The Roles of Employers, Unions and Government in Swedish Industrial Relations: Important Lessons for Improving Nigeria’s Industrial Relations

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Nigeria’s industrial and labour relations have been very precarious in the last ten to fifteen years. Employees, employers, and government dealings with one another have been characterized by disrespect, egocentric tendencies, mistrust, threats, and prolonged strikes with attendant negative consequences. Many scholars, industry players, and other experts have attempted, albeit unsuccessfully, to proffer solutions to the country’s labour relations challenges. This paper attempts to highlight the lessons that Nigeria can learn from Sweden, a nation with a unique workable industrial relations model noted worldwide. The paper takes a quick look at some historical issues that possibly brought the present Swedish industrial relations model into being. The paper also examines some earlier and latter issues that shaped the Swedish model. It also tries to identify some elements in the Swedish model that have survived and are worth of studying and adopting. The paper then situates the foregoing issues in the roles that employers, unions and government play in the Swedish industrial relations system. Ultimately, the paper identifies and discusses some important lessons that Nigeria can learn from Sweden.

Key words: Employers, unions, government, Swedish industrial relations, Nigeria, roles

Introduction

Sweden, currently a member of the European Union, attained the status of an industrialized society later than most of Western industrialized nations. It transformed from a poor, agrarian society at the turn of the 20th century to a relatively prosperous, welfare-oriented, service nation at the turn of the 21st century. Although Sweden’s industrialisation was late, it was very rapid and characterised by a well organised trade union movement and powerful employer organisations ever since. The Social Democratic Party (Socialdemokraterna) has played a dominant role in Swedish politics, and has been in power since 1932 with few exceptions (Hammarstrom, Huzzard & Nilsson, 2004).

Swedish industrial relations have attracted global attention. This is due to some of the unique workable attributes that the country’s industrial relations framework has. Hammarstrom, Huzzard and Nilsson (2004) report that by 2004 Sweden, with a population of 9 million (and a labour force of 4.4 million), had 25 per cent of its civilian workforce employed in industry. However, only 2.4 percent per cent were still in agriculture. Seventy three (73) per cent of the country’s labour force was engaged in services.
According to Peterson (1987), the Swedish system of collective bargaining during the 1950s and 1960s was commonly seen as the most thriving industrial relations system in the world. The Swedish economy, like those of most advanced nations, has witnessed notable changes within different time periods. For instance, the country’s economy witnessed high level inflation during the 1970s and 1980s. However, the inflation went down in the early 1990s while the country’s unemployment rate rose steadily and peaked at 10 per cent in 1996 (Hammarstrom, Huzzard & Nilsson, 2004; Statistics Sweden, 2008). Sweden’s union movement commenced in the 1880s and has earned the country one of the highest union densities in the world today.

Rehn & Vilkund (1990) have noted that writers do give the ‘Swedish model’ different names given the fact that the model has no official definition. But one thread that runs through the definition given to this model is the philosophy that Swedish unions and employers should assume responsibility for the determination of pay as well as ensuring of industrial peace and harmony. Government is, however, saddled with the responsibility of upholding full employment and economic stability (Hammarstrom, Huzzard & Nilsson, 2004).

The common interest to stimulate economic rationalisation and productivity growth as well as the desire to avoid government interference in collective bargaining brought unions and employers together to develop the Swedish model (Hammarstrom, Huzzard & Nilsson, 2004, p.256). So beneficial was this cooperative spirit that it was codified in 1938. In fact the cooperative spirit paved way for other agreements that together formed the collective bargaining base for the Swedish model.

One remnant of the corporatist Swedish model is that public sector employment differs rather little from employment in private-owned firms in Sweden; sectoral and company differences in wages and working conditions are smaller than in most European countries. Collective agreements play a very strong regulatory role. Labour legislation is largely semi-optional; it consists of framework laws which are open for industry-wide modification through collective agreements. The legal status of employment is
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therefore very similar in the public and the private sector, though there are some practical differences regarding the right to strike, which a particular section addresses (Fransson and Thörnqvist, 2004).

