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# **“Good practices” for older workers in Sweden in the 1990s**

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## **“Good practices” for older workers in Sweden in the 1990s**

This paper reports that it is difficult to find cases of “good practices” of the kind envisaged in Alan Walker’s background paper (1995) and the report schemes for different countries developed in the course of a couple of meetings in Dublin. The first part of this paper will give some of the background why the situation in Sweden in the mid-1990s is like that. In the second part of the paper we will report on some examples of “good” or at least interesting cases that could be found. We (i.e. my research assistant Pia Forsberg and myself) have talked to quite a few persons in public agencies, employers organisations, campaign organisations, as well as scholars in the field and have found astonishingly few cases being mentioned as examples of “good practices” in the way they are understood in the European Foundation project on “Good Practices”, led by professor Alan Walker.

### **1. The Trauma of the recent recession and record levels of high Unemployment in Sweden.**

Up till the early 1990s the labour market regime in Sweden was characterized by

- a) A long history of high labour force participation among both men and women. In 1990 Sweden was exceptional in Europe, having experienced rather little of the trend towards early retirement.
- b) The Swedish policy regime had developed a high degree of protection of older workers (laws against dismissal etc.)
- c) Sweden had also developed a set of policies to further the role of firms and employers in counteracting exit from the labour market (legal responsibility for

rehabilitation plans etc.). That is, the emphasis in the early 1990's was to force and induce firms to internalize the problems of their older workers.

d) With the economic crisis that hit Sweden in 1991 and which was quite severe also in 1992 and 1993, there was a strong pressure on many firms. Many firms went bankrupt and closed, while others dramatically reduced their work force. This led to record levels of unemployment in Sweden.

e) In this situation there were strong pressures on the older workers to exit. Older workers that lost their job when firms closed had great difficulties in finding a new job. Increasingly older workers also lost their job when firms reduced their personnel. Thus, many older workers in Sweden have left the labour market. Today less than half of all males work the last before they reach the pension age; only in five men work fulltime. Five years ago, in 1991, the number of men working fulltime at 64 was 28 %. (cf. table 4 appendix 2 below)

If we take the number of self-employed and small employers into account the proportion of all employees that continue to work until they reach the pension age is now very limited.

Among women the part-time pattern is very pronounced in the 60-64 age-group. Both men and women use the part-time pension scheme.

These exit patterns have accelerated even if some exit paths have narrowed or been closed. The part-time pension scheme is now less advantageous. The disability pension scheme could earlier accept labour market criteria in awarding the right and benefits of a disability pension. This possibility is now closed (since 1991). Today only for health reasons are accepted, as the labour market indications are abolished.

The effect of the unemployment explosion on the Swedish public and the political system has been deep-going and dramatic. The focus of the discussion as well of the policies is measures that primarily should be directed towards the young and unemployed.

The general social and political threat raised by unemployment, i.e. the threat of labour market exclusion for social integration, is in Sweden primarily taken up in relation to two groups or sections of society, groups whose social integration are seen as crucial: the younger age-groups and the immigrants and refugees (of which Sweden has accepted quite a few), Both these groups have a very large unemployment ratios.

In 1995, the youth unemployment is seen as a decisive problem in the Swedish context. Looking at the numbers in table 1 makes that understandable.

*Table 1.* Employment and unemployment in the age-group 19-24

<i>Age</i>	<i>Unemployment ratio</i>	<i>Employment ratio</i>
19	19%	38%
20	21%	44%
21	20%	50%
22	15%	55%
23	13%	60%
24	11%	67%

*Source:* The Swedish Labour Force Survey (AKU) 1995

To this should be added that many young people are employed in temporary jobs, many of these in their turn are labour market policy measures, created by the Labour market Board.

In the older age-groups the employment ratios have fallen dramatically over the first half of the 1990s. Cf. table 2.

