

Measures proposed by the Swedish Trade Union Confederation (LO) to meet the effects of COVID-19

LO union members have the right to the best possible protection against infection, good financial security in the event of illness and unemployment, and an active policy for growth and jobs.

In the spring of 2020, in response to the pandemic, LO proposed several measures to protect Swedish workers (*Memo LO's proposed measures to meet the unemployment crisis*). Several of these proposals have been fully or partially implemented by the Government and Riksdag. LO places particular emphasis on the good opportunities for short-term lay-offs that existed during 2020, the additional resources for the welfare system, the temporary improvements in unemployment insurance and the extensive expansion in the number of places in education.

Sweden is currently marked by extensive spread of infection, heavy strain on healthcare and a large death toll. Many of the occupational groups organised by LO affiliated unions are in the front line in fighting the pandemic and keeping society going. LO believes that it is of the utmost importance that the vaccination that is now under way is effective and fast. The groups that are in most need of the vaccine must be prioritised.

During the autumn there has been strong recovery in the Swedish economy, not least in the Swedish manufacturing industry. However, the situation of companies and workers operating in close contact industries¹ has continued to be tough and is now becoming more difficult during the second wave of the pandemic.

Unemployment increased sharply in Sweden during the spring. The increase slowed after the summer. But long-term unemployment has continued to rise.

In this memo, LO presents a number of proposed measures. Our proposals have three different focuses:

1. The focus in the coming months, until the vaccine has been rolled out on a broad front, must be to minimise the number of cases of illness and death, while at the same time allowing companies and workers in close contact industries reasonable opportunities to overwinter the crisis. Appropriate conditions applicable in the event of sickness or risk of infection are important both for financial security and for reduced spread of infection.
2. When the pandemic abates, the Swedish economy needs to be kick-started through broad investments in welfare, digitalisation, energy and infrastructure.
3. To prevent unemployment from becoming entrenched at a high level, a broad programme needs to be launched with everything from an education and training obligation for people with a short-education to vocational change for people already established.

¹Close contact industries refers to industries where physical proximity between people is difficult to avoid. These industries are hit hard both by voluntary physical distancing and by explicit recommendations and regulations due to COVID-19.

1. Measures pending vaccination

During the pandemic LO union members have been hit harder than most other groups, both in terms of health and personal finances. Many of LO's occupational groups are in close-contact industries. Only a few percent of the LO union members have the opportunity to work remotely. Region Stockholm has published an analysis of the health effects of COVID-19. The analysis shows that income is one of the most central variables behind COVID-19 mortality and that there is a clear correlation between having an occupation that does not allow working from home and the risk of being hospitalised for COVID-19.²

Conditions applicable in the event of sickness or risk of infection

Appropriate conditions applicable in the event of sickness or risk of infection are important instruments, both for maintaining workers' financial security and for reducing the infection risk. Temporary measures have been introduced by the Government and the Riksdag. But these measures are inadequate.

- The qualifying period deduction must be completely and permanently abolished. Otherwise, workers risk being forced to go to work even though they are ill. They quite simply cannot afford to stay at home, thus increasing the risk of spreading infection.
- The protection of employees infected with COVID-19 in their work is insufficient. Workers infected at their workplace must of course have their injury classified as occupational injury/disease.
- LO wants the unreasonable test of working capacity against a fictitious labour market on sick day 180 to be permanently abolished. At present, too many rehabilitation processes are discontinued due to a rigid regulatory framework and too strict an application of the law. A well-supported inquiry proposal (Swedish Government Official Reports SOU 2020:6) has been submitted to the Government and is awaiting a Riksdag decision.
- Insurance protection for people with precarious and temporary employment contracts must be strengthened. Here too a well-supported inquiry proposal (Swedish Government Official Reports SOU 2020:26) has been submitted to the Government and is awaiting a Riksdag decision.
- The Swedish Work Environment Authority's statistics on corona-related reports and cases show clear deficiencies in employers' systematic work environment management. Employers must be given clearer and stronger incentives to counteract work-related ill health and facilitate the return to work for people on sick leave (see Swedish Government Official Reports SOU 2020:24).

