderly persons comprise a larger proportion of the total population. Allowing people to work beyond the current retirement age may help slow the growth of the maintenance burden for welfare costs, and creating situations where larger numbers of older employees can work longer and complete more working hours can improve conditions for preserving and developing welfare. However, a prolonged working life presupposes several conditions; one of these is that legal regulation of the labor market must support employers' willingness to hire and retain older workers in employment. This article explores employers' attitudes toward regulations in Swedish collective agreements—regulations which are of particular importance if employers are to increase hiring and retention of older workers in employment.

## KEY WORDS

*Demography / maintenance burden / prolonged working life / older workers / employers' attitudes / Swedish model / collective agreements*

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## I Introduction

A rapidly ageing population is a challenge to many of today's societies, and Sweden is no different (Nilsson 2012). One challenge is to preserve social welfare when the elderly make up a larger proportion of the total population (Report from the Parliament 2013/14:RFR8). Labor market institutions require people above the age of 67 years to leave salaried employment. If these systems do not change, pension benefits will be unreasonably low and the stability of the pensions system will be threatened (Ds 2013:8; Kruse 2010). Allowing people to work beyond the current retirement age limit can help slow the growth of the maintenance burden for welfare costs (Bengtsson and Scott 2010; Kedefors and Johansson Hanse 2012; Staubli and Zweimüller 2011). However, a prolonged working life presupposes several conditions; labor market regulation, including collective agreements, must promote this development and employers must

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be willing to hire and retain older people in their businesses. An international study by Manpower shows that of the companies surveyed, Swedish firms were the least prepared to give older workers employment or retain older employees in work (Manpower 2007). The Equality Ombudsman (DO) confirms in a report that older employees are discriminated in the Swedish labor market and that recruitment situations are particularly discriminatory in this respect (DO 2012, see also Kadefors 2013). Against this background, it is interesting to investigate whether—and in what way—Swedish collective agreements support employers' willingness to hire and retain older workers.

The Swedish Employment Protection Act (SEPA 1982:80) provides currently employed workers with protection. When terminating an employment, the employer must demonstrate just cause for termination and when choosing among employees for termination, the employer must also comply with a specified order of selection for termination. The labor market in Sweden is regulated to a large extent by collective agreements. This means that in many aspects, labor market parties can complement and replace parts of the current legislation, such as the order of selection for termination (22 § SEPA) through regulation in collective agreements. About 90% of all employees on the Swedish labor market are covered by collective agreements (Swedish National Mediation Office 2013). Collective agreements may exist on several levels; some agreements are valid for a special sector and some are central, cross-industry collective agreements (so-called main agreements).

One welfare regulation in Sweden is the pension system. An employee's pension can consist of a statutory pension, a collective agreement-based pension, and possibly the employee's private pension provisions. There are four major collective agreement-based pension schemes for the Swedish labor market, and these occupational pensions in collective agreements are important complements to the general statutory pension scheme (Statistic Sweden 2012 Transition from work to retirement). These agreements cover civil servants, municipal and county employees, and white-collar workers and blue-collar workers in the private sector, respectively. There are also collective agreements in the form of transition agreements which cover all sectors of the labor market (private and public, blue-collar, white-collar, and professional employees). The transition agreements are an important complement to the statutory employment protection regulation on redundancy dismissals (see Walter 2015; Rönmar 2014).

Approximately 90% of Swedish employers have no strategy to hire or retain older workers (Ds 2013:8). Combined with regulation in collective agreements, attitudes and experiences among employers may affect access to the labor market for elderly persons and thus are important to examine in reference to Sweden's changing demography. The collective agreements represent a central regulatory instrument in the relationship between employer and employee, and these agreements should rest to a large extent on the norms that form the basis of Swedish labor laws and on values found in the Swedish welfare model. Against this background, it is important to ensure that the regulation reflected in collective agreements harmonizes with the needs and challenges faced by the Swedish welfare society. The aim of this study was to interview employers to explore their experiences of regulations in collective agreements—regulations which can greatly influence their willingness to hire and retain older workers in employment.

This article is organized as follows. Section 2 presents a background about an ageing society; Section 3 describes the interview study itself; the results of the study are described in Section 4; and Section 5 presents a discussion of these results.

