

*Sweden: Policy Dilemmas of the
Changing Age Structure
in a "Work Society"*

Reprint from
Frieder Naschold & Bert de Vroom (eds.)

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Company and National Policies of Labour Force Participation
at the End of Worklife in Industrial Countries*

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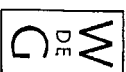
Regulating Employment and Welfare

Company and National Policies
of Labour Force Participation at the End
of Worklife in Industrial Countries

Edited by
Frieder Naschold and Bert de Vroom

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5 Sweden: Policy Dilemmas of the Changing Age Structure in a 'Work Society'

Gunnar Olofsson and Jan Petersson

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0 Introduction: A Strong Policy Regime at Work

The Swedish Policy Regime of the postwar period took shape with a Social Democratic government in power and a *pro-labour climate* on the labour market. The labor market policy of the state was general in its range and was administered by a strongly centralized Labor Market Board (AMS). Centralized bargaining procedures in the labor market also strengthened the tendency to national and standardized solutions in labor market policies.

The high labor force participation rates, and the commitment to full employment, have made *labor scarcity* a basis of action for all parties within the Swedish labor market, and not just an exception during economic booms. Subsequently, the power of unions was strengthened and employers as well as their organizations have had to operate within this framework.

In Sweden, firms act within the environment of a strong Policy Regime, where state labor market and social policies decisively shape the personnel policy of these firms. This Policy Regime is best understood through the concept of a "Work Society", which promotes employment, on the one hand, and avoids unemployment, on the other.

Firms and the employers' organizations sought to influence the way the labor market policies were implemented and administered by participating in corporatist labor market boards on local, county and national levels. On personnel matters firms demonstrated a sort of "enforced decency", as a way of adapting to the labor scarcity and the Social Democratic version of a "Work Society", and for a long period there were few open protests from employers. Of course, policies could be ignored, but they were not challenged. Acceptance and adaptation were reinforced by high economic growth rates (at least up to the 1970s) and a favorable treatment, e.g., in tax rules, of large firms.

The scenario changed in the early 1990s. The effects on the labor market, with its rising unemployment and ending to labor scarcity, combined with a new Liberal/Conservative government in 1991, will likely transform the Swedish Policy Regime.

Evidently this process is contradictory, as the full employment philosophy is still widely shared in all Swedish political circles and the labor market policy is still favored by the new government. However, one might expect that changes in the Policy Regime will occur by a process of "*penetration from below*", that is to say, the effects of changing priorities and decisions taken within firms. The new political majority can, given its pro-industry

orientation, be expected to support these pressures from firms and employers. The position of individual firms is further strengthened by the new policy of Swedish Employers' Confederation (SAF), which favors a decentralized bargaining model, thus giving more influence to actors at the level of the firm.

We expect therefore that many firms will try to break away from the enforced consensus that shaped the postwar period. It can be argued that this will have a serious impact on employment security and the protection of weaker groups, such as older workers, which can be the consequence of an increased capacity by firms to shape their personnel policy in line with management claims.

1 The Older Workforce in a 'Work Society'

International comparative early exit studies, have demonstrated two tendencies. On the one hand, there is a *gradual increase in exit* from the labor market among older males in all countries. On the other hand, the employment rates in the age group 55–64, show *large variations among countries*. The first tendency can be explained by the common features in qualifications and work capacities demanded of individuals in the production systems and the responses from the employees. Everywhere, there is an exit flow, produced by the increasing demands on the employees, but variations are not explained by different industry mixes among countries (cf. Jacobs, Kohli and Rein, 1991). They can only be understood in the light of the different socio-political regimes.

There are basically three dimensions by which countries differ as to their socio-political setting.

(a) Countries have different sets of priorities in economic policy (cf. Scharpf, 1987). Two significant goals are the *employment level and the unemployment ratio*. Countries differ on the value they put on unemployment and on labor market participation of the older workforce. In both these respects Sweden is a deviant case, within Europe, with a high labor force participation rate which has, at least until 1992, been coupled with a low unemployment rate.

(b) Countries also differ in their ambitions and *scope of policies* used to keep the older workforce employed, or attached to the labor market. These policies include:

- legal protection of older workers (ranging from anti-discrimination laws to employment protection for older workers);
- preventive measures trying to counteract major marginalizing processes and conditions, such as ill-health (due to the work environment), lack of training etc.;

- subsidizing regular employment for older workers;
- the construction of a secondary labor market, adapted to specific groups (cf. Japanese system, with age-specific parallel firms within the large corporations, which is a "private" solution; while the Swedish version of sheltered jobs is a "public" solution).

Generally, a high ambition on (a) is followed by a high ambition on (b). But there exists a third, separate issue:

(c) Countries can be more or less generous in the way employees are *compensated* when out of work and are supported between their exit from the labor market and their entry into the public pension system. Recently, social research has developed the pathway approach (cf. Wadensjö, 1991, on Sweden) to account for the ways in which this transition can be institutionalized. When the state compensates redundant employees, or sponsors the growth of supportive arrangements such as a broadening of disability pension which creates different pathways between work and pension, it thereby accommodates also the personnel decisions of firms.

Moreover, different priorities on the three dimensions generally lead to different outcomes:

- If employment is high and unemployment low, we should expect little age-specific exit pressure and practice (the reverse for high unemployment).
- If compensation is generous for older employees, we should expect that the age-specific exit pressures in firms are higher than if it is marginal or restricted.
- If policies to prevent exit of the older workforce are ambitious and systematic, we should expect smaller age-specific differentials in exit.

1.1 Some Traits of a 'Work Society'

The key to understanding the employment/unemployment patterns and the welfare system as a whole in Sweden, is the *primacy of work*. Since the 1930s, Sweden has had a *national commitment* to high, *all-encompassing employment* (cf. Therborn, 1985). As a result the Swedish labor market policy is geared towards this goal and economic, social and regional policies are linked and even subordinated to this commitment.

A varied spectrum of measures are used and coordinated in this haste for full employment. Important components of the "employment nexus" are policy measures:

- encouraging high labor-force participation rates;
- keeping unemployment low;

- making it easier for the disabled to have a job;
- enabling individuals to remain in their job until normal retirement age;
- encouraging women to enter the labor market.

The fundamental tenet in the Swedish labor market's "belief system" was the dilemma between economic efficiency (in firms) and the need for security (of employees) which could be resolved by a "labor market contract" between Capital and Labor. Full employment was the basic gain for the wage earning population, guaranteeing its income flow. Adaptation to the needs of firms, in terms of geographical and occupational mobility became the complementary price and income was further guaranteed in the intervals between jobs. This solution of combining economic efficiency and income security was thus not tied to a specific firm or job. It was precisely the result of a trade-off – a *generalized efficiency/mobility mix*.

1.2 A Short Background

Participation in working life has long been institutionalized as a central part of Swedish society. The history of Swedish unemployment policy has been analyzed with the concept of the "work-for-all strategy" as its central axis, that was pitted against the traditional emphasis on compensation in the form of unemployment insurance. This philosophy was established gradually in Swedish labor market policy during the first third of the 20th century. A specific feature was added in the inter-war period, when the participation in working life was institutionalized as a moral value for women, and implicitly for the population as a whole (cf. the classic manifesto *Kris i befolkningsfrågan*, by Gunnar and Alva Myrdal, 1934). A strong emphasis on womens' participation is found in major policy statements, especially in relation to family policy reforms (cf. subsidized public child care), during the 1960s and 1970s.

Labor-force participation has since then, that is during the whole period of Social Democratic hegemony in Swedish politics, been systematically rewarded by state policies. Employment is stimulated through linking the social security systems to labor market outcomes. Benefits from sickness insurance, parental insurance, and the supplementary pension scheme are all directly related to labor market incomes. The income-related supplementary pension scheme (ATP) encourages labor-force participation by the older workforce. However, Sweden has a dual welfare system, where the secondary system has flat-rate benefits related to just being a citizen (cf. Marklund and Svallfors, 1987). The new and growing social security systems constructed or reformed in the 1950s to 1970s are, nevertheless, strong illustrations of an "industrial-achievement model of social welfare" (cf.

Titmuss, 1974), which played an important role in shaping the Swedish "Work Society".