*Table 2.* Employment ratios for men and women aged 50-65, and changes between 1991-1995

<i>Age-group</i>	<i>Men 1995</i>	<i>Change 1991-95</i>	<i>Women 1995</i>	<i>Change 1991-95</i>
50-54	91.9%	-6.4%	84.6	-4.1%
55-59	85.0%	-9.8%	73.0	-5.4%
60-64	62.9%	-12.0%	44.8	-8.5%
60	65.0%	-9.2%	61.6%	-5.3%
61	59.4%	-10.1%	54.6%	-7.6%
62	49.9%	-14.2%	47.4%	-9.3%
63	43.8%	-14.4%	34.2%	-7.9%
64	36.6%	-11.6%	27.1%	-12.0%

*Source:* The Swedish Labour Force Survey (AKU) 1995

But still the employment ratio for older workers in Sweden is rather high in a European perspective. But the drop during the first half of the 1990s has been marked. At the same time the overall unemployment has risen dramatically (see table). Some of the labour market policy measures in Sweden are education and training measures, but for others the label “hidden unemployment” is appropriate. If we look at the numbers that have been excluded from the labour market we can see that the pressures have been substantial in both the private and the public sector.

During the full employment period that lasted until 1990, there were rather few specific measures directed to solve the specific dilemmas of the older workers. They were so say covered by general employment situation and by the laws protecting older workers from dismissal (a longer period dismissal notice was in force for the older age groups). Still quite a few were using the part-time pension scheme, and many older workers in the weaker regions left the labour market through the clauses of labour market reasons, i.e. lack of appropriate jobs in the region for the person).

A major effort to force as well as induce firms to undertake rehabilitation was launched in the early 1990s. This was the combination of a law that made the firms responsible for rehabilitation plans in conjunction with the social security offices and other “rehab agents” and the launching of the Working Life Fund with the aim of funding work environment changes within firms. There are some evaluations of this massive spending of public funds and the effects of this program. In many cases firms have developed new forms of organising work processes and set into motion many changes in the work organisation. In some cases the firms have developed flatter and more horizontal organisations, and in some cases a more proactive role in terms of work environment has been launched. At the same time many less productive employees have been weeded out of the firms - rehabilitation procedures have become a first step in an exit process, by removing persons from the immediate work environment, sending them to specific projects, or sections where the sick, handicapped, those prepared for exit have been assembled.

That is, in the long term there may have been instituted changes in the work organisations of the more advanced firms that will be appropriate for keeping the competence of the employees and making it possible for older workers to remain.

Since the entry of Sweden into high unemployment levels has been very recent and still traumatic for most political parties and the partners of the labour market, it is the recession, the high unemployment and the situation for young people and the immigrants and the refugees that are focused as the strategic problems on the labour market.

The solutions launched by the Swedish conservative and liberal parties and argued by most economists are to lessen the impact of employment protection (deregulation of the labour market is here seen as a major innovation). Increasing wage differentials *à l'américaine* is seen as an important way forward. In this discussion the protection offered the older workers is highlighted as an example of the problems and rules that are besetting the Swedish society and making it more difficult for younger workers to enter the labour market.

There is an almost complete silence in major policy documents of the Swedish government with regard to older workforce and policy initiatives that could enable them to stay in their job, or to be re-employed. Implicitly, government and the political opposition, as well as the employers' organisation regard the employment protection law as one of the villains in the piece, the rigid non-flexible labour market.

## **2. Examples of “Good Practices”**

This broad picture is a background against which we can understand the marginal role that is allotted to the “good practices” in relation to the older workforce. In the overall climate of exit processes, supported by the use many firms and public agencies make of occupational pensions, we can point to some concrete examples of “good practices”.

We have tried to find examples of “Good practices” in Sweden. We have talked to trade unions, employers' organisations, Labour market Boards, employment Security Funds, scholars etc. But only very few positive cases have been mentioned in these discussions. The reason for this state of affairs is the shock of the unemployment explosion in the early 1990's and the emphasis put on youth (un)employment.

The Campaign organisation “**Forum 50+**” uses publicity and open forums such as seminars and conferences to spread the idea that retraining and keeping older workers is good idea for both firms and society. One major argument is that the cost for pensioning off people is becoming very high for the firms. This might have been reasonable when the pressure to downsize the personnel of many firms were very strong, as it was in the early 1990s. But now other measures ought to be used. The unions have in most cases seen youth unemployment as larger problem than the fate of the older workers, esp. if these groups could get a decent pension. The unions strongly supported early pensions, esp. if the compensation level was acceptable. (In Sweden the general rule has been that early pensioning reached a level around 75 % of the former salary (and with no consequences for the level of pensions after 65 years - the latter point has been very important in making early



retirement acceptable). In many cases the view of then older workforce esp. on the middle level of management is that those above 50 or 55 are tired, not willing to learn etc.