## 2 Background: An ageing society

The Swedish welfare state—in the sense of all citizens' rights to education, health care, social insurance, and assistance—is collectively funded through taxes and fees (Bengtsson and Scott 2011; Sundén et al. 2014). A broad tax base created through high labor force participation is therefore crucial to the funding of welfare services (Bengtsson 2010). Population development also has great significance for welfare (Ds 2013:8). The Swedish population has increased in recent years. During the forecast period 2015–2060, the population is expected to increase by more than 3 million from 9.7 million in 2014 to 12.9 million in 2060. The group currently experiencing the strongest growth is that of people 65 years and older. From 2015 to 2060, the elderly population (65 years and older) is estimated to increase by 1.3 million people (Statistics Sweden Report 2015:2). Demographic developments in Sweden, with an increase in the ageing population, are shifting the economic dependency ratio for the working population. In most economically developed countries, the share of working-age inhabitants is shrinking. The average exit age from the labor market in Sweden is one of the highest in the EU (Anxo 2010). From 2005 to 2030 the total working-age population (15–64 years old) in the EU is expected to fall by 20.8 million as the baby-boom cohorts retire (The EU Contribution to Active Aging and Solidarity between Generations 2012). A report from Statistics Sweden (SCB) presents different scenarios, regarding both the development of the number of acquisition workers and the development of the maintenance burden until 2030. In a so-called zero scenario where native and foreign-born women and men in their respective one-year-class work as much in 2030 as they did in 2010, the maintenance burden would increase by almost 10% until 2030. This means that on average, every acquisition worker must support 2.35 persons including herself/himself (SCB Theme Report 2012:4). The EU would move from having four working-age people (aged 15–64) to support every person aged over 65 to a ratio of only two people to one elderly person (COM (2009)180 final). Another scenario illustrates situations where elderly people will work one, two, three, and four years longer than they do today. This implies that a 64-year-old in 2030 would work like a 60-year-old did in 2010 and a 65-year-old like a 61-year-old. None of the SCB's scenarios assume that the maintenance burden is on the same level as in 2010, but if elderly people did choose to work four years longer, the increase of the maintenance burden would be relatively marginal (Statistics Sweden 2012). Therefore, a labor force in which more elderly people work longer and complete more working hours would create better conditions for preserving and developing welfare (SOU 2012).

The ageing population is growing not only in Sweden, but also throughout the EU. The life expectancy at birth for males is expected to increase by 7.1 years over the period 2013–2060 and for females it is projected to increase by 6.0 years, reaching 89 in 2060 (European Commission 2015). The number of Europeans aged 65 and over is expected to increase by 45% between 2008 and 2030, and the elderly will make up more than 30% of the population by 2060 (FUTURAGE 2011). As a consequence of ageing populations, the need for public provisions of age-related transfers and services will increase. Age-related public expenditure is projected to increase on average by about 4.75 percentage points of the EU's gross domestic product by 2060 and by more than 5 percentage points in the Eurozone, especially through welfare services such as pensions, health care, and long-term care (COM 2009)180 final). This means

that it is important to increase employment rates substantially and encourage ageing baby-boomers to stay in the labor market instead of retiring early. Achieving such an objective requires increased orientation toward active-ageing policies and practices—a win–win strategy for people of all ages. Active ageing has been defined by the World Health Organization (WHO) as the process of optimizing opportunities for health, participation, and security in order to enhance quality of life as people age. It allows people to participate in society and the labor force (WHO 2002; COM (2010)462 final). Core active-ageing practices include life-long learning, working longer, retiring later, more gradually reducing activity after retirement, and engaging in capacity-enhancing and health-sustaining activities (COM (2002)143 final). Active ageing is also the basis for solidarity between generations. In Article 3 of the Lisbon Treaty, solidarity between generations is enshrined as a goal. In an economy in which fewer must work to sustain more people, there is a risk for conflicts between generations. One important way to counteract this is to ensure that elderly persons who are able are given the possibility to take charge of their own lives and contribute to society. The knowledge that the able elderly are contributing to society's prosperity can increase acceptance and persuade the working population to demonstrate solidarity between generations; more can be done for those in society who are most dependent on support by others (The EU Contribution to Active Ageing and Solidarity between Generations 2012; Numhauser-Henning 2013).

The general aim of this study was to explore employers' attitudes to regulation in collective agreements related to their willingness to hire or remain older workers in employment. An additional aim after the analysis of the interviews was to scrutinize regulations in central collective agreements that the employers referred to in their interview responses.

The specific research questions were as follows:

- What are employers' experiences of how regulations in their specific central collective agreements affect their willingness to hire and retain older workers in employment?
- Are the employers covered by a local collective agreement that affects their willingness to hire and retain older workers in employment?