The creation of a "Work Society" is symbolized and made effective by powerful labor market authorities. The Labor Market Board (AMS), launched in 1940, got its modern shape in 1948. The national board shapes policy, while Local Employment Offices act as the major executing agencies.

1.3 The Swedish 'Work Society' in an OECD Context

The work-for-all strategy is decisive in understanding the pattern of early exits in Sweden, and more generally, the situation of the older workforce. In an international perspective, Sweden has a very low unemployment rate and it has, over a long period, been consistently low, much lower than the OECD average (Therborn, 1985; OECD, 1991). In 1990 the open unemployment rate was 1.5%, while Germany had 5.1%, and Great Britain 6.9% (OECD, 1991). A long record of low unemployment and promotion of labor-force participation, which has been the Swedish case, makes labor a scarce resource. This then strengthens the position of marginal groups, such as women and older individuals, in the labor market.

As a consequence, the high *labor-force participation rate*, in Sweden, is remarkable for groups that generally do not have a strong position in the labor market. The particular *gender and age mixture* has become the distinguishing Swedish trait. In relation to the US, Great Britain and West Germany, for instance, Sweden is the only country in which labor-force

Table 1: Labour Force Participation Rates for Men and Women 55–64 Years of Age in Selected Countries 1970–1985

Country	Gender	1970	1975	1980	1985	Change 1970–1985
Sweden	Male	85.4	82.0	78.7	76.0	– 9.4
	Female	44.5	49.1	55.3	59.9	+15.4
Germany	Male	82.2	68.1	65.5	57.5	–24.7
	Female	29.9	24.8	27.2	23.9	– 6.0
UK	Male	91.3	87.8	81.8	66.4	–24.9
	Female	39.3	40.3	39.2	34.1	– 5.2
USA	Male	80.7	74.6	72.2	67.3	–13.4
	Female	42.2	40.7	41.0	41.7	– 0.5

Source: OECD 1988, Table c.3.

Table 2: Percentage of Older Women in the Labor Force by Age Group 1970–1985 in Six Countries

Country			1970	1985	Change
Germany	Women	55–59	37.2	40.2	+ 3.0
		60–64	22.5	11.8	–10.7
Japan	Women	55–59	48.7	51.0	+ 2.3
		60–64	39.1	38.5	– 0.6
Holland	Women	55–59	18.4	20.7	+ 2.3
		60–64	12.7	8.9	– 3.8
Sweden	Women	55–59	41.1	74.4	+33.3
		60–64	24.7	46.4	+21.7
UK	Women	55–59	50.7	51.9	+ 1.2
		60–64	28.0	22.4	– 5.6
USA	Women	55–59	48.8	50.1	+ 1.3
		60–64	34.8	33.2	– 1.6

Source: Gordon, 1988: 103.

participation rates of older women have increased since 1970 (table 1). In addition, the decline in the employment rates for older men has been small in Sweden.

When we look closer into the figures on older women we find that Sweden is extreme in both the age groups 55–59 and 60–64.

1.4 The Emergence of a Part-Time Work Pattern

A Swedish feature is, no doubt, the existence of a part-time pension scheme established in 1976. Without a part-time “tradition” in the labor market, part-time pensioning is an unlikely reform. The scheme is presented in section 2.3.4 below, but one of its preconditions, the existence of part-time jobs, will be elaborated upon here.

In the mid 1960s around half a million individuals were employed part-time in Sweden, that is 6–7% of the population. Since that time, it has grown to the point that by the early 1980s the figures had more than doubled. This expansion correlated with women’s growing share of the labor force. 75% of the growth in female employment was part-time. This growth is most marked within local government. Furthermore, part-time work has gained importance within the 60–64 age group, increasing its part-time work share, from 25% to 45%, over the above mentioned period.

Labor-force participation of women starts to increase with the expansion

of the public sector, especially in health and caring tasks, which demanded more labor. Expansion of the public child care, but also of old age care, made it possible for more women to work outside the home. Women still cared for children and the old, not in the form of unpaid work within the family, but as paid work in the public sector. When the public welfare provision expanded, in an environment of labor scarcity, women were in a strong position to influence work-scheduling. Increasingly, women needed these services as they entered the labor market and the process became self-reinforcing.

This coincided with two further circumstances. First, women entered the labor market, this being a way to increase real household income in that period, due to the rising marginal income tax rates (cf. Tegel, 1985). Second, the tax reforms of 1970, when taxation of the incomes of husband and wife were separated, and the "married man's allowance" (the family-privilege of taxation) was abolished, made it even more rewarding for women to work.

To this development social security laws adapted, as well as further strengthened the development, creating incentives for more women to enter the labor market. The following reforms came about during the 1970s:

- Subsidized public child-care expanded.
- Paid parental leave increased, by several stages, during the 1970s; this made it easier for women with young children to keep their affiliation to the labor market.
- In 1975 a right for full or partial temporary leave, for education, was established.
- More flexible rules for parental leave came about in 1978 and 1979.

An econometric study on part-time work sums up what happened: "Demand for labor seems to have been adapted to changes in the composition of labor supply, i.e., a larger part of the labour force prefers part-time... The part-time proportion was greater in growing sectors" (Pettersson 1981: 7).

The "labor supply explanation" is strengthened by the fact, that firms in Sweden have no financial or wage-cost reasons to prefer part-time work. Wage cost taxes (mainly contributions to pensions and sickness insurance), are levied on the total wage, i.e., the hourly cost is the same for full- and part-time workers. In a similar way, all costs for occupational welfare (severance pay schemes, occupational pensions etc.) are levied on the total wage, although some benefits are denied to persons working less than 17 hours.

The pressure on firms to offer part-time employment has been reinforced by specific part-time oriented changes in social security regulations, especially the legislated rights for parents (in practice, mainly mothers) to work part-time if they have children aged below 12 years.

Significant parts of the private service sector also have part-time work,

Table 3: Part-Time Work among Female Salaried Employees in the Private Sector 1980–1990 (%)

Sector	1980	1985	1990
Manufacturing	43	43	34
Building	49	48	38
Retail Trade	41	38	31
Financial Services (Banking, Insurance etc)	—	—	44

Source: Statistiska meddelanden AM 62 SM 9101, p. 2.

because of time variations in the demand for their products or services and the nature of work (including shift-work). The most clear-cut case is retailing and we could add restaurants and hotels. In retail and distribution around 70% of the female workers worked part-time in 1990. Since women dominate these branches the share of part-time female work is about 50% (SCB, 1991).

However, in the private sector as a whole (retail included) the recent trend has been a decrease of part-time work. Now women work less part-time than in 1980 (table 3).

After 1983, full-time work increased and lowered marginal taxation rates in those years may be an explanation since it made it more advantageous to work full-time. In 1981, the replacement rate in the part-time pension scheme was temporarily lowered from 65% to 50% (cf. section 2.3.4 below) and the part-time pension became less attractive and less used.

Part-time work is not just the prerequisite for (and effect of) the high participation rates of women in the Swedish economy. Part-time work continues in older age groups. While it followed the general proportional decrease after 1980 (mentioned above) in the age span 55–59, it did not, however, in the case of the age group 60–64 (table 4).

Table 4: Female Full-Time and Part-Time Employees in the Age Groups 55–59 and 60–64 (100's)

Year	Women (55–59)		Women (60–64)	
	Full-Time	Part-Time	Full-Time	Part-Time
1987	838	884	422	721
1988	882	831	400	732
1989	872	798	422	695
1990	902	761	449	713

Source: AKU ("Arbetskrafts undersökningarna", Labour Force Survey), Unpublished Statistics.

Table 5: Full-Time and part-Time Work for Individuals Between 60–64 in 1990 (100's)

Age	Men		Women	
	Full-Time	Part-Time	Full-Time	Part-Time
60	232	69	133	161
61	206	85	110	162
62	179	87	77	156
63	145	82	70	128
64	126	71	59	106

Source: AKU ("Arbetskraft undersökningarna", Labour Force Survey), Unpublished Statistics.

If we look closer at the figures for 1990 and follow the proportions of full and part-time work for each year between 60 and 64 (table 5), we find that the importance of part-time increases with age, including males.