Some Distinguishing Features of the Swedish Model

Myrdal (1980, p. 57) identified eight distinguishing features of the Swedish model. These include: appropriately functioning free market economy; independent and freely competing enterprises; well organised labour market with both sides being entirely independent of one another and of the state; a well structured developed and properly functioning system of consultation and participation for employees in the company; practical reform in stages; general atmosphere of pragmatism; friendly cooperation; and peaceful climate and reasonable compromises.

 Appropriately functioning free market economy means that there are no forces (other than free market forces) influencing the direction of activities in the Swedish economy. Independent and freely competing enterprises entails that enterprises or firms willingly interact and compete on a level-playing field. A reference to organized labour market with both sides being entirely independent of one another and of the state points to the fact that both sides can make choices or take decisions independently.

Peterson (1987, p.31) has indicated that, at the time of developing the Swedish model, there was a strong commitment on the part of the major labour market parties to free collective bargaining. This, however, was not to be at the expense of the country’s economic development. There was general agreement that wage policy should be in line with the economic goals of full employment, rapid economic growth, reasonable price stability, more equal income distribution, and foreign payments balance. Thus, centralised collective bargaining was chosen as the most appropriate structure for reaching these goals.


A number of important economic, political, social and labour market changes took place in the 1970s and early 1980s that seriously weakened the ‘Swedish model’ of industrial relations. These developments, when understood, will help in understanding the present collective bargaining system in Sweden. The first of these is the economic development. It has been noted that Sweden’s economic situation, like that of a number of other Western European nations as well as the United States, worsened after the Oil Shocks of 1973 and 1979. Not only was Sweden’s economy affected by some global changes, its social, political and labour market conditions were also affected in a number of ways (Peterson, 1987).

However, the welfare state and employment system continue to represent a high level of social protection predicated on universal coverage and solidarity, a large public sector, relatively low unemployment and a labour market regulation based largely on collective agreements. In addition, the country has enjoyed comparatively high economic growth rates since 2001, although the economy experienced a downturn in the autumn of 2008. In the autumn of 2008, Sweden was hit by the current global economic crisis, with rising unemployment as a result (Eironline, 2010).

Sweden has been reasonably affected by the financial crisis and the recession that followed. This has greatly impacted both economic growth, which went down by 6.5% during the first quarter of 2009, and the unemployment rate, which is steadily growing and stood at 8.3% in April 2009. These challenging
economic circumstances have had a tremendous effect on industrial relations in Sweden. The trade unions have seen tens of thousands of members lose their jobs and have responded by accepting requests from the employers on shorter working time agreements and similar measures (Eironline, 2010).

**Employers’ organisations and their roles**

There are four employer confederations in Sweden. There is one confederation for the private sector and three for the public sector. The four confederations are as well planned as employee unions. Three of the four confederations which are also the most notable employer organizations are discussed here. They include the Confederation of Swedish Enterprise (Svenskt Näringsliv), Swedish Association of Local Authorities and Regions (Sveriges Kommuner och landsting, SKL), and the Swedish Agency for Government Employers (Arbetsgivarverket) (Statistics Sweden, 2008; Eironline, 2010).

The Confederation of Swedish Enterprise (Svenskt Näringsliv) was formed in 2001 after a merger between the Swedish Employers’ Confederation and the Federation of Swedish Industry. It caters for the interests of employers in the private sector. Its membership strength is about 50 employer organisations or trade organisations from different industries (Eironline, 2010).

The Swedish Association of Local Authorities and Regions (Sveriges Kommuner och landsting, SKL) accommodates governmental, professional and employer-related interests of Sweden’s 290 municipalities, 18 county councils and two regions. On its part, the Swedish Agency for Government Employers (Arbetsgivarverket) has since 1994 been taking responsibility for the employer policy of agencies in the public sector at national level. It also negotiates on behalf of about 270 public authorities (Eironline, 2010).

The largest employer organisation in Sweden is the Confederation of Swedish Enterprise. It takes care of the interests of 54,000 small, medium and large-sized enterprises which together employ about 1.7 million people. Its density rate was estimated at 80% in 2008, exceeding the trade union density in the private sector. There are also some other employer organisations and these include the Swedish Association of Entrepreneurs (Företagarförbundet), with 35,000 members - essentially consisting of small companies - and the Federation of Private Enterprises (Företagarna), with a membership of 55,000 members. These organisations do not have the mandate to negotiate collective agreements.