The study is based on social constructionist theory. One necessary approach to social constructionism is to maintain a critical view toward the self-evident knowledge of how we understand reality and ourselves. Our knowledge of the world is a product of how we categorize reality. Another starting point is that the ways in which we perceive and represent the world are historically and culturally specific and temporary. This means that how we understand the world through different concepts depends on where in the world we live, and the time in which we live. The third feature of social constructionism is that knowledge is maintained through social processes. What we interpret as knowledge is produced through everyday social interaction—the influences between people—in which we jointly build truths and fight for what is true or false. Yet a fourth point of view is that there is a connection between knowledge and social action. Various social worldviews lead to different social actions (Burr 2003).

The evaluation of the interviews and the legal collective regulation had been done in light of the societal interest that employees work longer and with more working hours.

### 3 Method

An interview study was performed at three manufacturing facilities and five companies in the service sector, all in different areas of Sweden. The companies' workforces ranged from 29 to 1,100 employees. Only one company had more female than male employees. In the manufacturing companies studied, employees were mostly blue-collar workers with secondary school as their highest level of education; in all the service-sector companies except one, all employees were white-collar workers and the majority had a university degree. The one service sector exception had a majority of blue-collar workers and most workers had secondary school as their highest level of education.

A strategic sampling of informants was done. The informants all worked in private companies, but in different sectors (manufacturing and service, respectively), in the position of chief executive officer or managing director. This selection was based on several factors. First, people in such positions can greatly affect norms and decisions of companies as a whole. Sampling also reflected an ambition to interview both men and women, including at least one informant with a non-Swedish background. Yet another goal of the sampling was to ensure that informants could provide diverse views on the subject. A gatekeeper was used to aid in gaining access to informants.

Of those interviewed, two were native Swedish women, one man was a second-generation immigrant, and five were native Swedish men. For interviews with two of the manufacturing companies and one service-sector company, the respective manager of human resources (HR) participated together with the managerial director. One HR manager was a man and two were women. These people added some information and background to the respective managerial director's responses.

Data were collected through the interviews with eight managerial directors in the private sector between August and November 2014 and in September 2015. The interviews were carried out on-site at the companies and lasted from one and a half to two hours. The interviews were semi-structured and thematically organized. The guide for a semi-structured interview included an outline of topics to be covered along with suggested questions. The study itself determined whether the questions and their sequence are strictly predetermined and binding on the interviewers or whether the interviewers' judgment and tact should govern how closely the guide was followed and how extensively interviewers followed up the informants' answers (Brinkman and Kvale 2014). Interviewers asked open-ended questions around the following themes: legal regulation with a focus on older workers; employers' attitudes toward older workers, both generally and with a special focus on skills development; and serving public interest by persuading older employees to work longer, and how employers viewed this aspect.

The interviews were recorded and transcribed verbatim for deeper analysis. Informants received information in advance about the study and had consented to participate. One week before the interview, the informants received the semi-structured interview guide. The interviews were analyzed according to a content analysis method. Qualitative content analysis as outlined by Graneheim and Lundman (2004) was used to identify and explain the regulations in collective agreements that could affect employers' willingness to hire and retain older workers in business. In this approach the unit of analysis (in this study this unit was the interview text) and meaning units (words, sentences, or paragraphs containing aspects related to each other and the research question through their content and context) were selected from the original text. In the next step of the



process, codes were assigned to meaning units, and subcategories and categories were created to describe the manifest meaning of the data.

To facilitate the process, the interviews were entered in OpenCode, a form of qualitative coding software. The interviews were read line by line and the text was broken down into parts. Each part was given a name (open coding) using concrete words close to those used in the interview text that describe an experience, opinion, or event. The content areas identified in the interviews were as follows: legal regulation, employers' attitudes to older workers, and employers' attitudes specific to skills development. Open codes were then clustered and transferred into subcategories and categories according to selective coding. Finally, themes were constructed to interpret the latent meaning of informant experiences. An example of the analytical process is illustrated in Figure 1. The figure illustrates how meaning units were gradually condensed, how codes were sorted into tentative subcategories, and how the subcategories were grouped into respective categories that constituted the bases for generating a hypothesis.

**Figure 1:** The analytical process moving from informant response quote to codes, subcategories, and categories.

Quote	Meaning unit	Subcategories	Categories
' ... when it comes to pensions, and especially those for upper management, we have to consider the cost of pensions...'	Surprise about the pension regulations	High pension costs for older white-collar workers	Guarantee level of pension in a central collective agreement for white-collar workers
'... if we employ a person who has worked abroad, and who then moves back to Sweden and we hire that person, and come to agreement on a salary and other conditions, but then suddenly we realize that the pension cost will be very high indeed...the cost for us to make contributions can be enormous...'	Insecurity about unexpected costs for people who have been employed abroad	Require employers to make provisions in pensions to guarantee a certain pension level	
'... employers who have not paid 100% of pension contributions...'	Regulation in central collective agreement	Collective agreement poses an obligation on employers to pay	
'... very important to check these things beforehand...'	Checking situation before employing new older workers	Pension costs are transferred to a new employer	
	Pension costs' influence on willingness to employ	Can be a barrier to older white-collar workers in getting a new job	

After the interviews the collective-agreement provisions, identified by the employers, were analyzed in accordance with traditional legal method, which involves analysis of the collective agreement in accordance with the parties' common willingness or with wording of text.