Our conclusion is that the "institutionalization" of part-time work in Swedish society has paved the way for the combination of part-time-pensions with part-time work for older ages. Since this part-time work pattern already exists, it is possible for former full-time workers to enter part-time work when they become older.

2 State Policies and the Older Workforce

2.1 The Policy Regime – Two Strategies

Within the Swedish Policy Regime, we can classify the different types of policies that have been used in the labor market and social policy fields. They form a *first layer of standardization* for decisions taken within firms and fall into two categories:

- *Prevention policies* that support employment of the older workforce.
- *Accommodation policies* that facilitate exits. They improve the economic terms for those who exit, thereby legitimizing firms' exit strategies.

Prevention follows the "work-for-all" strategy, and is essentially the more traditional "Swedish" way. Prevention strategies work at three levels:

- the older workforce is given special employment security;
- they encourage firms to take early steps to prevent actual exit situations from occurring, that is they prevent in the precise meaning of the term;
- they are found in the support of re-employment measures.

In the following, the Policy Regime is focused mainly through existing

state policies. Minor negotiated benefits supplement many of these policies. A detailed description of the negotiated benefits is found in Edebalk and Wadensjö (1989). While the details on negotiated benefits are left out here, the essence of a corporatist model, which has wider importance for the functioning of state policies, is elaborated in section 3.

2.2 Prevention Policies

2.2.1 Employment Security

Historically, employment security was greater in the public sector. The goal of the 1975 reform – the *Act on Security of Employment* – was to make employment conditions more congruent between the private and the public sectors. Critics of the reform – the Employers' Confederation as well as some economists – argued that it would become an obstacle to an efficient labor market. Increased security of employment would imply that employees were “locked in”, therefore diminishing the allocative efficiency of the market.

One consequence of the 1975 reform was that a “*first in/last out*” rule was institutionalized, but not made formally compulsory. In cooperation with the relevant unions the priority order could be reversed. Until the 1980s, this was more a formal possibility than practice. Moreover, there remains a loophole in redefining the contents of a specific job to dismiss those targeted by management. The first in/last out principle was a major boost in securing jobs for the older workforce in the private sector. Older employees were protected at the expense of the young. In addition, the notice period was also made longer for older workers than for younger. The Act on Security of Employment did therefore inhibit firms' freedom to form employment decisions only according to their own preferences.

A second more social policy-oriented legislation – the *Promotion of Employment Act* – increased the Labor Market Authorities' insight into and influence on firms' personnel decisions. The employers had to notify the Regional Labor Market Board when they planned to reduce the workforce by more than five employees. Of greater interest, the Act called for the creation of *Adaptation Groups* within firms, with representatives from management, unions and the authorities.

In one of the case studies (*see Hospital below*) the role of the Adaptation group in action is well illustrated. The group is responsible for taking care of employees who have been disabled, and/or sick for longer periods. The hospital has a special Adaptation group account in its budget, which can

- finance temporary transfers of personnel within the Health Care District;
- create individually targeted positions (few and hard to get);
- finance retraining and (re-)education.

One result of the Adaptation group institution is the creation of formalized Employment Policy Programs at the level of the firm, and not least within local governments and public bodies.

2.2.2 Work Environment and Rehabilitation

Work environment became a key issue and a general welfare priority of the State in the 1980s. There are many explanations for this but three circumstances reinforce this priority. (1) The knowledge that permanent exits drain the social insurance funds, has made the state more interested in work environment. (2) Firms find these issues increasingly important in their competition for employees. (3) Certain unions find it an important issue for recruiting and engaging members.

In recent years *rehabilitation* has become another key issue. At present, employers have to investigate the need for rehabilitation when an employee has been sick for more than four weeks. Rehabilitation is also closely linked to the establishment of company health care services. Until 1986, state grants were linked to medical care and company health care was nothing but medical attendance. In that year the rules for grants were changed to stimulate the wider aspects of health care and especially in areas of prevention and rehabilitation. A goal was set that 75% of firms would provide health care services. Firms could cooperate to share costs and in 1991 80% of all employees were entitled to such services (i.e., around 3 millions). But there has been a failure in attracting small firms, with only a fraction offering health care services. Besides, evaluation of the schemes show that medical care rather than prevention initiatives still dominates.

Previously, it was possible to receive disability pension without rehabilitation measures. However, rehabilitation is now enforced up to 60 and only those between 60–64 get a disability pension without any requirement of rehabilitation. Furthermore, the Act on Work Environment was modified in 1991, which meant that the goal of the work environment policy is now explicitly stated as prevention of "ill-health and work injuries". The section on rehabilitation in the Act on National Insurance is to be modified from 1992. The connection between work rehabilitation and work environment is stressed. The Social Insurance Offices have been given new coordinating powers and tasks (*see Hospital below*).

2.2.3 Employment Creation Measures

The Labor Market Authorities have a spectrum of measures that prevent permanent exit through employment creation. Some are relevant to the

older workforce. In April 1991, workers aged 55–64 accounted for 10.4% of the registered unemployed. At the same time they accounted for far less in the more *general labor market programs*: in public temporary work (7.1%); in rehabilitation (1.8%); and in training (1.1%) (Source: *Labor Market Statistics*). No doubt, these programs were primarily directed towards the younger workforce.

Two other forms, sheltered jobs and subsidized employment, are more important for older workers since they are explicitly designed for weak groups in the labor market, i.e., individuals with reduced work capacity.

The state provides *sheltered jobs* at Samhall, a large state-owned conglomerate of workshops around the country. In latter years, it has increasingly been trying to meet market requirements. The share of the older workforce of those employed at Samhall can be studied in table 6.

Subsidized employment was, until 1980, identical with sheltered jobs in the public sector which were 100% subsidized. Since then, reforms in 1980 and 1991, have allowed for more flexibility. Through the 1980 reform an individual who was entitled to a wage-subsidy could be hired with a 90% subsidy for the first six months followed by 50% for two years and 25% for another two years. The main idea behind the differentiation was to gradually transfer wage costs to the employer, as the individual (hopefully) during his employment became qualified for his new position. Since 1991 no standardized decreases have been imposed. However, the wage-subsidy should last no more than four years.

These more flexible terms reflect a trend of decentralization and Local Employment Offices have been given more freedom in stating terms. In 1980, for instance, private firms were brought in as potential employers. In 1990, instead of a fixed number of subsidized positions, each office received a fixed budget at its own disposal. The money is not, however, transferable between programs without consultation with the Regional Labor Market

Table 6: Employment in Samhall and Subsidized Employment for the Age Group 55–64 over the Years 1985–1990

Year	Samhall			Subsidized employment		
	Male	Female	Total	Male	Female	Total
1985	4413	2968	26487	6040	4836	39321
1986	3801	2944	27666	6342	4958	41210
1987	3952	3028	28187	6448	5026	42810
1988	3725	2913	28716	6819	5198	44360
1989	3734	2968	30232	6836	5175	44915
1990	4198	3035	30548	6911	5226	45286

Source: Labor Market Board, Unpublished Statistics.

Board. Local strategies will more than likely begin to vary; including the priority given to older workers.

Table 6 shows that older workers make up more than 25% of the total number of those within the two job creation measures. Data from monthly inflow statistics show a smaller share of older workers (Source: *AMS Statistics*). The difference between inflow and stock figures indicates that the two measures are more permanent for older workers while seemingly more temporary for younger workers. Sheltered jobs and subsidized employment do not prevent exit from specific firms or jobs, but *prevent or delay exit from the labor market*. Thus they illustrate quite clearly another building block of the Swedish "Work Society".

2.3 Accommodation Policies

Benefit-related early exit, whether partial or total, have three major forms in Sweden:

- disability pension,
- early drawing of national pension,
- part-time pension.

The proportions of the three forms for the group 60–64, over the last 15 years, can be studied in table 7.