Financial support for close-contact industries

At the beginning of 2021, there will probably be a need to maintain and in parts reinforce current rules and recommendations to reduce infection. LO believes that rules and recommendations that effectively shut down individual industries must be met with public financial support.

- LO believes that the current situation requires a combination of different economic interventions. The most important thing is that resources really reach the most affected companies so that these companies are able to overwinter the crisis. Straightforward

² Socioekonomiska faktorer och covid-19 i Stockholms län. November 2020. Stockholm: Centre for Epidemiology and Community Medicine, Region Stockholm; 2020. Rapport 2020:10

processing must be the aim. LO believes that examples of support that should be considered are: rent subsidies aimed directly at the company, targeted reorientation support and financial contributions in the event of significant regulatory changes such as restriction of alcohol sales. Companies that receive support and grants should not be able to combine this with distributing dividends.

- LO wants to emphasise the importance of functioning financial support, regardless of whether the company has an organisation with each facility as a separate company or with several facilities included within the company. The support must focus on the loss in sales, not the corporate form.

Full-time short-term layoffs for close-contact industries

The more generous system of short-term employment has, to all appearances, been the most important measure in the economic crisis policy. The system has helped to avoid elimination of companies and jobs. The fact that companies receiving financial support cannot simultaneously distribute dividends has been and still is important for the system to be perceived as legitimate. LO welcomes the decision by the Government and the Riksdag to extend the reinforced support for short-term lay-offs until mid-2021. In January, February and March 2021 the rate of subsidy will be 75 per cent. In April, May and June the rate of subsidy will be 50 per cent. From January to March lay-offs of up to 80 per cent of working hours will be subsidised.

- LO believes that the possibility of full-time lay-offs must be introduced for companies operating in close-contact industries. The system must be in place until restrictions and regulations regarding the pandemic can be lifted. The purpose of full-time lay-offs for close-contact industries during the remainder of the pandemic is to
 - provide better opportunities for companies and employees in these industries to **overwinter** the coming months and
 - reduce **the spread of infection** by giving more workers the opportunity to avoid being present at the workplace.
- LO believes that the lay-off model requires collective agreements to find an effective balance between the needs of the company and its employees. If lay-offs were limited to companies with collective agreements, the risk of misuse of public support would be considerably reduced.
- LO also wants to highlight the importance of central government support for skills development initiatives and validation in connection with short-term employment. It is important that information about central government support for skills development really reaches those concerned.

Protect the unemployed

During the pandemic, nearly 100,000 more people have become unemployed. The increase in unemployment has affected all LO unions. But some industries are particularly vulnerable.

- Sweden needs effective unemployment insurance that provides financial security when workers move from the old to the new jobs. As a first step, the improvements made to unemployment insurance during the pandemic must be made permanent and be indexed forward.
- The crisis has greatly increased the burden on the unemployment insurance funds that insure workers in the worst affected sectors. More unemployed members of unemployment insurance funds leads to higher costs for the funds and in the long run, increased

membership fees. The unemployment insurance funds must be given the financial ability to perform their task. LO sees a need for an extra central government financial contribution to the worst-affected unemployment insurance funds.

2. Kick-start the economy

Significant public resources are currently being used in combating the crisis. But to ensure a strong recovery, more resources need to be added in the coming years. LO sees a great need to stimulate the economy in a way that meets welfare needs, facilitates the extensive structural transformation that the pandemic has accelerated and invests in the green transition of Sweden's economy. There is scope for public finances to run a deficit for a longer period of time to stimulate the economy.

Long-term financial support for welfare

The Government and the Riksdag have provided significant resources to municipalities and regions. But that is not enough, as welfare was already underfunded before the crisis. Above all, the additional resources must be permanent in order to have a good effect on employment in municipalities.