## 4 Results

In this study none of the interviewed employers stated that they had identified a regulation in collective agreements that stimulates their willingness to employ or retain older workers. However, employers did give examples of different regulations in collective agreements that facilitate the phasing out of older workers and factors that limit employers' willingness to hire older workers.

One result of the study was the generation of a hypothesis about occupational pension for white-collar workers. Another result was that employers appear to be positive to the regulation about working-time accounts because the provisions could give employees an opportunity to retire prior to the general retirement age limit. Even the provisions about part-time pension and transition agreements, according to the employers, facilitated decision-making with regard to terminating older workers' employment. Below follows a more detailed account of the results.

### Employment of the elderly and pension costs

The interviewed employers pointed out that the most important factor for them in recruitments was to hire the right person for the company. Against that background, the age of the applicant in principle did not matter. The person who was considered to be the 'right' one was assessed according to an overall framework, where factors such as the physical and mental health of the applicant, as well as competence, personal characteristics, wage demands, and the prognosis of the worker's long-term value for the company were assessed. More than half of the interviewed employers stated, however, that they had incurred unexpectedly high pension costs when they had recruited an older white-collar worker. This was seen as both an important and a limiting factor for employment of older workers. The informants stated that such situations could occur when previous employers made little or no pension contribution for the individual worker, and that the new employer must therefore compensate so that the white-collar worker could receive a certain pension at the age of 65. The informants gave examples in which this situation could arise, such as when an older white-collar worker had previously worked abroad, had worked for an employer without a collective agreement, or had been self-employed without making any pension contributions. This led to imposition of a larger burden on the new employer to cover the worker's pension costs because the worker's pension must be paid before he/she retires.

... in the cases where it's been a challenge, we have hired someone who is 62 years old ... and the pension contributions were quite high because that person had been employed by a company who did not pay out 100% for pension. As far as I know that hasn't changed.

All of the informants stated that they were familiar with the collective-agreement regulation on pensions which could require a new employer to make unreasonably high pension contributions when recruiting older workers. The informants stated that this circumstance could affect their willingness to employ older white-collar workers (see Johnson 2007). An informant pointed out that nowadays it is possible to measure a lot

of things, and awareness of total costs of every worker is essential for the company's competitiveness.

The informants' experiences generated the following hypothesis: the current collective agreement based occupational pension of industry and trade, ITP2 pension regulation scheme, which is a part of the central collective agreement for white-collar workers in the private sector, requires disproportionately high pension contributions when hiring an older employee compared with hiring a younger employee. As a result, this regulation reduces employers' willingness to hire older employees.

### Working-time accounts

One informant expressed the view that it was hoped that the provision about lifetime working in their central, industry-specific collective agreement would give workers an opportunity to retire under economically advantageous conditions, prior to the general retirement age. The informant expressed a wish regarding regulation of working-time reduction—that workers would continue working and contributing to pension premiums instead of collecting corresponding hours off. The company had informed the workers about the relatively large pension assets which could be reinvested if the worker made pension contributions according to the collective agreement from the age of 31. To further stimulate workers to make pension contributions, a local collective agreement was concluded for the local workplace, which in addition to the central collective agreement meant extra compensation if the workers chose to set aside money for a future pension.

'We prefer that employees put the money into pensions rather than take it out as time off...'  
'... we have added to, sweetened so to speak, this pension solution... "a very good offer which did not give a good result"...' 'they are just so focused on time off right now...'

However, according to the informant, workers' interest in making payments to the pension had been low. The workers preferred to use the reduction of working time for leisure. The local collective agreement did not persuade workers to choose the pension solution and therefore the local agreement was terminated. The only benefit that the informant observed for the agreement was that older workers could retire earlier with the funds from their pension contributions. Because the agreement did not give the desired result, the informant said that this regulation should not be included in the forthcoming central agreement because the reduction of working time would involve extra effort and higher costs in the local workplace, and provide little local benefit.

Another informant stated that the central collective agreement for the company's blue-collar workers contained rules on working-life accounts. The purpose of a working-life account is to use a worker's wage increase to reduce the work week, work year, or work life. The reduction of working time takes place through allocations to pension savings.