Table 7: Disability Pension, Early Drawing and Part-Time Pension for individuals 60 – 64 during the period 1976 – 1990

Year	Number of the Population (appr.)	Disability Pension	Early Drawing	Part-Time Pension
1976	481.300	96.700	8.303	14.560
1977	475.700	102.341	10.484	31.509
1978	470.300	105.432	11.472	41.913
1979	462.200	107.776	11.978	48.654
1980	473.200	114.971	13.374	67.837
1981	485.700	120.144	14.580	64.641
1982	492.800	123.226	16.174	61.732
1983	494.500	128.288	17.992	54.637
1984	494.964	135.453	18.036	47.204
1985	484.000	137.706	17.211	37.638
1986	467.400	138.420	16.321	32.180
1987	453.800	139.420	14.839	35.736
1988	444.400	141.103	13.345	38.472
1989	435.100	141.928	12.401	39.211
1990	427.300	141.839	12.121	38.068

Source: Statistics from SCB and RFV.

Table 8: Percentage of the Swedish Population between 60–64 Years of Age with Different Kind of Pension Benefits (december 1988)

Kind of Pension Benefit	Age in Years					Average 60–64
	60	61	62	63	64	
Complete Exit:						
Compl. Early Retirement*	24.7	25.2	29.1	32.2	34.6	28.5
Early Drawing	1.2	2.0	2.9	4.0	5.0	3.0
Partial Exit:						
Partial Early Retirement	3.6	3.9	3.9	3.8	3.5	3.7
Part-Time Pension	6.5	9.4	9.7	9.4	8.8	8.8
Total	32.4	40.5	45.6	49.6	52.0	44.1

Source: SOU 1989: 101, p. 92

* Handicap Pension Included

Disability pension far outnumbers the other two. Almost every third individual aged 60–64 has exited using this way. The number of women exiting with a disability pension is increasing. In 1971, for example, 39% of those exiting were women. In 1984 the proportion was 48% and by 1989 it had reached 53% (Source: RFV).

One can also distinguish between partial and total exit from the labor market (table 8).

2.3.1 The National Pension System

The pensions of Swedish wage earners have three components – the basic flat-rate pension, the public earnings-related pension and negotiated occupational pension benefits. The latter add a further 10% to pensions for average incomes. The use of exit options can not be fully understood except in relation to the public earnings-related pension system. This system was established in 1960 and operated from 1963. Payments were related to past work income and it was a PAYG (pay-as-you-go) system, financed by a payroll fee, paid by the employer. In the 1963, reform the statutory pension age was set at 67, in 1976 it changed to 65 years.

To be entitled to full compensation a person has to work for 30 years. Payments are further based on an average of the 15 best-paid years. Those who have not qualified for the “30 year rule” have strong incentives to work until they are 65 years old and their marginal benefit of doing so is substantial. This is the case for many women. The “15 year rule” creates incentives to continue work among those who expect their salaries to

increase substantially over the last years of work. This is the typical "career" pattern, although not for manual workers. In addition, it is also important for those women who have shifted from part- to full-time work in their later years. These two rules function as an institutional barrier against early exits, since they encourage and reward the continuation of work of major groups. The rules are modified in the public sector, making later income years more important for the size of pension benefits.

2.3.2 Early Drawing of National Pension

The pension system has a built-in flexibility, today ranging between the ages 60 and 70, which yields access to early and deferred drawing of an individual's pension benefits. Benefits are reduced on an actuarial basis: 0.5 % times the number of months withdrawing early. Reduction of benefits are not limited to the years between withdrawal and the statutory age at 65, but are permanent. Pension benefits after 65 can also be lowered if years with good incomes are withdrawn that should have replaced earlier years with lower income. These are major disadvantages of the early-drawing scheme in the early-exit context.

Private and occupational pension schemes have increased dramatically in the 1980s, and will give major additions to regular pensions in the future. They may make early drawing a more favorable option, since the loss of income becomes less important. A second change, beginning in 1992 favors early drawing, when it will become possible to combine half early drawing with half early retirement (disability pension).

2.3.3 Disability Pension

Early retirement through disability pension historically have three main causes: work injury, health problem or unemployment.

Work injury insurance is, in Sweden as elsewhere, the oldest form of disability compensation. It is financed by a separate public fund – the Work Injury Fund. The idea is full compensation for lost work capacity.

Work-injury related early retirement has a higher compensation ratio than early drawing. Early retirement follows the general pension rules and a "future" income calculated for the years between the exit year and 65 is added to the pension calculation. This can have a significant impact on the pension if the last years are good income years. No reductions are built in, neither temporary nor after 65. The rather generous terms for early retirement pensions, due to disability, are connected to strict medical rules of eligibility. The pension is total or partial (2/3 or 1/2) depending on the

reduction in the capacity to work. The pension is temporary or permanent (the latter is the focus of attention here). Benefits from work injury insurance and from early retirement are coordinated since 1976. As a rule, those entitled to work injury compensation benefits get a 100% compensation ratio. Of the 140,000 with early retirement in the 60–64 age group, around 30,000 were also entitled to work injury compensation in 1990 (Source: RFV).

In the early 1970s, early retirement expanded rapidly and in 1972 22% of the population between 60–66 received this kind of pension. The increase was, said the Minister of Social Affairs in 1979, "... a consequence of the development in the labour market in the form of rationalization, changing methods of work and increased demands on the labor force" (*quoted in Hedström, 1980*). The growth was sustained through a widening eligibility, which came about through two steps.

In 1973, the disability criteria were widened to include the *combination of high age and unemployment* as a cause. Thus this was deliberately directed at the older workforce. From the start, the age limit was 63 years and it came down to 60 years in 1976. This "unemployment pension" was abolished in 1990, in conditions of an "over-heated" labor market. Up till the early 1980s there were less than 4,000 cases a year. By the mid 1980s, it had increased to more than 10,000, and fell thereafter (Source: RFV).

The disability criterion was further extended in 1977. The focus shifted from the cause of disablement (work-injury) to disablement in itself (*health status*) (cf. Wadensjö, 1991: 296). Socio-medical handicaps were brought in on par with physical-medical injuries, i.e., strict rules were replaced by vaguer categories. Abuse of alcohol, for example, became an accepted cause. In health cases, age paves the way for a more generous assessment. It can be argued that cases that earlier were dealt with through the now abolished "unemployment pension" might in the future appear as health cases.

Hedström (1980) has followed those who received disability pension in 1975–78, within the Swedish level-of-living survey. In the year before (1974), 75% had been employed in a traditional working-class job and their health status had been very bad. The year before they received the disability pension they had been supported by sickness benefit for, on average, 200 days. Early retirement through disability pension is a *working class exit*.

Thus, different paths lead to the disability pension:

- The *work-injury path* starts with a period of sickness benefit/sick pay (social insurance and employer) and then moves over to work injury insurance benefit and disability pension retirement. The insurance part is the clue to the total compensation in the case of work-injuries.
- The *health path* starts with sickness benefit/sick pay and then moves over to disability pension.

- The *unemployment path* starts with a period of unemployment benefit and moves over to disability pension.

The point of the "pathway approach", much elaborated by Wadensjö (1991), is that exit from the firm occurs before the actual pensioning. In cases of sickness, exit cannot be planned in advance. In the case of an "unemployment pension" it became a standard part of employers' dismissal strategies. Instead of exiting through disability pension at 60, "black-pensioning" brought it down to a "58.3-pension" through the use of 450 days unemployment benefit which led directly into disability pension at 60.

2.3.4 Part-Time Pension

In 1976, a part-time pension reform made it possible for those between 60–65 years of age to exit part-time. A work requirement is set at a minimum of 17 hours a week, but a reduction of at least five hours is needed to qualify. A period of earlier employment of at least 10 out of the last 20 years (with income entitling to pension) and employment during at least 75 days during four of the last 12 months are further required.

The part-time pension benefit covers 65 percent of the income lost due to reduction in working hours. During the years 1980–87, the 65% compensation was lowered to 50%. If an individual has to move to a lower paid job the coming pension benefit is still calculated on his previous wage per hour, set equal to an average of his three highest incomes years during the last five. This average is inflation-proof.

Part-time pensions have increasingly been used among white-collar workers, as shown in table 9.