- In the coming years, government grants need to be increased and indexed to strengthen the municipalities' finances. Such a decision would give municipalities long-term planning conditions for more jobs and increased investments. Substantial additional resources are also needed to solve the major problems that the Corona Commission has highlighted in its interim report "Elderly care during the pandemic".

Financial incentives for transition

Extensive and long-term structural policy initiatives are needed for the digital transformation that the economic crisis has accentuated. But also to achieve important goals of more housing and green transition.

- Public actors should bring forward procurements on new infrastructure projects. Already planned maintenance and construction must continue and be accelerated. Requirements need to be made regarding fair and safe working conditions, at least in line with collective agreements, in public procurement.
- Provide financial resources to municipalities so that they can build new homes for the elderly to meet the great need.
- The State should substantially increase government grants for overhauling and upgrading Swedish infrastructure, particularly electricity and computer traffic.
- Increased resources should also be directed towards rail and other transport infrastructure, as well as towards energy and climate action.
- Gear up government support to industrial policy and innovation and needs-driven research efforts to maintain industrial development in digitalisation and climate adaptation, for example.

3. Broad programme to combat unemployment

Already before the pandemic there were more than 350,000 people registered as unemployed with the Swedish Public Employment Service. Many had a short education and/or were relatively new in Sweden. Unemployment rose sharply in the spring. After the spring the rate of increase slowed. But long-term unemployment has continued to rise. People who were unemployed already before the pandemic now have a particularly tough situation. Previous crises have taught us that the negative effects on the labour market often last a long time. LO wants to see a broad programme to combat unemployment and counteract the entrenchment of long-term unemployment.

Vocational change to meet the structural transformation

The pandemic has accentuated a structural transformation. Many workers have or will need to change employers or even sectors. LO wants to see significant public initiatives to facilitate transition and vocational change.

- It is positive that the Government has increased the number of educational places in vocational adult education, higher vocational education and folk high schools. But now it is important to have a recruitment plan for how the places should be filled.
- Develop new ways of financing studies to enable adults to take advantage of the programmes, both for people in work and the unemployed. An important reform is the opportunity to study in regular education with a labour market policy allowance for those who choose to study for a shortage occupation.
- One concrete proposal is to invest in allowing skilled workers who become unemployed to receive support to educate themselves as vocational teachers.
- The Swedish Public Employment Service must be given improved conditions to focus on its placement assignment and to allocate unemployed people to suitable measures.

There must be a strong focus on making it easier for workers to change sectors.

- The Swedish Public Employment Service must have a physical presence throughout Sweden, not least in the places most affected by the crisis, such as municipalities that are heavily dependent on cross-border trade.
- Enhance study and vocational guidance and make it available to professionally active people as well.
- Strengthen efforts and ensure long-term financing for validation of the knowledge of professionally active people. The modules that the industries use need to be made use of and scaled up.

Safeguard jobs for the unemployed in Sweden

Sweden currently has one of the world's most liberal systems for labour immigration. In most other comparable countries, there must be a labour shortage in the occupation in question and/or

relatively high wages in the occupation. In Sweden there are no such rules, which means that there is immigration for jobs such as kitchen assistants and cleaning staff.

- Reform the regulations for labour immigration so that occupations where there is no shortage are safeguarded for jobseekers already living in Sweden.
- More must be done to curb the gross exploitation of labour immigrants, who today are often forced to work for lower wages and under far worse conditions than is shown in the job offer on which the Swedish Migration Agency bases the work permit.

Educate people with a short education

Of those who are currently enrolled with the Swedish Public Employment Service, about 80,000 have not completed upper secondary education. The risk of ending up in long-term unemployment is great for those with a short education.

- LO wants to see a broad palette of public initiatives for people with a short education. Continue to improve opportunities for unemployed people with a short education to participate in basic education.
Link benefits to clear requirements for participation in education initiatives. Sweden should learn from models that are used successfully in Germany and our Nordic neighbours.
Introduce LO's, Unionen's and the Confederation of Swedish Enterprise collective agreement model with Foothold Jobs that would provide better opportunities for people with a short education to combine work with education.