**Unions and their roles**

Hammarstrom, Huzzard and Nilsson (2004) have reported that establishing a union in Sweden does not entail registration or acceptance by government authorities or courts. Any group of employees is at liberty to start its own union. Such a union, once started, will automatically be registered by industrial relations legislation (Hammarstrom, Huzzard & Nilsson, 2004). This environment, among other factors, seems to favour union density in Sweden. Trade union confederations are demarcated on the basis of occupation.

According to Fulton (2013), the level of union membership in Sweden is high – at 71% – although it has reduced from its peak of 86% in 1995. There exist three main union confederations which are divided along occupational and educational lines in line with the traditional way in which Swedish employees are grouped, and there is considerable co-operation between them.

It has been observed that of the three union confederations that operate in Sweden, one is for skilled and unskilled blue-collar workers servants; one for white-collar employees; and one for academic professionals. These union confederations are the LO (or Swedish Trade Union Confederation) and the TCO (the Swedish Confederation of Professional Employees), and SACO (the Swedish Confederation of Professional Associations).
The LO and the TCO are prominent among the blue- and white-collar sectors respectively. The mandate of the LO has been to represent its affiliated unions in the areas of social and economic policy. Previously, it has bargained collectively on behalf of all members in the private sector. The TCO, formed in 1941, does not take part in collective bargaining. Nevertheless, it is active in training and represents its unions in collaboration with the government on broad economic and social policies (Hammarstrom, Huzzard & Nilsson, 2004; Eironline, 2010). It has been noted that LO and, to a lesser extent, TCO are based on the industrial principle; this suggests that the trade unions are organised according to the economic sector in which employees work rather than according to the occupations of employees (Eironline, 2010).

Majority of employees in Sweden are reported to be members of a union. And union membership offers a number of benefits to employees. These include protection against possible unemployment, helping in recruiting members, and negotiating wages and conditions of service. It has been noted that most Swedes view joining a union as normal when entering the labour market. Each national union has its own laws, including laws about how collective agreements could be reached. The right to conclude agreements is vested in a union’s executive committee. It was not common for a union to give its mandate to a central union council to bargain on its behalf. Employment relations processes may include central agreements that included peace obligation. Under this arrangement, employers agreed to increase economic rewards in return for a guaranteed period of labour peace (Hammarstrom, Huzzard and Nilsson, 2004).

Sweden has a tradition of high union membership rates, especially in the public sector. One important reason for the relatively high trade union density is the high unionisation among white-collar workers. However, there has been an ongoing trend of declining membership since the beginning of the 1990s and it has become more noticeable in recent years (Hammarstrom, Huzzard and Nilsson, 2004; Eironline, 2010).

However, not all of the trade unions have experienced a decline in membership. SACO, for instance has experienced a slight increase in its membership in recent years, as opposed to the other two major trade union confederations. TCO and LO are campaigning to attract new members and try to reverse the losses of the last few years (Statistics Sweden, 2008; Eironline, 2010).

**Government and its roles**

Government exerts its main influence on employment relations through the political function. Historically, employers and unions take charge of industrial relations. However, during the 1970s new laws were enacted and introduced, constituting a new employment relations framework. The laws introduced in the 1970s touched on issues such as industrial democracy, the work environment, security of employment, and union rights. They largely limit the rights of employers and reinforced those of employees and their unions. (Eironline, 2010).

There are also other legal contexts within which government has regulated industrial relations in Sweden. For instance, the Codetermination Act of 1976 regulates employee consultation and participation in working life. This is the main law for the system of collective regulations; it is a structure law that must be implemented through collective agreements. It affords trade unions, as collective agents for their members, the opportunity or legal basis to elect their representatives, receive information or be consulted about management decisions.

As well, the Employment Protection Act of 1982 is a fundamental law in the Swedish labour market regulating when and how an employee can and cannot be dismissed. The law protects employees from being given notice or dismissed without objective reasons, such as shortage of work or serious misuse. The act also gives the employer appreciable responsibility for
finding suitable replacement employment for the worker before the person can be fired. One other important legislation is the Work Environment Act regulating the work environment in the labour market. The Swedish Work Environment Authority takes charge of monitoring the implementation of the Work Environment Act together with the Working Time Act. The authority conducts labour inspections; nevertheless, it has been streamlined by about 40% during year 2009 (Eironline, 2010).