Forum 50+ have appointed “Firm of the year” and the honour has been bestowed on a section of Volvo (**VOLVO PENTA**) that has begun to develop the qualifications of their employees through a rather massive training programme. Up till now the statistics on the age distribution of days of training on employees have shown that the older workers receive a very marginal share of all funds spent on training firms and public sector organisations as well. There are also parts of the **Swedish Nestle** firm that has begun to develop the competencies of middle-aged employees.

One large city in the northern part of Sweden, Sundsvall, has started a program, to keep middle-aged and older workers in the nurseries and children day-care centres.

We will here go through these cases that can be described as instances of Good practices.

**RAPID** is a medium-sized firm that for both policy and labour market reasons decided to hire older metal workers when they expanded their staff in 1994-95.

**GALAXEN** is a very typical Swedish tri-partite (unions, employer, state) corporatist organisation that is handling rehabilitation and subsidized re-employment for building workers.

## **2.1. The Role of the Campaign Organization “Forum 50+”**

In the early 1990s representatives of some white collar trade unions, insurance companies and employers in the public sector set up a small campaign organisation to promote the idea that the older workforce, esp. the older white collar workers, still had much to contribute to firms and to society in general. This organisation, with a small national office and regional organisations, basically composed of older or former officials in the white collar trade unions, has organized seminars, large conferences etc. and made their presence felt on in the public debate. The aim is to spread the idea of the productivity, profitability and the overall good use value of older workers. Part of their aim is to counteract stereotypes of the older workforce and influencing the attitudes of employers, unions and the older workforce themselves.

## **2.2. RAPID - A company employing older skilled metal workers (machine operators)**

RAPID is small company in Bredaryd, a small community in the countryside of Southern Sweden. RAPID develops, manufactures and markets granulators that convert various types of plastic waste products into high quality granules, suitable for recycling. The company has 190 employees in all, of which 2/3 are manual workers. In the early 1990s the company cut back in personnel and production. In 1994 and 1995 the company expanded again and had to employ new workers. Of those that were recruited among the workers seven were over 50 years, some even close to 60.

The personnel manager gives two reasons for the decision to employ seven persons over 50 years. “The aim of the company is to have a mix of age-groups, qualifications, cultures and competencies. Qualification and experience, not age has been the main criterion in selecting new personnel.”

The machine operators have to be trained to master certain techniques and they are in fact hard to get hold of. In Bredaryd a couple of firms closed down in the recession of the early 1990s - therefore there were a number of unemployed, fully

trained and experienced machine operators in the community, and they were also above 50 years. These were the men that were employed by the company.

Suitably qualified personnel were locally available - and age was not used as a strategic negative selection criteria. In contrast age was rather seen as a positive factor in terms of age balance in the company.

### **2.3. GALAXEN: a rehabilitation and re-employment agency for older building workers**

In 1986 the trade unions and the employers in Building and Construction together with the Labour Market Board, Social Security offices set GALAXEN. There is a national organisation as well as 24 regional organisations. This was an organisation whose aim was to support rehabilitation of building and construction workers and to bring some of them back to normal work.

Only about 10% of building and construction workers are still employed and working when they reach 65 years.

The basis of this programme are *Local Adaptation Groups (LAG)*, consisting of representatives from employers, unions, labour market offices, social security offices, rehabilitation agents, occupational health specialists etc. Workers that need rehabilitation are channelled through these LAGs. A plan is made up for each individual. The measures used are

- Education and training (labour market training)
- work rehabilitation, training etc. (rehabilitation agents, rehab centres)
- sheltered employment (SAMHALL)
- And being allocated to GALAXEN.

About one fourth of those who are handled in the LAGs are then handled by GALAXEN. This means that are being hired by an employer in building or construction, have a specific job that is suited to their capacity and that the employer organise a rehabilitation plan adapted to this individual. If firms accept

this procedure, they get a 50% wage subsidy.

From the beginning the goal for GALAXEN was rather modest. It was set to a return rate of 10%, i.e. persons that could find a normal non-subsidized job in the building sector again. Until now the success rate has been 25%, according to data supplied by GALAXEN. This should also be seen the proportion of those in LAG that are referred to GALAXEN, which is 25% in all.