Table 9: Distribution of Part-Time Pensions between Workers and Salaried Employees 1979–1988

Category/Sex	1979	1981	1986	1988
Men in All	22.010	29.298	13.159	17.226
Salaried Employees	24%	30%	42%	45%
Workers	76%	70%	58%	55%
Women in All	10.807	16.645	11.336	12.627
Salarial Employees	38%	43%	55%	59%
Workers	62%	57%	45%	41%

Source: RFV, Delpensioneringen 1976–1988. Statistik rapport Is – R1989: 9, pp. 13–14.

The selective use of early retirement and part-time pensions has been increasingly recognized by management. In a report from a management consultant group affiliated to the Swedish Employers' Confederation, the experience was summarized as "... part-time pension is used for the most part by management and salaried employees, and far less among blue-collar workers" (Carlgren, 1989: 19–20).

When we look at the process of exit as a whole, the "class character" of different forms of exit is revealed, and the "choice" between options for individuals becomes largely illusory. Starting from unemployment or sick insurance, ending in the early retirement exit, is a pathway for a different group of individuals than the early-drawing or part-time pension schemes.

2.4 Qualifying the Interpretation of Sweden as 'Work Society'

In table 7 above, the three main institutionalized exit forms in Sweden were quantified. In this table, part-time pension and partial disability pension are classified as exit-policies. It is the standard form of representing the Swedish pattern (cf. Wadensjö, 1991).

Even so, in an international comparison it is the *part-time work aspect*, rather than the *partial exit aspect* of these two pension schemes that should be stressed. The point is that the individuals within these schemes still are partially employed. This can be interpreted as support of Sweden as a "Work Society", rather than as a haven for lavishly subsidized early exit. The point can be further illustrated through rearranging the data in table 7 (table 10).

Table 10: Two Interpretations of Work and Exit (1990) as a Proportion of the Population 60–64 Years

	Early Exit Perspective	Work Perspective
Disability Pension		
Full	124.303	124.303
2/3	2.114	—
1/2	15.422	—
Early Drawing	12.121	12.121
Part-Time Pension	38.068	—
Total Exit: Number	192.028	136.424
Total Exit: Percent	45%	32%

Source: Table 7 and Additional Statistics from RFV.

Table 11: Retirement Age Span in the Public Sector in Sweden in 1988

	Retirement Age Span			Total Population
	60–63	63–65	65–66	
Employed by the State	20%	15%	60%	550.000
Employed by Local Government	—	60%	40%	966.000

Source: SOU 1989: 101, pp. 96–97.

The “work interpretation” changes the exit percentage from almost half of the individuals in the age group 60–64 to less than a third. *The choice of interpretation certainly makes a difference to the contours of a “Work Society”.*

A second argument strengthening the “Work Society” interpretation of Sweden is the increase of the statutory pension age within the public sector. Up till now many employees in the public sector, as an effect of established patterns and collective agreements, can retire with a full pension before 65, as shown in table 11. It can be noted that many individuals, and mostly women, have a right to retire well before 65, since women are in a clear majority amongst employees (almost 80%), in counties and local authorities.

Two kinds of changes are on their way. Firstly, the average pension age of those employed in the public sector has in fact been rising, because of individual choice. A rise in the average pension age from 63 to 64 years occurred between 1985 and 1990 [Source: Unpublished data from SPV (Statens Pensionsverk) and KPA (Kommunernas Pensionsanstalt)]. Secondly, the pension privilege of the public sector is gradually being dissolved. Today, the pension age for incoming state employees is 65 and only those employed before 1991 can retire at the early age. Furthermore, the pension agreement for those employed by local government is also being reconsidered and there is an increasing pressure on unions to trade in a low pension age for higher pension benefits.

3 Swedish Corporatism at Work

The analysis in section 2 demonstrates how Swedish labor market and social policies create an environment that shapes the behavior of firms. Yet, organized interests in the labor market are still powerful. Therefore, no exit related decision can be taken without consultation with unions, and in many cases the employers organizations are also involved. We actually end up with “action patterns”, where firms respond within a logic of incentives and

sanctions shaped by the state *and* a corporatist framework. Negotiated agreements and corporatist "thumb-rules" form a *second layer of standardization*.

Employer organizations, trade unions and state agencies have formed corporatist networks, especially in relation to the labor market institutions. These corporatist networks exist on three levels – the *national*, the *intermediate* and the *local* level. The combination of a long period of Social Democratic governing and the nexus of full employment has given the Swedish corporatist model a *pro-labor slant*. As a consequence, the behavior of employers organizations can be understood as behavior under "enforced decency". Still at the same time, cooperative problem-solving became characteristic for the Swedish model, which for a long period was consensualistic.

For the same reasons, it was a centralized model, and centralized wage-bargaining was the rule. In labor market policy the national and the intermediary levels have dominated. The so called Adaptation group is an example of a centrally imposed innovation; which is based on intermediary representation; with representatives from unions as co-implementors with management (cf. 2.2.1 above).

The corporatist layer has brought with it certain basic features. It tends to prolong the decision-making process within firms, while, at the same time, it smooths implementation. The presence of unions in decision making creates a conception of a "fair treatment", even when harsh firm decisions (such as personnel reductions) are taken. In this way corporatism generally *legitimizes* decisions of firms.

3.1 Two Corporatist Elements

In most areas of social security, Sweden has *public* and *general* (covering the whole, relevant population) solutions to "classic social problems" of occupational health, pensions, as well as sickness and unemployment.

However, there is also an important history of social security that originates from collective agreements between employers and trade unions, i.e., negotiated rights. These occupationally based solutions (cf. the sick pay schemes) were in several fields even a precursor of later public policies. In the inter-war and post-war period it was especially the white-collar unions that pushed forward in this field (cf. Nilsson, 1985).

In order to ease the effects of redundancies, the unions began to demand severance pay in the 1960s. The blue-collar *severance pay* (AGB) started in 1964, through the establishment of a special fund and this decision was initiated by LO and SAF. Those who were eligible were above 62 years, although later eligibility was set at age 55. In 1970, a similar scheme (AGE)

was introduced for white-collar workers, for which arrangements of this kind previously had been individually settled. The severance pay eased a strategy of exit. It also seems to pave the way for individually set benefits, such as "golden handshakes" for top management as well as on lower levels (cf. Bank below).

The recession, in the late 1960s, made a significant number of white-collar employees unemployed. Their unions became increasingly aware of deficiencies in the existing labor market policy, which had a blue-collar bias. The white-collar unions made new measures for handling redundancies and relocation of their members an item on their bargaining agenda. The result was the creation of *Employment Security Funds* which started in 1972-74. The most important of them, the SAF-PTK fund began to operate in 1974, covering salaried employees in the private sector (Järnegren, Angelöw and Johansson, 1990). In 1983 the SAF-LO fund was established.

The SAF-PTK fund for the salaried employees is financed by a 0.35% pay-roll contribution. The activities of this fund increased from 224 million SEK, in 1986, to 868 million SEK by 1990. Subsequently, the number of employees covered by the activities of the fund has increased by the same rate. 35% of the employees that have been supported were between 50 and 65 years. 315 million SEK went to older employees in the form of severance pay and pensions. About 200 million SEK went into education for those made redundant. Another 300 million SEK were paid to companies for development, education and training, in order to avoid redundancy. In practice the last of these is coordinated with pension expenditures.

The SAF-PTK Security Fund intervenes in redundancy situations with the following options, often in the form of a package:

- part-financing pensions for those who exit (cf. Steel Mill below);
- supporting employees to start businesses of their own, i.e., transforming union members to self-employed entrepreneurs;
- providing income while employees participate in education (sometimes for quite long periods);
- counselling individuals/helping employees to find new jobs through a machinery that has more than 35 consultants working full-time.

The SAF-LO fund is financed by a 0.15% pay-roll contribution. In 1990, approximately 96.000 firms had joined the fund. In that year, the total support given was 112 million SEK. Its major activities have been the education of workers threatened by redundancy (cf. the upgrading effort in Steel Mill as shown below).

The initial role of the Employment Security Funds was to finance income losses in exit situations, but gradually the emphasis shifted from this *reactive response* (supporting the already unemployed) to *proactive intervention*

(giving support in earlier stages of a process of personnel reduction and relocation). Corporatism stepped in more actively.