### Part-time pension

Informants emphasized that the regulation of part-time pension in the central collective agreements for the industry including both blue- and white-collar workers particularly affects older workers.



... we'd like employees to work longer, but on the other hand we often understand that this can wear on employees, on the whole. In that situation we have investigated and found part-time pension solutions, which in practice allow the employee to take part-time pension earlier, you see... and clearly this system mean that money must be pumped in for years, because we have to finance the cost somehow... but it also means we have that competence in-house longer, in the sense that the employee can stay and is able to handle working on a part-time basis.

The technology agreement gives workers an opportunity to apply for part-time pension and the collective agreement contributes to funding, partly through the worker's own premiums, partly through the company making deposits into the worker's pensions. According to the informant, this practice facilitates skills transfer (Collective Agreement for wage-earners (Teknikavtalet) between Teknikarbetsgivarna and IF Metall; Collective Agreements for Salaried Workers (Teknikavtalet) between Teknikarbetsgivarna and Unionen/Sveriges Ingenjörer/Ledarna). One informant had observed that more white-collar workers wanted to work beyond the age of 65. Informants see a difference between blue- and white-collar workers, in that the blue-collar worker has little desire to work longer than the statutory pension age.

An informant complained that a system of part-time pension which affects older workers had been introduced in the collective agreement. White-collar workers can apply for part-time pension from the age of 62 and the employer must pay a premium for this purpose.

### Transition agreements

All but one of the informants who participated in the study were employed in workplaces covered by the transition agreement between the Confederation of Swedish Enterprise (Svenskt Näringsliv) and the Federation of Salaried Employees in Industry and Services (PTK). One workplace was for white-collar workers covered by the transition agreement between Fastigo and Unionen, SKTF, Ledarna, Sveriges Ingenjörer, SSR, Civilekonomerna, Jusek, and Sveriges Arkitekter. The informants were positive to the transition agreement for workers and felt that by supporting employees during their dismissal process, the agreement facilitated dismissals of permanently employed workers. It was apparent from the interviews that except in the case of dismissals due to redundancy, the transition agreement was also used for dismissals that in reality were due to reasons relating to the individual employee concerned, but where the employee was formally dismissed due to redundancy. The worker received the benefit of the support provided by the transition agreement, and the informants felt that this approach facilitated the termination of the working relationship.

Some informants stated that the transition agreement should be complemented and should also be valid for dismissals related to the individual worker, especially when the employer determines that an employee has insufficient qualifications. Informants also pointed out that in the transition agreement for white-collar workers undergoing dismissals due to redundancy, the regulation was more competence-oriented than was required by the regulation in SEPA, and that this could affect the number of dismissals of older workers. SEPA states that when choosing employees for dismissal based on



redundancy, the employer must comply with a specified order of selection for termination. The position of individual employees regarding the order of selection is determined on the basis of length of service with the employer, known as the principle of 'last in first out.' However, for employees with a longer length of service, retaining a job also requires having sufficient qualifications for employment. The transition agreement offers the possibility for local agreements that give the employer the right to give the remaining available jobs to the most competent employees. Informants stated that length of service was more important for blue-collar workers than for white-collar workers and that they found it was easier to discuss white-collar workers' qualifications.

The informants also thought that the transition insurance (i.e., the transition agreement for private-sector blue-collar workers) was valuable. The agreement was thought to facilitate dismissals of workers, when employers were able to offer dismissed employees transition insurance and aid for redevelopment (Transition insurance between the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation 2004; Transition insurance between Fastigo and LO 2005). In general, all of the informants of the service companies in the study stated that their companies had good financial status and that they could terminate employments by offering more generous settlement conditions than required by collective agreements and the law. Therefore, informants considered themselves less dependent on transition agreements and said that in principle, current transition agreements were sufficient and that nothing was lacking that labor market parties needed to take up in a new transition agreement.

## Wage-setting

The basic attitude of all of the informants was that in their central collective agreement for wages and general conditions of employment, there were no regulations that influenced decisions to employ or retain older workers. One of the informants stated that it was not primarily a matter for the labor market parties; instead, this was an area to be taken in consideration by management in every company, because the message that management communicates to the company is often more important in determining the conditions that will prevail in that company. One informant stated that he appreciated the change to the central collective agreement with regard to wage-setting, in which the labor market parties have removed the lowest levels of wages and given more weight to the company's financial strength in the process of wage determination. This creates new conditions: for example, elderly who are not able to perform tasks at previous levels can keep their employment, but must accept a lower wage. Another informant stated that the labor market parties should promote flexibility in wage determination so that wages can increase and decrease according to different phases of life.