In 1996 about 1.200 persons are handled by GALAXEN. Of these the majority, i.e. 700, are above 46 years. More specifically there are

200 between 46-50

240 between 51-55

250 between 56-60

and 75 between 61-65

In ten years the number of complete successes, i.e. workers that have been re-employed on normal, i.e. non-subsidized terms, amounts to about 500 persons.

GALAXEN is seen as a rather successful rehabilitation measure by the different actors and organisations that are involved. It has a reasonable rate of success in keeping some of their older workers in the building and construction sector in the labour market, either in sheltered employment, subsidized or, for a minority, re-employment in a “normal” job. This is a policy that is not directed specifically towards older workers, but that nonetheless covers many older workers in an exit-prone sector.

## **2.4. Getting old in Child care**

During the last 25-30 years the child care facilities have grown rapidly. Organized by local authorities, child care facilities employ large numbers of women, both those that are trained in university colleges (pre-school teachers) and those that are trained on high school level (childminders). Today many women in this sector are approaching their retirement and feeling the effects of their work. Can they stay in their job until they reach their retirement age (63-65 years)?

The Social services in the City of Sundsvall, a major city in mid-northern Sweden, organized a series of projects within the social services in conjunction with the Working Life Fund. One of the projects was devoted to the problems of getting older in the child care work, The point of this project was not to hire more older workers or to train them in the traditional sense, e.g. through formal education, lectures etc. The project took the form of discussion groups for those above 50 years.

The discussions groups were led by 22 coordinators chosen from the participants. 266 women participated in the project and the discussion groups the experiences of the older employees between themselves, to discuss the specific values and contributions that experience could bring to the work groups in the day care centres and to the children. The importance of tacit knowledge was stressed, as was the role of accumulated experience, and the model of the older employees as a kind of “master” in relation to the younger still in training.

The effects of this programme on the exit flows has not been evaluated by the city, but the evaluation through questionnaires that took place seems to indicate that a clear majority of the older workforce have found the positive role and image of the older workforces given by the employer was positive, and part of continuing attachment to their work.

The collective attitudes of the older workforce are often one of the factors that accelerate early exit. Management can influence this self-evaluation by their recruitment and training policies, but also through programmes of horizontal confidence-building efforts, esp. if this kind of programme is supported by efforts to reorganise work, or at least not by stepping demands on the older workforce.

## **2.5. A Case of Individualised Development plans. The Company of the year: Volvo Penta**

During 1991-93 the company laid off a substantial number of employees. The company adhered to LAS (i.e. the employment protection law) and as a result

most of the recently employed persons were laid off. After this painful process, Very few below 25 years, and the median age rose to 47. Not only were many laid off, but several also had to change jobs within the company, finding themselves in new groups with which they had to work,

Then the company faced a difficult situation - an ageing staff together with major changes in work organisation (team work, project orientation etc.) and pressures on the staff to adapt to new kinds of demands in terms of engagement, adaptation. The 40+ group had to be part of this change. 55 persons every half year, 220 persons in all, are involved in a major development programme. Every person gets 20.000 SEK (i.e. £ 950) as an individual sum to use for development (to finance education, buy a PC etc.) The development program spans half a year and includes all employees, workers as well as white collar employees.

The personnel officer does not regard everyone among the personnel as possible to retain in the company. Not everyone is seen to be willing to look into their whole situation (including physical training etc.). This project is dependent on the economic situation of the company. The earlier alternatives in this company were early retirement (paid by the company and the occupational pension scheme) and the redundancy project where those that were deemed as redundant were assembled in one section of the company. This way of weeding out employees was painful for all involved.

This company has in a second phase of restructuring chosen to devote a substantial amount of effort in developing an individualised education and training programme, a programme that in effect also expects quite an effort on part of the employees, and instead of management selection among personnel probably shifts the selection decisions to the individuals.

## **Appendix 1: Notes from interviews and discussions with officials**

### **a) Employment Security Funds**

Most firms are negative towards older workers; in most cases the view is very negative. Some years ago the ESF could offer help in terms of contributions to pensions (with funds coming from the occupational pension scheme). Sometimes firms help those that have been laid off. If they should get in trouble with unemployment insurance and be denied unemployment benefit some firms take on older former employees for period that requalifies them for unemployment benefit.