3.2 Transition from Central Corporatism to Firm-Level Corporatism

The Swedish employers have for several years tried to escape from the central form of corporatism. They have opted for a firm-level based form of managerial corporatism. In this model the state is noticeable as an absent friend (or sleeping partner) in the day to day business of bargaining and reorganization. Furthermore, labor and the unions are present as a bargaining partner, but mainly as a reactive/responding force.

In many countries, the intermediate level is the hub of the corporatist pattern (the Netherlands is a case in point). The Employers' Confederation has actively sought to shift the priority from the central to the local level. In Sweden, much of the wage-bargaining is, today, located at the intermediary level.

With the Employment Security Funds an important part of labor market and social policy is shifted away from the institutional corporatist state policy settings within the labor market authorities (national and regional labor market boards) to a local form of corporatism.

The Employment Security Funds reinforce trends towards decentralization and differentiation. An indication of the importance of the funds is the number of employees supported. During its 15 years of existence the SAF-PTK Fund has given support to around 110,000 white-collar employees. Out of these, 70,000 have received support to prevent lay-offs in a period of transition and adaption and 35,000 have received complementary money support in connection with exits. In 1990 the economic boom came to an end. In that year, expenditures from the SAF-PTK Employment Security Fund far outreached earlier years', and far exceeded its income.

During the later half of the 1980s, the Employment Security Funds seemed to have modified the Swedish model. Not just had firm-level corporatism been strengthened, but the responsibility and domain of the Labor Market Authorities was postponed to a later date in trying to help solve employment problems (e.g., counselling). This new rationale, also seen in the case of a closing supermarket (Olofsson and Petersson, 1992), is to leave the problem with corporatist institutions and social insurance until the individual enters open unemployment. Not until then does the State step in. This indication of a new division of labor, however, came about in a period of good times, where the funds took on but marginal problems. In the context of a recession in 1991/92, the undertakings of the funds have not grown in proportion to the worsening economic situation.

This indicates that the permanent role of the Employment Security Funds is rigidly defined and limited in size.

3.3 Social Steering through Redistribution with the Help of Funds

The institution of funds have been extensively used in Swedish labor market and social policies. During the 1980s this became an even more pronounced feature through the creation of the Work-Environment Fund, the Working Life Fund and the Employment Security Funds. Funds function as an *enforced re-distribution mechanism*. Firms (indirectly, partly the wage-earners) finance these funds, and the funds then reallocate ear-marked money back to the firms. The *steering element* is an important element in the Fund construction.

The fund technique has its obvious strength in the implementation of political goals within firms, since they are backed with financial incentives. It is a characteristic of the Social Democratic model. The neo-liberal critique of the fund technique argues that the "redistribution" of money in many cases only becomes "repay", and that funds implies a bureaucratic cost-burden. Steering is seen as a waste of resources, since firms themselves know best and legislation can be used to set the minimum standards. With the new Liberal/Conservative government, the "Fund-economy" might be on its way out (cf. 5.4).

3.4 Shifting Corporatist Patterns?

The gradual emergence of managerial, firm-level corporatist tendencies does not imply a total break with other forms of corporatist solutions. Rather, the *mix* changes. This change in managerial strategy endangers the well-established pattern of negotiations and consensus, with its well-defined roles for local trade unions. It opens up two alternatives, both strengthening management but giving different roles to local unions (cf. Brulin, 1989; Brulin and Nilsson, 1991).

Manual workers' unions have traditionally had a strong organization at the work-place, often with full-time officials (cf. Steel Mill, Hospital, Refuse Collection, HighTech below). In many cases, the white-collar unions have followed suit (cf. Bank, Hospital, and in many larger manufacturing firms). An important trend is that the *role of the local union in relation to the national unions increases* as a consequence of the new managerial strategy. Accordingly, this change of level of the main negotiating arena, will also affect the relative power positions of management and unions. It is well established that the logic of organization and basis of strength for Labor A

and Capital differs (cf. Offe and Wiesenhal, 1980). Since Labor is organized reactively and based on numbers, its strength grows with centralization as well as with increasing scope of organization. If more importance is given to managerial power at the level of the firm, it strengthens the position of management in relation to the unions.

The second trend is that more employers now *try to bypass the influence of local unions*. Employers create a more flexible personnel policy, introduce new methods of salary and wage determination, foster specific "company cultures", involve the workers and employees in the company by selling shares at favorable prices etc. These widely spread policies are in part an adaption to changing methods of production, where the active involvement of the employees becomes strategic. In a broader socio-political sense, employers want their employees to identify more with the future of their own company (starting in the work group), and less with unions representing them as workers/wage-earners in general. The new managerial corporatism, linking employees directly to the firm, is the alternative to traditional trade-union based corporatism.

4 Five Swedish Case Studies

4.1 Introduction

In this section, we analyze the Swedish pattern in action, by studying how, on the level of firms, older employees are related to the labor market, to specific jobs and firms. This will be done by a close examination of five firms and public organizations. These case studies illustrate how the Swedish Policy Regime, filtered through corporatist networks, influenced the way the age-structure and early-exit dilemmas are handled in real situations.

The result becomes twofold. The case studies will, we believe, reveal the deep *penetration* of the Policy Regime (such as work-environment legislation and pension rules) into the internal work organization and personnel policy of the Production Regime. Yet they will also show a *rich variety of strategies and outcomes* in this setting. This variety can be explained by the interplay of numerous instruments, rules and co-operating actors that form "packages", unforeseen in advance.

The presentation of State policies was made with the help of a distinction between *prevention* and *accommodation* policies, both focusing the intentions of the State. In the case studies, these intentions are transformed into decisions of *internalization* and *externalization*. On the individual level, these strategies and decisions turn out as integration and compensation. The conceptual classification is summed up in the following scheme:

Conceptual Typology of the Older Worker
Problem: Strategy, Response and Result

	State/corporatist Policy	Firm Decision	Individual Fate
Stay at job	Prevention	Internalization	Integration
Exit	Accommodation	Externalization	Compensation

Firms can shift the burden and the costs of older workers on to the state or the workers themselves, thereby externalizing both costs and the problem. On the other hand, the prevention policies of the state can induce, subsidize or legally prescribe firms to internalize costs and problems, thus making the firm the scene for preventive action. Consequently, the concepts of externalization and internalization are located at the level of the firm.

The concept and practice of compensation can be used to describe how, and in which forms individuals are compensated for their loss of work and thereby income. It includes income loss due to absence from work, to work accidents, ill-health, sickness etc. Generous compensation makes it easier for older workers to adjust to redundancy and for unions to accept age-specific dismissals. When the state compensates the redundant employees, or sponsors the growth of supportive arrangements (for instance, a broadening of the criteria for disability pension), it also accommodates for the actions of firms. By making redundancy and early exit economical and viable options, through the construction of compensation payments to individuals, the state encourages firms to get rid of the groups that were targeted for compensation. At the same time, individuals can use these compensatory mechanisms as escape routes from their work. Compensation can thereby be classified as state policies accommodating exits, which makes it easier for firms to undertake certain decisions and actions of externalization.

The counterpart to compensation, in the eyes of the individual, are all the efforts that are done to integrate him in the firm. This is sometimes forced on the firm by the state (e.g., the first in/last out rule), sometimes bought by the state (subsidized employment), and sometimes it is a wish of the firm to secure certain valuable individuals on its own (competence loss). Integration denotes a continuing attachment to the labor market and the wage or salary as a basic form of income. But it also, within the context of the Swedish "Work Society" and all the varieties of prevention policies at hand,

points to the role of work as the basic form of attachment and participation of individuals in society.

4.2 An Overview of the Firms

Steel Mill: The steel company confronts decreasing demand and its problems have been reduction and structural change. The firm used early retirement as well as internal education to cope with its problems. The Employment Security Fund has supported the reconstruction, and close cooperation with the Local Insurance Office has been a necessary prerequisite.

Bank: The bank has been confronted with a problem in its age-profile, i.e., too many individuals in middle age – partly a consequence of its internal career practices. It has a pension arrangement of its own and has used topping-up practices to pension staff. The bank is concerned with work-environment issues of its more unqualified personnel.

High Tech: The hightech firm has been engaged in two major reconstructions. A long-term aim has been to erase the dividing line between blue- and white collar workers. The firm also has used support from the Employment Security Fund and from its mother company to construct a mix of early exit, internal mobility and education.