In Sweden, government is minimally involved in dispute settlements and there is a distinction between interest disputes and rights disputes. With regards to interest disputes, parties have the right to engage in industrial action after giving a one-week proper notice. Mediators in disputes have only advisory roles. In the case of rights disputes, no industrial action is expected. Disputes bordering on the interpretation of laws or agreements must be referred to the National Labour Court. In some instances, they are referred to regional lower civil courts or magistrates. It is possible to appeal the verdicts of the lower courts to the Labour Court which is the final arbiter for all labour disputes (Eironline, 2010).

The existing main agreement was agreed upon in 1938 between the social partners and gives them the right and responsibility to regulate pay as well as employment conditions. Therefore self-regulation through collective bargaining is strong. The social partners are regularly represented in advisory bodies or reference groups to government committees or enquiries (Statistics Sweden, 2008; Eironline, 2010).

**Industrial Relations and Collective Bargaining in Sweden**

 Collective bargaining plays a crucial role in Sweden. It is important to note that collective bargaining in Sweden follows occupational lines and that a number of collective agreements therefore exist – namely, agreements for office and commercial workers, graduate engineers, white-collar and professional workers, and blue-collar workers (Thompson & Taras, 2004; Eironline, 2010). Under Sweden’s collective bargaining arrangement, labour and management, each represented by a national sectoral organisation, negotiate framework agreements every two to three years. There are also an increasing number of company level agreements (Federation of European Employers, 2014).

The framework of the parties’ roles and the regulation between them are defined by a main agreement between the parties at national level. This agreement forms the basis for the cooperation between the social partners in the Swedish labour market model. At sectoral level, general agreements with guarantee or minimum levels are worked out for pay and working time. These sectoral agreements are indicative and set the rules for negotiations at local level, where greater detail is provided in local collective agreements (Thompson & Taras, 2004).

**Structure of Collective Bargaining in Sweden**

During the last two decades, Sweden’s structure of collective bargaining has become more decentralised. The social partners tend to delegate the power to negotiate wages and working time to the local level. Some collective agreements are ended without any definite figures on pay or only specifying guarantee levels. Such agreements are thereby left to the local parties to decide the details in their negotiations for wage formation and the determination of wage rates (Thompson & Taras, 2004).

The employer and trade union confederations still conclude certain types of cross-industry agreements, such as pensions and collective insurance. The employment transition agreement has become important, not least in times of financial crisis. Through this agreement, a percentage of the wage sum is paid into a fund – known as the Employment-Security Council (TRR) - which finances measures to help redundant workers to get a new job or education. In the event of redundancy or dismissal, TRR is able to
offer both employers and trade union representatives support and advice. Similar agreements apply in the public sector with the Employment Security Fund (Eironline, 2010).

Up until 1975, the local parties had narrow scope for bargaining. Thus in the 1980s, the social partners started to negotiate at sectoral level, jettisoning the central negotiation model. In 1997, the negotiation model changed again by increasing the amount of coordination in negotiations. There exist two levels of collective bargaining in relation to pay, wage formation and other working conditions: national or sectoral level and local (company) level (Eironline, 2010).

In Sweden, collective bargaining is the only system of wage formation, both in the private and public sector. As well, the trade unions at sectoral level take charge of most of the pay bargaining, in negotiation with the social partners on the employer side. Many employees have some sort of individual wage flexibility, based, for instance, on work performance. However, it is not possible under Swedish law to extend collective agreements by some kind of decree or legislation. Nevertheless, practices with an extended effect are used. There are also some other issues in collective agreements in Sweden. Some of the issues that the social partners focus on in the collective bargaining rounds are work-life balance, flexible working hours, telework and long-distance working in order to increase the flexibility for the workers. Others are continuous vocational training (CVT) and gender equality (Eironline, 2010).