... the possibility of making it easier for older employees. We have some older employees who clearly slowed their tempo towards the end of their employment, and it would have been good to have some kind of income adjustment, so to speak. Of course it's not self-evident that every year of work will be equally productive and result in a salary increase; maybe you've peaked, maybe you worked your hardest during a period of your life and should have your highest salary at that time ... then it shouldn't be so strange to perhaps accept a reduction of 10% towards the end, it's not a foregone conclusion that every year means a pay rise.

One informant emphasized that the doubled notice period for older workers who have longer length of service and a higher age was a factor affecting the willingness to employ older workers. The informant had experience of a dismissal of an older worker due to insufficient qualifications. The dismissal process, the informant stated, took an unreasonably long time and the notice period according to the collective agreement was twice as long as that required by the rules of SEPA:

... we have been forced to let a person go, because she did not keep up in her competence development, and we had a shortage of work in that area; it was very difficult. And that affects attitudes towards older workers, perhaps in a negative way... it's very difficult indeed ... both that and the fact that we had notice periods of a year or more than a year.

### **Regulation in local collective agreements and in unilateral employer documents**

One company's informant said that within the group of companies, there are pension foundations which make it possible for employers to offer the pensions with favorable conditions, prior to the general retirement age. The informant's opinion was that the pension foundation facilitates readjustments in the companies. White-collar workers can retire by agreement between 61 and 64 years of age, and then the employer has the possibility to recruit a worker with a better educational background. In principle, such a pension agreement should bring about rationalization in the business, but skills improvement is also possible with the support of funds in the pension foundation. It is the employer who unilaterally allows an employee to be offered a pension with the support of funds from the pension foundation. All of the interviewed employers talked about concluding agreements with individual employees for retirement and pension prior to the general age limit for retirement. The employer and the employee enter into an agreement about an earlier termination of work and the worker receives compensatory wage and pension terms until the general age of retirement. According to the informants, this could occur both when the worker wanted to terminate his/her employment and when the employers wanted to terminate a worker's employment prior to the age of retirement. The decision to offer an earlier termination with special conditions was always made unilaterally by the employer.

None of the companies in the study had local competence development agreements, work environment agreements, transition agreements, or other local collective agreements including regulations that the informants believed could affect their willingness to employ or retain older workers. All of the interviewed service-sector companies lacked local collective agreements. On the contrary, all the interviewed companies had a certain amount of unilaterally employer-established documentation, which served as policy documents for the business and which included (among other things) basic values, business approach, wage policy/wage criteria, performance appraisals, and the like. Employer documents could include statements about diversity concerning gender and ethnicity, but according to the informants, these documents did not include any statements of any special significance for older workers. One company had a unilateral employer decision document about bonuses. The bonus system was divided into four parts with a set goal per share. If the company as a whole achieved one or more of the goals, the company set



aside money for every worker in a pension-sharing foundation. The bonuses were to be deposited in the fund for at least three years and the employee could claim their funds from the age of 60.

## 5 Discussion

None of the employers identified regulations in collective agreements that increased their willingness to employ or retain older workers. Instead they pointed out provisions that supported employees' earlier retirement from the labor market and rules in collective agreements that could counteract employers' willingness to employ older white-collar workers. Employers' attitudes toward regulations in collective agreements indicate that the need for longer working lives is not viewed as a priority by employers or trade unions. How can the problem of the welfare state's growing maintenance burden be solved if the social partners do not make it a priority to manage the challenges accompanying an ageing population, and the government—in accordance with the Swedish model—chooses not to intervene?

Collective agreements are an important regulatory tool in the relationship between employers and employees. The power with which the labor market parties regulate the conditions concerning employers and employees also affects the community at large and requires the parties to be globally oriented and to take responsibility for the challenges facing Swedish welfare society. A problem for all EU Member States is the demographic development of an increasingly ageing population. A larger number of older people place a greater maintenance burden on the working population. It may be noted that evidence suggests that early retirement policies have not generated jobs for younger age groups (Dewhurst 2013). The increasing maintenance burden is not expected to be eliminated only through migration, increasing birth rates, shift of responsibility to family members, or increased taxes (Bengtsson and Scott 2011). If greater numbers of elderly persons were able to work longer and enjoy a higher employment rate, better conditions would be created to maintain and develop Swedish welfare society. This presupposes, however, that there are employers who want older workers in their businesses and that labor market regulation supports such an approach among employers.