Refuse Collection: The refuse collection department faces a major problem of disabling work conditions and it has engaged in work environment reorganization efforts to cope with this. On the other hand, decentralization of the work organization has increased efficiency claims on the workforce. Disability pension has been used as a form of exit for the blue-collar workers.

Hospital: The hospital has many unqualified jobs characterized by disabling effects. It has started a prevention and rehabilitation program in cooperation with the Local Social Insurance Office to cope with these problems. In this matter, it has been somewhat of a pioneer. The hospital has further used disability pensioning quite extensively.

4.3 Case 1: A Steel Mill – Handling Redundancy and Exiting in a Large Company Dominating a Small Community

The Steel Mill is the dominant employer within its community and located in the classic industrial heartland region of Sweden called “Bergslagen”. The main product is sheet steel in large plates and in thick shape, of high quality. Steel Mill previously produced both iron and steel of different qualities; bar iron, sheet iron, sheet steel etc. Production now is exclusively

Table 12: Total Number of Employed at Steel Mill 1975–1990

Year	Blue-Collar Workers		White-Collar Workers		Total
	No.	% of all	No.	% of all	
1975	1363	(79.6%)	349	(20.4%)	1712
1980	1171		291		1462
1985	955		285		1240
1990*	822	(71.6%)	326	(28.4%)	1148
Absolute Change:					
1975–1990	–39.7%		–6.6%		–32.9%

Source: Personnel Statistics.

* 1990: Situation at the End of July

in stainless steel. The narrower segment in production reflects the fact, that the firm has reshaped itself, and has witnessed a decline in size. Today, Steel Mill has a little over 1,000 employees, while twenty years ago there were around 2,700 employed. For the change in employment over the last fifteen years see table 12.

During the process of change, the age composition in the firm has changed. Developments between 1975 and 1990 are shown in table 13. Steel Mill reduced its staff in two large waves, one in the mid to late 1970s and a second in the early 1980s.

In fifteen years, the share of the blue-collar workers older than 55 years has diminished from 23.5% to 13%, while the share of those above 60 has fallen from 11% to 4.5%. The trend was the same among the white-collar

Table 13: Age Composition Among the Blue-Collar Workers 1975–1990

Age	Absolute Numbers				Percentages			
	1975	1980	1985	1990	1975	1980	1985	1990
–19	95	69	27	–	6.6	5.9	2.8	–
20–24	210	152	163	146	14.5	13.0	16.7	17.3
25–29	173	132	130	147	11.9	11.3	13.3	17.4
30–34	135	128	106	96	9.3	11.1	10.9	11.4
35–39	115	111	111	92	7.9	9.5	11.4	10.9
40–44	118	102	95	95	8.1	8.8	9.7	11.3
45–49	116	108	96	77	8.0	9.3	9.8	9.1
50–54	147	105	101	81	10.2	9.0	10.3	9.6
55–59	179	128	87	72	12.4	11.1	8.9	8.5
60–64	141	125	59	38	9.7	10.7	6.0	4.5
65–	20	4	0	0	1.4	0.3	–	–

Source: Personnel Statistics.

Table 14: Age Distribution among the White-Collar Workers 1975–1990 at Steel Mill

Age	Absolute Numbers				Percentages			
	1975	1980	1985	1990	1975	1980	1985	1990
–19	4	–	–	–	1.2	–	–	–
20–24	30	1	1	9	8.6	0.3	0.4	2.7
25–29	30	22	14	28	8.6	7.5	4.9	8.4
30–34	33	35	39	31	9.5	11.9	13.5	9.3
35–39	39	43	42	56	11.2	14.6	14.6	16.7
40–44	29	38	46	54	8.4	12.9	16.0	16.1
45–49	48	32	48	50	13.8	10.9	16.6	14.9
50–54	41	52	32	45	11.8	17.7	11.1	13.5
55–59	54	36	46	29	15.6	12.2	16.0	8.7
60–64	35	35	20	33	10.1	11.9	6.9	9.9
65–	4	–	–	–	1.2	–	–	–

Sources: Personnel Statistics.

workers. The share of those 55+ has diminished from ca. 27% to ca. 18%, i.e., with a third (table 14).

With the hard and demanding work in Steel Mill, most workers feel that they have had enough of work when they reach sixty. The local expression for leaving work at this age is “*going home*”. At 60 many have been working for 40 years or more in the plant. The decline of Steel Mill affected the age structure of the community. The number of retired people increased by about 40% between 1975 and 1985. The proportion of those in the labor force commuting to other cities for work also increased during those ten years (from every sixth to every fourth person). Some younger individuals moved away.

4.3.1 Production Regime

The impetus of change in Steel Mill came from the product market, and it affected the company directly. It was, however, mediated by the situation of the Swedish steel industry in general, which was heavily subsidized by the state. Steel Mill – export oriented, with rapidly changing market conditions – was an active and initiating force in its own restructuring. During the process, both production and employment changed dramatically.

The change has been influenced by two aspects of its Production Regime. Firstly, Steel Mill is a local plant within a larger corporation and its policy is affected by its “mother company”. Needless to say, newly acquired companies usually face a bleak future in a crisis. Secondly, there are special

restrictions on the decisions of a local firm belonging to the Swedish "Bruk" tradition, such as Steel Mill. It is the dominating employer in the community, and the decisions of the firm must in some sense be judged as legitimate by the community. The company, therefore, cannot treat an older worker too unfairly if it still wants to recruit his son. Its dominating position further creates close cooperation with the Local Employment Office, not least from the point of view of the latter.

Steel Mill has witnessed a long process of restructuring and shrinking. Features of the Production Regime have pushed for gradual change. The changes, however, have come in waves. These occurred in the mid 1970s and in the early 1980s. Steel Mill is further witnessing a new phase of change in 1990/91. The basic strategy of the company, in the first two waves, was simply to lay off workers. This was coupled with a recruitment halt and internal replacements.

The lay-offs took two forms, which occurred at either end of the age scale. The last in/first out practice applied to the young. Laying off the older workers is, however, a strategy, which is more appealing to the company, as a rule. This strategy appeals to the criteria of qualifications, competence, productivity etc. Aging is increasingly seen in terms of a loss in productivity and not as a gain in knowledge.

Using the figures presented in table 12 and 13, we can calculate the "cohort survival rate" for the five-year age groups for three periods, i.e., how many remain in a given cohort after five years? We deduct the average "survival rate" of all workers at Steel Mill from the survival rates of the five year age groups. It is done in table 15.

In the first period, the young age groups were reduced by more than the average and the middle-aged groups were more likely to "survive". Al-

Table 15: "Excess Survival Rates" of Five Year Cohorts for Three Five-Year Periods. Blue-Collar Workers at Steel Mill

Age-Group	Period 1 1975 → 1980	Period 2 1980 → 1985	Period 3 1985 → 1990
20-24/25-29	-17.4	+1.7	+3.6
25-29/30-34	-6.3	-3.5	-12.7
30-34/35-39	+1.9	+2.9	+0.2
35-39/40-44	+8.4	+1.8	-1.0
40-44/45-49	+11.2	+10.3	-5.5
45-49/50-54	+10.2	+9.7	-2.2
50-54/55-59	+6.8	-1.5	-15.3
55-59/60-64	-10.5	-37.7	-42.9
Average Rate	80.3%	83.8%	86.6%

Source: Table 13.

Table 16: Number of Persons Using the Disability Pension Exit at Steel Mill 1977–1987

Year	Workers	Salaried Employees	Total
1977	46	35	81
1981–82	35	27	62
1983	76	5	81
1986–87	55	23	78

Source: Personnel Statistics.

though the situation stabilized, with fewer people leaving the company in the last two periods, the older age-groups have increasingly become smaller, and more likely to exit.

A series of labor market and social security measures, during the 1970s and 1980s, made it easier for workers around 60 years to adjust to unemployment. Unemployment compensation plus severance pay made the first year of unemployment rather unproblematic in pure economic terms. The degree of compensation was high. After 450 days – for older workers the right to unemployment compensation has been extended into 450 days – a worker could apply for and receive disability pension on “labor market conditions” (if chances of getting a new job were poor). This led to the so-called “black pensioning”, the 58.3 year being the effective cut off point. This was the normal destiny for laid off workers around 60 years of age. Some could get a health disability pension, after a similar “career” (table 16). For the white collar workers the solution was a “pension package” (cf. below).

