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Minimum wage regime in Sweden

Unlike many other countries, Sweden does not have statutory minimum wages or any possibility of declaring collective agreements universally valid. The Swedish labour market model is characterised by limited government intervention in wage formation.

Wage regulation is found only in collective agreements and in individual employment contracts. Some legislation can be said to concern wage conditions indirectly. For example, there is protection against wage discrimination. However, there is no legislation at all on how wages should be set in Sweden. The closest equivalent to minimum wages in Sweden are the provisions on the lowest wages (*lägstalöner*), starting wages or guaranteed wages in collective agreements. To these can also be added lowest wage levels in collective agreements with pay scales. In some cases, the lowest wages in agreements are called 'minimum wages', but as an overall term, these kinds of provisions are usually labelled 'the lowest wages'. To simplify things for the reader, however, we shall use the term 'minimum wages'.

The minimum wage protection provided by Sweden's labour market model, however, is not limited to specific minimum wages in collective agreements. The Swedish wage formation model is essentially collective in nature and it can be said that the overall objective of the European Minimum Wage Directive is achieved by means of the Swedish Model for wage formation and the outcomes resulting from that model. (SOU 2023: 36).

In the Swedish wage bargaining system, there is a strict division between blue-collar and white-collar occupations, with different agreements for blue-collar and white-collar workers. With some exceptions, such as call-centre workers, who are classed as white-collar, minimum wages in collective agreements in practice are used almost entirely to blue-collar workers. Out of the 620 sectoral collective agreements in Sweden, approximately 300 contain specific minimum wage levels. The agreements without these provisions are for employees with a higher education and other agreements for salaried employees.

A prerequisite for the model is a high rate of collective bargaining coverage. The coverage rate is higher among blue-collar workers (92 per cent in 2023) than among white-collar workers (84 per cent in 2023). In addition to the fact that most workers are covered by collective agreements, the wage levels in such agreements seem also to be used quite often in workplaces that are not covered (Medlingsinstitutet). According to law, third-country labour migrants may not be paid under the minimum wage or the normal wage in the sector in which they are employed. Since 2023, in order to obtain a work permit, labour migrants (excepting EU citizens and seasonal workers) have to show that they will have a 'good livelihood'. This is defined as a monthly wage equivalent to 80 per cent of the median wage. For some groups of workers this 'wage floor' (*lönegolv*) may be higher than the minimum wage in the collective agreement, which has caused criticism. In berry-picking, forest planting, construction and some other sectors, however, it sometimes occurs that employers pay workers staying temporarily in Sweden below the minimum wage. This generally constitutes a labour law violation and is often related to other forms of work-related crime.(Kjellberg 2023).

Minimum wage levels play an important role in certain areas, in which trade unions have prioritised them in negotiations. In these cases, the minimum wage may be relevant for a fairly large part of the employees. This applies, for example, to retail and hospitality. For other occupational groups, such as manufacturing, the minimum wage is not particularly important and is rarely used, even among new entrants to the labour market.

There is a great deal of variation in how wage clauses in collective agreements are designed. Generally speaking, traditional pay scales without connection to individual performance are quite uncommon. Where minimum wages are included in agreements, they are often separate from the wage clauses that apply to the majority of employees. What characterises minimum wages in Swedish collective agreements is their application to specific groups, such as newly recruited or young employees.

In white-collar agreements, the minimum wage is usually determined by age and sometimes by length of employment. Blue-collar agreements have greater design variation; positions or occupational groups are used as additional criteria on top of age and length of employment. Different minimum wages for employees with or without completed vocational training also occur.

As far as we know, there have been no disputes over the introduction of a minimum level in agreements that previously lacked one. Minimum wages thus appear to be present in the agreements where there is a need for them (Eurofound).

There is no official registry that covers all minimum wage levels, but the Swedish National Mediation Office publishes a sample. In 2023, all levels in the sample of workers 20 years of age and older corresponded to or were above 60 per cent of the median full-time equivalent basic wage. In 2022, the proportion of employees with a wage below 60 per cent of the median was only 1.2 per cent. Among these, half (0.6 percentage points) were under 20 years of age (Medlingsinstitutet).

Collective bargaining regime in Sweden

The Swedish collective bargaining system is based on self-regulation by the labour market parties themselves (Kjellberg 2017). Trade unions and employers' associations are responsible for wage formation and also have a key role in establishing other employment conditions, including occupational pensions, insurances and transition. There is no Labour Inspectorate and no government authority that is responsible for monitoring compliance with collective agreements. Monitoring and supervision are, with some minor exceptions, entirely a matter for the trade unions.