Those older workers that go get re-employed usually find a new job in small firms. In larger firms age is used as a selection criterion and the specific competence is not regarded

### **b) Labour market authorities**

For the Labour Market Board “older workers” is not defined as category, either as problem or as an object for specific policies. If they are to be helped they need to be subsumed under other headings.

In July 1995 it was decided that wage subsidies (50% of the wage costs) could be paid to firms that hired those above 60 years and had been unemployed for three months. After seven months this measure) i.e. in February 1996) had only been used for 17 (seventeen) persons in all of Sweden. This is the only specific measure directed towards the older workforce today

Many small firms still live in glamour of the 1980s - and they don't want to hire older workers. This is esp. in the field of administration, secretaries etc. officials in the labour market authorities point out that employers are afraid of hiring older workers, in part because these workers have a longer period of notification before they can be dismissed.

When the public sector cut down on their office personnel they fired the older, not so qualified women, but wanted to keep the younger staff.

### **c) Trade union officials**

In the opinion of the unions on the central level the legal protection of the older workers has mainly been positive and given as one of the reasons that there still are many older workers still in employment.

The Swedish TUC (LO) does not find the disability pension to be an acceptable solution. The LO as well as some larger unions are suggesting a specific social insurance for older workers, along the road of a labour market pension scheme that is operating in Denmark. The older worker who can't find a job in their own region or city should not be forced to move. Instead a new form of pension scheme should make it possible to get pension on the same level as unemployment benefit (i.e. about 75--80 percent of the former wage level.) In return these groups should still be willing to take new jobs in the labour market. But their income level should be guaranteed.

LO observes that the older worker tends to become younger. Many are regarded as older workers already after 40. But those with the large problems are those above 50 and with a low level of education, and whose former jobs are gone.

A trade union officer on the local level in Malmö tells us that in effect the situation for some groups is becoming worse. Older workers with some form of handicap or work injury are sent to a rehabilitation and training agent. This agent then may find that the older worker has a work capacity of X% of the normal. In principle the employer should then try to find such a job, suitable for the worker. But as a rule the employer finds that this is not possible, and the person is laid off. After a period on unemployment benefit many are left with only the meagre benefits of means-tested social assistance. The procedures of rehabilitation and testing then turns into an exit process with no return.

Other local trade union officials could not find "good examples", but instead they



could point to the still ongoing practice of early retirement and pensions to support this kind of exit. This is esp. so in larger companies.

## Appendix 2. Tables

*Table 3.* Fulltime and part-time employment ratios for men and women 55-64-

<i>Age</i>	<i>Men Full%</i>	<i>Men part%</i>	<i>Women/Full</i>	<i>Women/part</i>
55-59	69%	8%	42%	31%
60	52%	14%	25%	37%
61	36%	23%	19%	35%
62	26%	24%	16%	32%
63	20%	24%	10%	24%
64	19%	18%	8%	19%

*Source:* The Swedish Labour Force Survey (AKU) 1995

If we look closer into the Labour Force Survey data we find that from 62 years of age the proportion of men still working is less than half of the age-group, and of these half the number work full, while the other half work part-time. In the year before 65 only every fifth man works full-time in 1995. Only four years earlier it was one in four, while in 1987 it was one in three.

*Table 4.* Fulltime and part-time employment ratios for men 55-64.

<b>Age</b>	<b>MEN</b>			<b>Men (Share %)</b>		<b>Men (self-employed and employers) (toal)</b>
	<b>Full</b>	<b>Part</b>	<b>Total</b>	<b>Ful</b>	<b>part</b>	
55-59	1641	109	2060	80	5	280
60	239	70	416	57	17	56
61	199	85	409	49	21	51
62	174	81	403	43	20	50
63	136	101	406	33	25	58
64	111	82	401	28	20	42

*Source:* The Swedish Labour Force Survey (AKU) 1991

*Table 5.* Fulltime and part-time employment ratios for women 55-64.

<b>Age</b>	<b>Women</b>			<b>Women (Share %)</b>	
	<b>Full</b>	<b>Part</b>	<b>Total</b>	<b>Full</b>	<b>part</b>
55-					
64	910	739		43	35
60	126	167		29	38
61	121	150		28	34
62	91	155		21	36
63	60	125		14	29
64	57	118		13	26

*Source:* The Swedish Labour Force Survey (AKU) 1991