The interviews showed that compared with blue-collar employees, white-collar workers demonstrate more interest in working after 65 years of age (see Kadefors 2013). Most studies show that the higher a person's education level, the later the person leaves the workforce (Sjögren Lindquist and Wadensjö 2009). Regulations in collective agreements that support retiring later and working more hours presuppose that both employers and employees and their organizations really do want this to happen. If workers want to retire earlier or reduce their working hours, and employers see only advantages in replacing older workers with younger ones and are prepared to pay to achieve it, collective agreements do not serve as a tool to satisfy society's interest promoting a longer working life. With the current pension system a worker's lifetime earnings are decisive for the pension the individual receives. In my view, it is important that the labor market parties vigorously communicate society's need for employees to work longer and that social partners create conditions in collective agreements so that all employees have working conditions and terms allowing them to work longer than is currently the case (see SOU 2011:5).

## Employment of the elderly and pension costs

One finding from the interviews was that some pension terms regulated by collective agreement actually limit employers' willingness to employ older white-collar workers. It is important to point out that the interviewed employers did not think that it was the older worker who was the problem; instead they cited the legal collective-agreement regulation. According to the employers, in some cases this regulation resulted in disproportionately high pension costs for the employer. The employers stated that expensive pension costs could result if a white-collar worker had worked abroad, had worked for an employer without a collective agreement, or had been self-employed without making pension contributions.

For white-collar workers in the private sector, the collective agreement-based supplementary insurance is called the ITP plan, that is, the supplementary pension of industry and trade. The ITP plan of today includes two parts: ITP1 (premium based) and ITP2 (benefit based). An analysis of the interviewed employers' experiences resulted in a hypothesis: under certain conditions ITP2—the defined-benefit occupational pension for white-collar workers in the private sector—can put unreasonably high demands on pension contributions for a new employer when recruiting older white-collar workers. This hypothesis will be tested in a forthcoming article.

## Working-time accounts and part-time pensions

One result of the interviews was that the employers viewed the regulation of working-time accounts and part-time pensions, which is stipulated in central collective agreements, as a driving force for workers to retire earlier than the general statutory age of retirement (Swedish guarantee pension is paid out from the age of 65, but according to the Swedish Employment Protection Act a worker has the right to remain employed until the age of 67). There is no provision in the central collective agreement concerning the purpose of the working-time account, but this feature results in a decrease of every worker's required weekly working hours. The regulation in the collective agreement means that working-time accounts are set up individually for every worker. For every working-time account, time is allocated, calculated for each calendar year. The foundation for this is the wage which has been paid during the calendar year in question. It is possible for the worker to receive the time 'deposited' in the working-time account as paid time off, a pension premium, or cash. According to collective agreements, to stimulate workers to make pension contributions, the company should contribute an additional 20% of the portion of the dedicated amount which is used for pension provisions, in addition to the portion of the dedicated amount which the workers use for a pension premium. Workers also have the right each year to use the corresponding amount to accrue compensatory leave for a pension contribution (Collective Agreement between the Swedish Forest Industries Federation and the Swedish Papers Workers' Union 2013–2016).

The collective agreement between Fastigo and Fastighetsanställdas förbund included provisions about working-life accounts. The provisions mean that a portion of the individual's monthly salary is allocated for each contract year. This allocation, according to agreement between the employer and the employee, may be used to increase salary,



contribute to a pension, or reduce working hours. The details of working accounts shall be determined at the local level. At the workplace included in the study, the local parties had not signed a local agreement about working-life accounts.