Sweden has very few restrictions on the right to take industrial action. This right is guaranteed in the Swedish constitution. In principle, all employees have the right to undertake industrial action. The right can be limited by law or collective agreement. Since 1928 there has been a statutory peace obligation during the period in which a collective agreement is in force. Sympathy actions, however, are allowed also during the contract period and, like other industrial actions, not restricted by any proportionality rule. The Swedish alternative to an extension mechanism is the permissibility of strikes (including sympathy strikes) against non-organised employers who refuse to conclude a collective agreement. Political strikes by a trade union bound by a collective agreement are permitted only if they are of short duration and have only marginal effects on the employer's business or activities. With regard to the government sector there are a few further limitations stipulated by law, besides the above-mentioned statutory peace obligation, for example with regard to sympathy action and political strikes. Furthermore, the social partners in this sector have agreed that civil servants in charge of certain functions and at certain agencies cannot take part in industrial action. After a collective agreement has expired there is no peace obligation, but industrial action requires seven working days' notice to the Swedish National Mediation Office. While the parties are negotiating a new collective agreement the terms of the old agreement with regard to the employment conditions shall continue to apply until a new agreement is signed. In theory, if negotiations end without an agreement, a state of total non-agreement occurs. However, this is not something that happens in practice among the established labour market parties.

The Swedish National Mediation Office is a government agency under the Ministry of Employment tasked with promoting an efficient wage formation process and mediating in

labour disputes. The agency appoints mediators if there is a risk of industrial action on the labour market or if social partners request this. The authority may, if necessary, take certain coercive measures, such as appoint mediators without the consent of the parties or decide that a party must postpone notified industrial action by up to 14 days. However, these strong instruments are rarely used and the parties decide for themselves whether they will accept any settlement that the mediators propose. The parties can, if they wish, sign separate negotiation procedure agreements, which means that they can arrange for mediation on their own. Manufacturing industry has had this kind of agreement since 1997, but apart from that, the number of such agreements is quite small nowadays (Medlingsinstitutet).

Trade unions are not registered by the state. Nor is there any state regulation of their internal affairs, such as decision-making procedures (balloting and so on), for example on approving or rejecting the results of collective bargaining or taking industrial action. Many labour law provisions can be replaced by collective agreements, which makes regulation flexible and adaptable to each industry and to local circumstances.

- The right and obligation to negotiate

The legal framework for collective bargaining is found in the Codetermination Act (*Medbestämmandelagen*, MBL). Since the 1936 Act on Rights of Association and Negotiation (*Lagen om förenings- och förhandlingsrättt*), today incorporated in the Codetermination Act (MBL), trade unions are entitled by law to negotiate collective agreements. On the employers' side both individual employers and employers' organisations have bargaining rights. The right to negotiate corresponds to an obligation on the other party to participate in the negotiations. However, the right and obligation to negotiate exist only if the negotiation issue concerns one or several employees, who are or have been employed by the employer and who are members of a trade union (SOU 2023: 36). Because blue-collar workers already had this right through collective agreements, the 1936 law was aimed primarily at private sector white-collar workers as in the early 1930s they had still not entered into negotiations with employers in manufacturing, commerce and banking (Kjellberg 2017: 365–366). Employers are obliged to negotiate but not to compromise or conclude an agreement. Before any important changes are made in the operations of a company or public agency the employer must initiate codetermination negotiations. On completion, the employer retains the right to decide unilaterally. According to the Employment Protection Act (*Anställningsskyddslagen*, Las) in case of redundancies the employer has a duty to negotiate before deciding to dismiss workers by this reason.

- Trade union's right to information

According to §19 of the Codetermination Act (MBL), the employer must continuously keep trade unions with whom they have signed collective agreements informed about the development of the enterprise. Employers who are not bound by a collective agreement must provide the corresponding information to all trade unions that have members in the workplace. There is a strong link between the right to information and the right to negotiate. Employers often initiate decision-making processes that later lead to negotiations with the union by providing information in accordance with §19 of the Codetermination Act (Larsson in Wennemo and Fransson 2024).

