

## The Swedish Staffing Model

The Swedish Staffing Model combines long term contracts with job security and guaranteed earnings for the individual and market access to long contracts for the staffing agencies. Through agreements refined for three decades, unions and employers' organisations seek to ensure a mutually beneficial market and social contract. These agreements have enabled staffing solutions to grow and become an integral part of the Swedish Labour Market Model, while giving the Swedish market somewhat different characteristics than in other European countries.

### The characteristics of the Swedish Staffing Model

#### For the employer:

- Market access
- Few regulatory obstacles
- Long-term, open-ended client agreements
- Large market share in relatively qualified jobs
- Not possible to compete with lower wages
- Staffing solutions uncommon in unskilled jobs

#### For the employee:

- Open-ended, permanent employment contracts are the norm
- The average staffing consultant does 1-3 work assignments before leaving the industry
- Guaranteed salary between assignments
- Occupational pension, health insurance and other benefits
- Relatively long work assignments within the staffing job: 6-18 months are normal

Under the Swedish Staffing Model, staffing consultants have permanent, long-standing employment contracts via competence agencies, and are entitled to the same benefits and rights as other employees – such as the right to paid vacation and sick leave, and to take leave of absence for studying or rearing children.

Individual assignments for staffing consultants vary in duration but are generally longer than in other countries. In Sweden, staffing consultants are referred to as just 'consultants' and the employment is like that of other consultants, but with longer assignments.

For consultants working in the blue-collar sector, salaries are based on their workplace's average. This is particularly attractive to younger consultants, as it means higher earnings for them. In the white-collar sector, consultants' salaries are set individually within the framework of the relevant collective agreement.

Just as in all other industries, the collective agreement in combination with the individual employment contract governs when and where a consultant is obliged

to work. When assigned at a client company, the working hours are the same for consultants as all other employees in the workplace. Consultants who are in between assignments still receive salaries and need to be available for new assignments.

Overall, this model allows enough flexibility to deliver valuable services to client companies, while maintaining attractive working conditions for consultants and granting them the opportunity to acquire a network and useful working experience.

#### The Swedish Labour Market Model

In Sweden, the social partners (i.e. employer federations and trade unions) coordinate wage formation and regulate conditions in the labour market by means of collective agreements. Through negotiations and co-operation, the social partners strive to provide for a competitive and prosperous economy while at the same time making sure that individuals have working conditions and security to enable development and productivity.

Strong trade unions and employer federations are a crucial element of the model. Sweden, together with the other Nordic countries, have the highest union membership rates in the world. The Swedish Labour Market Model is complemented by – and can even be said to include – a rigorous social security-system, a fiscal policy framework that ensures sound public finances, and active labour market policy that maintains a high level of employment. The social partners are wholly responsible for collective agreements, but they are reached within a regulatory framework of labour law.

#### Collective agreements

A collective agreement regulates the rights and obligations of the employer and the employee towards each other in a workplace. A collective agreement is concluded between an employer or an employer organization and a trade union. The collective agreement determines the lowest limit for the conditions that may apply in the workplace. Therefore, collective agreements also cover employees that are not members of a trade union. Furthermore, a collective agreement can set standards that become applicable to all workplaces within the sector. The agreements are re-negotiated every 1-3 years, with co-operation on shared issues in between.

The Swedish Staffing Model is a part of the Swedish Labour Market Model. The model relies on a high degree of unionization. In Sweden, it has been estimated that 97 percent of consultants are covered by collective agreements. This is a significantly higher proportion than in the rest of the labour market, where the figure is 88 percent. Moreover, 61 percent of consultants are members of a trade

union. This level is comparable to that of all employees in the Swedish labour market (69 percent ) and in line with that of blue-collar workers (62 percent ).

### **The Swedish staffing and competence industry**

Every fifth workplace in Sweden – private as well as public – employs staffing consultants. In 2018, more than 260 000 people worked as consultants at some point during the year. Their combined efforts corresponded to 93 100 annual work units.

Although subject to a comprehensive regulatory framework, the Swedish competence industry can deliver valuable and oftentimes crucial services to client companies. A survey conducted in June 2019 shows that, out of the 2 965 companies that participated, 55 percent had hired consultants during the past two years. Out of the companies that had hired consultants, 80 percent stated that the possibility to do so was quite or very important to them; only 1 percent stated that it was of no importance. Compared to previous surveys, the proportion of companies that hire consultants and believe that the possibility to do so is quite or very important has increased.

For many Swedish companies, the practice of hiring staffing consultants is key for their ability to manage competence while maintaining efficiency and competitiveness. In the mentioned survey, the most commonly stated reasons for hiring consultants were "to obtain the right skills", "to have quick adaptability", and "to staff temporary projects". If the possibility of using staffing consultants would be restricted significantly, the companies believe that they would primarily use other external solutions such as contractors and subcontractors: 67 percent think this would be quite or very likely. Restrictions on hiring would also damage the Swedish economy: if faced with such restrictions, 15 percent of the companies state that they are quite or very likely to relocate operations offshore, and 41 percent of the companies state that they are quite or very likely to be forced to refuse orders.

Restrictions on hiring would to a very small extent lead to other forms of employment within the customer companies. In the blue-collar sector, 5 percent, one out of twenty companies, estimates that it would to a large extent employ on a permanent basis if hiring was made more difficult. 9 percent, one out of ten companies, would to a large extent employ temporary staff. In the white-collar sector, 3 percent believe that they would to a large extent employ on a permanent basis, and 5 percent that they would to a large extent employ temporary staff.

Competence agencies oftentimes function as a gateway for social groups that otherwise can experience difficulties entering the Labour market. 26 percent of all consultants are foreign-born, which is twice as high as in the total labour market. Furthermore, 50 percent of all consultants are below 34 years. The number of consultants aged 60 or older is increasing, and currently make up 8

percent of the competence industry's workforce. In this group, 23 percent state that they were headhunted to the current position.

A typical consultant has 2-3 assignments that last for 6-18 months each. After two years, most consultants have proceeded to a permanent employment within a client company. Only 9 percent of consultants have worked in the competence industry for more than five years.

#### A brief history

For a long time, the Swedish competence industry consisted almost exclusively of agencies led by female entrepreneurs, that deployed female office-workers. However, regulatory changes in the early 1990s triggered a process of rapid expansion and diversification, in which the proportions of male and eventually blue-collar workers increased substantially. Today, the competence industry employs about as many blue-collar workers as white-collar workers, and as many males as females. Furthermore, during the last decade, competence agencies have increased their presence outside metropolitan areas, in more peripheral labour markets.

#### Regulations

Competence agencies are covered by the same legislation as companies in any other industry. This includes labour market laws such as The Employment Protection Act and The Co-determination Act. The operations of competence agencies are also regulated in the Hiring Act, which is based on the EU Staffing Directive. However, in accordance with The Swedish Model, the legislation can be substituted or augmented with agreements between the social partners in collective agreements.