The central collective agreements about part-time pension show that by reducing working time, the provisions in the collective agreement aim to create a situation where employees work longer. The collective agreements give workers the right, from the month they turn 60 years old, to apply for part-time pension for retirement purposes. The local employer can reject the application for part-time pension if an objective assessment reveals that approval of the request would cause considerable interference in work activities (Collective Agreement for wage-earners (Teknikavtalet between Teknikarbetsgivarna and IF Metall; Collective Agreements for Salaried Workers (Teknikavtalet) between Teknikarbetsgivarna and Unionen/Sveriges Ingenjörer/Ledarna)). According to the parties, the basis for the provisions is that workers will work longer in the future and that many will suffer the effects of ageing; more work will mean they simply must work less at the end of their professional lives (Mutual commentary of the parties, Confirmation of Agreement between Teknikarbetsgivarna and IF Metall 2013). The parties have agreed to contribute with financing of part-time pensions through payments of individual pension premiums. According to a message from IF Metall, it is clear that the parties have agreed on a reduction of working time, which is converted to a pension premium for financing workers' part-time pension (Teknikavtalet IF Metall—Agreement on a New Collective Agreement 2013). It is apparent from the collective agreement for white-collar workers that the parties have agreed upon increasing pension payments through extra payments to ITPK or alternatively ITP1 to make it easier for those who want to receive part-time pension. During the agreement period, payments are to increase successively to a total of 0.6% of the pensionable wage (Swedish Association of Graduate Engineers, Agreement information for elected representatives within the scope of Teknikavtalet). The agreement for white-collar workers also shows that the employer, upon granting a part-time pension, should also report income based on the worker's earlier employment rate, if the worker is covered by the ITP2-defined benefit occupational pension (Collective Agreement for Salaried Workers (Teknikavtalet) between Teknikarbetsgivarna and Unionen/Sveriges Ingenjörer/Ledarna). My interpretation of this provision is that it aims to protect the worker's future pension, because according to ITP2, this future pension is based on the worker's wage at the time of retirement. In Teknikavtalet (a collective agreement) for both blue- and white-collar workers it is apparent that if the local parties do not agree otherwise, working time exceeding 100 hours at year end is to be replaced with an amount which corresponds to wage per hour. This amount is then to be paid as a premium to pension insurance for the individual worker (Collective Agreement for wage-earners (Teknikavtalet) between Teknikarbetsgivarna and IF Metall; Collective Agreements for Salaried Workers (Teknikavtalet) between Teknikarbetsgivarna and Unionen/Sveriges Ingenjörer/Ledarna).

Judging from the central collective agreement between Fastigo and Unionen, Ledarna, Akademikerförbundet SSR, Civilekonomerna, Jusek, and Sveriges Arkitekter, it appears that the parties have introduced a system of partial pension. The system gives white-collar workers the right to apply for part-time pension from the age of 62. The employer must contribute to part-time retirement in the form of a premium. The premium is 0.2% of payroll from 1 April 2014 to 31 March 2015. From 1 April 2015, the

premium increased to 0.5%. The aim of the regulation is to provide opportunities for a longer working life and create a prerequisite for alternation generations.

As I understand it, the provisions for reduction of hours of work and part-time pension mean that the labor market parties want to create the conditions required so that workers can take pensions earlier than is possible with statutory funding. This approach, as I see it, works against society's need to have employees remain longer in work. Instead, when needed, the allocated funds should also be feasible for use in facilitating workers' transitions to new work tasks with the current employer or to the labor market as a whole. This approach would make it possible for employees to work longer. The purpose of the regulation of part-time pension is built on an idea that older workers do not have the same productivity, energy, competence, or motivation as younger workers. This is a general notion held by older workers; as far as I know, there is no scientific support for this belief. The parties therefore choose to solve individual problems on a structural level. Another approach is to try to create a more flexible working life, where it is possible to move between different positions and where workers are given more opportunity to take responsibility for their employability at a later age. Workers of today know that longer lifetime earnings result in a higher pension. Therefore, it is unlikely that workers will want to plan for an earlier retirement—they will want to retire later than is generally the case today. One way to realize longer working lives could be to set up individual skills development accounts. Today, employers allocate money for (among other things) reduction of working hours, part-time pension solutions, and transition agreements. Together with state co-financing, these funds can create conditions for workers to develop skills for new trades instead of focusing on earlier retirement from the labor market, if a situation arises where the worker's current employment is no longer feasible. It is likely that the individual worker is the first to know whether his/her qualifications are sufficient to continue working in the current position at higher age, and is thus the person best able to take responsibility and any necessary action. At best, giving individuals responsibility for their skills development achievements could mean a longer working life for those who need to shift to a different working scenario.

### **Transition agreements**

All of the interviewed employers were covered by transition agreements. The transition agreements show that these employers want to facilitate transition for both companies and for workers, when development measures, restructuring, rationalizations, and unprofitability create redundancy. The employers pay fees for a worker's insurance and transitions. According to the agreements, the redundant worker should receive both economic assistance and support in finding new employment. These agreements make it clear that the parties all subscribe to the same notion: companies with redundancies due to shortage of work should be afforded staffing conditions that promote continued business the greatest degree possible. When selecting workers for dismissals the local parties should adapt this selection based on the company's competence needs as well as the company's capacity to maintain a competitive business, and thereby offer continued employment to other employees. The transition agreements currently in place in the labor market come into play only when a worker is informed that he/she will be dismissed. This means that the transition aid enters late in the process, and the agreement is built



on the idea that something external to the worker should resolve the situation. At that point a worker has little chance of being able to acquire new skills or otherwise affect the current redundancy. What is needed is a legal regulation based on a view of human beings as workers who are active, willing, competent, and autonomous legal entities, as a way to create the right conditions for giving individual workers greater power over their employment situations—and greater responsibility for their own employability.

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