- Coverage of collective agreements

Collective bargaining coverage has remained almost unchanged for many decades at about 87–90 per cent of all employees registered as resident in Sweden. Posted workers and seasonal

labour migrants are thus not included (Ljunglöf, Fransson and Kjellberg 2024). In 2023 the coverage rate among employees aged 18–66 was 88 per cent (92 per cent of blue-collar workers, 84 per cent of white-collar workers). In the private sector, 83 per cent were covered, but in the public sector the coverage rate was 100 per cent. About 550,000 private sector employees are not covered by a collective agreement. The coverage rate among blue-collar workers in the private sector was 90 per cent and among white-collar workers 75 per cent. There are major differences in coverage depending on firm size. In companies with 1–9 employees, 44 per cent were covered (57 per cent of blue-collar workers, 30 per cent of white-collar workers). Already in companies with 10–19 employees 71 per cent were covered (83 per cent of blue-collar workers, 55 per cent of white-collar workers). In companies with 500 employees or more almost 100 per cent were covered. In the private sector the lowest coverage is found in agricultural occupations and among employees with a long academic education.

According to a previous study containing private sector data by industry in 2021, the coverage rate in manufacturing was 95 per cent, in construction and transport 87 per cent, and in trade (retail and warehouses) and care 77 per cent (Kjellberg 2023). The lowest coverage was found in industries dominated by white-collar workers, with information and communication at the bottom (52 per cent). When dividing collective agreements into regular agreements (companies affiliated to employers' associations) and substitute agreements (*hängavtal*) between national unions and unorganised employers, 71 per cent of the employees were covered by regular agreements, while 6.3 per cent had a substitute agreement. All 2021 data refer to the private sector, but excluding companies owned by central and local government. The average private sector coverage was 77.4 per cent, but due to different calculation methods this figure is not comparable with the 2023 data presented above. The 2021 study also contains information on the share of *employers* covered by collective agreements. About 30 per cent of all private-owned companies with employees had a collective agreement. It should be remembered that most companies are very small. About 87 per cent of all employees (83 per cent of private sector employees) in 2021 worked in enterprises or public authorities affiliated to an employers' association.

The continuing very high density of employers' associations is the main explanation of the high bargaining coverage over time. Union density is high also from an international perspective (68 per cent in 2023), but it is considerably lower among blue-collar workers (58 per cent) than among white-collar workers (73 per cent). In 2006 union density was 77 per cent for both categories of workers.

- Trade union access to workplaces

According to the Act on Trade Union Representatives' Status at the Workplace *(Lag om facklig förtroendemans ställning på arbetsplatsen),* a trade union is entitled to appoint a workplace-level union representative to represent the employees vis-à-vis an employer with whom the trade union has a collective agreement. An 'ombudsman' employed by the trade union can also be a union representative within the meaning of the law. There is no formal requirement that the union must have any members at the workplace. The purpose of the rules is to enable the representative to engage in union activities such as negotiations, information and representation. Purely internal union matters such as recruitment, however, are not 'union activities' within the meaning of the law.

Employers must provide union representatives with the same pay and other conditions for the time necessary for the performance of their duties as they would have received if they were working with their regular duties. This of course applies only to union representatives employed by the employers. There is also enhanced employment protection for trade union representatives. Among other things, they can in some cases be exempt from work redundancy dismissals. Employers are not allowed to offer union representatives less favourable working conditions or terms of employment because of their role. In addition to this, employers must also facilitate trade union activities by, for example, providing premises.

- Requirements on public procurements

Since 2017 the Public Procurement Act (LOU) states that companies that win procurements must 'if necessary' offer wages, working hours and holidays that do not fall below the minimum levels of the collective agreement (Kjellberg 2023). The aim is to avoid social dumping and unfair competition, but it is not possible to demand that there must be a collective agreement or that the employees must be covered by occupational pension or insurance. After years of pressure from the Building Workers' Union, the city of Gothenburg in 2024 demanded collective agreements when a school was renovated. Following a complaint from the association of small enterprises, however, the Swedish Competition Authority blocked Gothenburg's demands (Arbetet 12 February 2025).

Smaller procurement tenders fall outside the scope of the law; in practice this accounts for two-thirds of all public procurements. For the remaining one-third of public procurements, the law's requirements may be imposed when it is considered necessary to avoid unfair working conditions and unfair competition. The risk of unfair working conditions is considered particularly high in occupations with low educational and qualification requirements, and where there are often foreign workers, low coverage of collective agreements and long subcontracting chains. There are no consequences for authorities that accept bids that are clearly unsustainable.

Transposition of the European Directive on Adequate Minimum Wages in the EU

The European Minimum Wage Directive was transposed on 15 November 2024, when the Swedish National Mediation Office was tasked with reporting data in accordance with Article 10 of the Minimum Wage Directive. This was announced by the government through an amendment to the ordinance concerning instructions for the Mediation Office 5 a §. No other legal changes have been made.