The number of working days lost through industrial action and the number of workers involved often differ depending on the magnitude of the bargaining rounds. Majority of the agreements extend over a period of three years. During 2007, nine strikes occurred in both the private and public sectors. In 2008, only three strikes took place. But in comparison with other European countries, the number of strikes is low in Sweden and their range is limited (Thompson & Taras, 2004; Eironline, 2010).

Tripartite negotiations are rare in Sweden because the social partners do not welcome the government or any other party intervening in collective bargaining. The idea of self-regulation through collective bargaining by the social partners is strong in Sweden (Eironline, 2010). Therefore, the regulation of the employee representation bodies is codified by laws and also by the main agreement, Saltsjöbadsatalet (Thörnqvist, 2007).

Important Lessons for Improving Nigeria’s Industrial Relations

There are no obvious similarities between the Swedish system of collective bargaining and Nigeria’s system of collective bargaining. In Nigeria, government is the singular largest employer of labour; therefore government has a very great role to play in the practice of Industrial Relations in the country. However, government interest in Industrial Relations matters had been rather minimal due to limited number of government workers during the first two decades following the country’s independence. Today, however, government employees have increased in number thereby necessitating government’s increasing roles in industrial relations (Ogunduboye et al, 2001).

Industrial relations in Nigeria has had many challenges over the decades but the greatest challenge has been that of total disregard to (or even suspension of) the nation’s constitution during military regimes in the country (Eme, Emeh, and Anyadike, 2012). Following return to civilian rule in the country varied efforts have been made towards improving the country’s industrial relations practice.

The Swedish model is globally recognized as a unique workable industrial relations model. A number of countries have reportedly understudied and adapted some aspects of this model to suit their situations. Therefore, Nigerian government, scholars, and industrial relations practitioners in the country stand to benefit from the Swedish model by studying, testing and adopting it to suit the Nigerian environment. From
the Swedish model, the following areas of interest and potential gains are worthy of mentioning in relation to Nigeria's industrial relations environment:

**Increasing Union Density:** Sweden’s model has worked perfectly well partly because the country, since union movement commenced in the 1880s, has had one of the highest union densities in the world today. In Nigeria, union density can also be increased through policy formulation, legislative facilitation, and government-employers-employees cooperation and partnership. On their part, unions in Nigeria can offer their members benefits beyond just ensuring their salaries and going on strike. For instance, union membership benefits can be made to include protection against possible unemployment, helping in recruiting members, and negotiating wages and conditions of service.

**Union and Employer Responsibility for Wage Determination:** Swedish unions and employers assume responsibility for the determination of pay as well as ensuring of industrial peace and harmony. In Nigeria, however, it is almost always the employer (including government) that calls the shots in wage determination. This has partly been responsible for the general persistent industrial unrest in the county. Therefore, facilitating more balanced union-employer participation in wage determination in the country will minimize industrial disharmony. In doing so, parties in industrial relations will also justifiably take responsibility for their conduct or actions in the course of their relationships. Government can and should essentially assume more responsibility for upholding high employment and economic stability. In the spirit of the uniquely workable Swedish model, unions in Nigeria should strive harder to curtail government interference in collective bargaining.

**Narrowing the Gaps between Private Sector and Public Sector Employment:** In Nigeria, public sector employment differs appreciably well from the organized private sector. There are also remarkable sectoral and company differences in wages and working conditions and these are partly responsible for incessant industrial tensions and strikes. In the Swedish corporatist model, however, public sector employment differs rather little from employment in private-owned firms. Sectoral and company differences in wages and working conditions in the country are smaller than in most European countries. The Nigerian government, in collaboration with other key industrial players, can make collective agreements to play a very strong regulatory role as is obtainable in Sweden. Labour legislation framework laws in the country should also be made open for industry-wide modification through collective agreements.

**Organizing and Strengthening the Labour Market:** In Nigeria, there is need for government and industrial relations practitioners to organize and strengthen the country’s labour market. The labour market can be organized in such a way that employers and employees’ unions will be entirely independent of one another and of the state. This is one of the distinguishing features of the Swedish model and it is known to work best in an appropriately functioning free market economy with independent and freely competing enterprises.

**Developing a well Structured System of Consultation:** The Nigerian industrial relations sector has faced serious challenges in the last decade partly due to lack of appropriate consultation structures. Therefore there is need to develop a well structured and properly functioning system of consultation and participation for employees in the country’s companies and other organizations. A good and workable consultation structure should engender an atmosphere of pragmatism, friendly cooperation, and peaceful climate. It should also make room for reasonable compromises. Like the Swedish model, such a consultation structure should elicit a strong commitment on the part of the major labour market parties to free collective bargaining. This, however, should not be at the expense of the country’s economic development.
Developing an Enduring Wage Policy: The absence of a clear wage policy in Nigeria is responsible for some of the challenges that Nigerian employers and employees face during negotiations. A clear wage facilitates better collective bargaining. For instance, according to the Swedish model, the general agreement is that wage policy should be in line with the economic goals of full employment, rapid economic growth, reasonable price stability, more equal income distribution, and foreign payments balance. Indeed, Sweden’s centralised collective bargaining was chosen as the most appropriate structure for reaching the aforementioned goals.

Creating Confederations of Employers’ Organizations: Many employee unions in Nigeria are well planned and active. But there are no vibrant employers associations in the country. The Nigerian Employers Consultative Assembly (NECA) is rather bogus and not so efficient. Therefore, there is need to create employer confederations to respectively cater for the interests of employers in the private and public sectors. Employer confederations will harmonize the interests of employers and pave way for more focused and result-oriented consultations with employee unions. In Sweden, for instance, there are four employer confederations. There is one confederation for the private sector and three for the public sector. The four confederations are as well planned as employee unions. One of the public sector confederations (The Swedish Association of Local Authorities and Regions) takes responsibility for the employer policy of agencies in the public sector at national level. It also negotiates on behalf of about 270 public authorities (Eironline, 2010).

Redefining Government Roles: Government roles in industrial relations in Nigeria should be redefined to expressly address issues such as industrial democracy, the work environment, security of employment, and union rights. Government roles should also include limiting the rights of employers and reinforcing those of employees and their unions. The Swedish model accommodates the aforementioned roles of government while also regulating employee consultation and participation in working life. This affords trade unions, as collective agents for their members, the opportunity or legal basis to elect their representatives, receive information or be consulted about management decisions. It also regulates when and how an employee can and cannot be dismissed. This includes protecting employees from being given notice or dismissed without objective reasons, such as shortage of work or serious misuse.

Conclusion
Most countries (both industrialized and not industrialized) are today experiencing pressures on industrial relations. There have been increasing demands for union rights, increasing diversity, changing compensation trends, and employee benefits. All of these have social and economic implications. They are also impinging on the roles of industrial relations stakeholders in the affected. Thus unions, employers, and governments are also responding to the aforementioned realities in various ways.

The Swedish model of industrial relations offers many alternatives that countries such as Nigeria can explore. Despite the many points of similarity to other Western countries, though, Sweden differs from most of them in one, crucial way: the highly corporatist starting-point with very strong and well organized social partners (Thörnqvist, 2007). Sweden’s corporatist state policies seek to balance, to an extent, the interests of employers, unions, and the state. Indeed, it is this kind of balancing that Nigeria needs at this time to stabilize her rather turbulent industrial relations environment. That is why there is need for the country to explore the gains of the Swedish industrial relations model.
References


Biographical Note

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### Facts and figures

| Area: 449,964 square kilometres | Population: 9,253,675 |
| Economic background GDP per capita: 122.23 2007 |
| Inflation rate (annual average 2004–2007): 1.25% |
| Unemployment rate (15–64 years) (2007): 2.18% |
| Female employment rate (15–64 years) (2007): 74.2% |
| Unemployment rate (15–64 years) 6.2% (2008) |

### Industrial relations, pay and working time

- **Trade union density (%)** (Union members as percentage of all employees in dependent employment): 68%
- **Employer organisation density (%)** (Percentage of employees employed by companies who are members of an employer organisation): 80%*
- **Collective bargaining coverage (%)** (Percentage of employees covered by collective agreements): 91%
- **Number of working days lost through industrial action per 1,000 employees (annual average 2004–2007)**: 1.88 days compared to an estimated 37.47 days for the rest of the EU.