The outcome was the result of an interplay between the company and its strategy, the unions with their twin interests of protecting the middle-aged (who remained in their jobs) and the old workers. It was also the preference of many old workers themselves. Besides being satisfied with the pension terms, most workers own their homes in this community, thus strengthening their positive attitudes towards “going home”. The possibilities allowed by the social security system were used according to an agreement between the different parties. The Local Employment Office and the Regional Labor Market Board were both part of the agreement, and they did not offer new jobs to these old unemployed workers. Extremely few (if any) of these workers have become dependent on social assistance.

For the white-collar workers in general the basic strategy was to subsidize their further education. Older individuals retired early with extra benefits from occupational schemes. For the white-collar workers on staff level, pension arrangements were even more advantageous than staying on the job.

4.3.2 1990/91 Considerations – Externalization and Internalization

The technical, supervisory and administrative apparatus is continually being reorganized, e.g., computerized. There are now problems in relocating older employees, and finding new jobs for some older routine office clerks and supervisors. Many of these want to "go home", and the company wants to reduce its staff.

Steel Mill presented a plan for pensioning 37 employees, born 1927–1931, which offered them early retirement in 1990–1991. They were guaranteed 80% of their wages in pensions. The calculus of the company was the following. If these 37 employees (clerks, supervisors, engineers etc.) stay on until they are 65 years, the total wage bill for them will be 39.5 million SEK (wages plus contributions to social security, pensions etc.). To "buy them a pension" from late 1990 will cost Steel Mill 21.5 million SEK. The company can then take the total costs in one year (which may be an advantage), and reduce it by 18 million SEK.

How can we explain this gain of 18 million SEK?

- (a) The difference between hundred and eighty per cent (the pension offer) in wages is the first part of the answer.
- (b) Social security contributions are markedly lower for pensions payments than for wages, which forms the second part.
- (c) The third part is a subsidy from the SAF-PTK Employment Security Fund, which subsidizes Steel Mill's cost for the pensions by about 30%.

The part-time pension exit route is now rather seldom used. Only ten individuals at Steel Mill have part-time pensions. It was earlier possible to find new and suitable part-time jobs within the company. At present, the changes in the internal labor market has made this exit more difficult to use in practice.

With a slackening demand for Steel Mill's products, it has gone from a five to four shift pattern. Another way to handle the situation is to further train and educate the workforce.

The alternative used for white-collar employees is to raise their basic educational level. Those with low formal education will be educated up to high school level. Here the Employment Security Fund (cf. above) will pay the employee 80–90% of his/her earlier salary while in school. The company will then top this up to the former level.

For the blue-collar workers the alternative, in 1990, was eight weeks of full-time further education within the firm, after which the worker will be an "acknowledged/licensed steel worker". All workers will get this training, and up to 20 (or sometimes 40) are taken out of personnel staffing schemes each period. This device will make it possible for Steel Mill to keep the

workers in employment. The County Labor Market Board will subsidize the internal education by 35 or 55 SEK per hour for each worker, if the alternative is unemployment. This vocational training for steel workers will also help Steel Mill as a company to be upgraded in the international classification of steel mills (the BSI standard). This upgrading is important in relation to the steel market and for the prices Steel Mill can ask for its products.

We find here a specific combination of personnel policy, promoted by labor market policy in Sweden, and the industrial and market profile of Steel Mill as a company.

4.3.3 Decentralization and Internal Job Shifts

Within a large plant like Steel Mill the traditional "soft exit" was internal job-shifts, such as:

- transfer from shift work to day work;
- change from production to maintenance, upkeep, service, transport, repair, and jobs in supply departments.

Certain categories of workers had to "take to the broom", when getting too old for their former jobs.

This can be seen as industry's own form of phasing out a part of the older workforce, what we might call an "internal gradual exit". It can also be interpreted as the later stages of an implicit long-term, in some cases life-time, employment contract. In this respect, it is part of the "Bruk" tradition – characteristic for companies interwoven with a specific community as a source for labor.

Today, there is no room in Steel Mill for physically fit men in the so-called "easy jobs". They have to be reserved for the handicapped, and for the older workforce, that is for those who get a negotiated replacement for physical, medical or social reasons. "Earlier you could get certain jobs with the 'rights of age'. But they have been reduced more than other kinds of jobs. Steel Mill is a harder and tougher place to be in now than before. The pressure has increased" (from an interview with a worker at Steel Mill).

Since 1982, Steel Mill has formed a "personnel pool", which is part of overhead costs and a "free" resource for the units in which they work. The persons belonging to the pool do not know that they are part of it – the pool is only seen in the internal bookkeeping. The personnel department highly favors this construction. They emphasize its social advantages, because it is possible to use for individuals, for whom they otherwise would have large problems in finding an internal transfer.

4.4 Case 2: A Bank – Regional Level and a Local Office of a large Swedish Bank

The Bank is hierarchic in its organization. Six levels exist: Concern – Group – Region – District – Office – Division. Decisions are taken at all levels, although when a thorough change is implemented it is prepared at the Concern and Group levels. On employment policy issues, for instance, Region has been the strategic level. Over the last five years, decision making has been increasingly decentralized. Today every Division has to be profitable. Still, the Regional level takes on coordination.

Around 1980, it was thought that computerization and over-all modernization would decrease employment in banking drastically. An employment prognosis forecasted reductions of more than 10.000 employees in the banking sector over the decade, but instead employment grew by approximately 20.000 employees. Rationalizations in routinized transactions were offset by new tasks.

A powerful expansion came with the emergence of the Swedish financial (money) market, starting in 1983, and with the revival of the stock-market from 1981 on. A deregulation of the loans-market in 1985 completed the scene. This development demanded more "back-office" work (as distinguished from "front-office" work). Besides, financial advising has grown rapidly. There are new market shares to be gained. A "unit-link" market is building up. "There actually never were any structural problems in banking, causing reductions in employment, just the fear" (Staff manager at the Region level).

Figures on employment are shown in table 17.

Table 17: Positions and Numbers of Employees in Bank 1985–1989, Stockholm Region

Year	Number of Positions	Number of Employees	Men	Women
1985	2.724	3.246	1.271	1.975
1986	3.563	3.651	1.456	2.195
1987	3.165	3.693	1.461	2.232
1988	3.159	3.643	1.411	2.232
1990	3.132	3.713	1.436	2.277

Source: Personnel Statistics.

4.4.1 Production Regime – Two Aspects of the Internal Organization

The internal career pattern within banking involves recruiting employees early and educating them within the bank. Education is both introductory, but also reoccurring and consists of four steps; the first two are basic and compulsory and the last two specialized and voluntary. They reach university level status. Almost 1/4 of all employees have presently reached such competence. At the same time, those who don't pass all the steps are stimulated to take over new tasks, which rely on acquired work-skills. The union complains that its a "man's world" and women, especially older women, are disadvantaged at the top of the career ladder. A new task, i.e., giving highly qualified professional advice, has slightly modified the standard pattern. Some specialists are brought in from outside, but the internal career pattern still shapes the employment policy of Bank.

A central problem of Bank is a high turn-over rate of employment at low levels. Basic tasks are getting increasingly standardized. Therefore, "front-office" work has become more monotonous and less attractive. The internal career pattern implies that entrance at this level is mostly open to young people. "Impatience" among younger entrants is one explanation to the increasing turn-over rate. On the other hand, those who have been in Bank 10–15 years tend to stay on, causing an increase in the average age. An employment freeze in the 1970s has made the age group of 30–35 small or even void in Bank. As a consequence, the importance of those above 40 years has been upgraded. "The older workforce is more loyal to the company" (the personnel manager), and an early exit of these "unskilled" and semi-skilled employees thus is a threat.

A second element in the management philosophy, is the idea of producing high achievement at the most productive age. This gives rise to "wearing out" at management level, since a rapid change of skills, associated with executive tasks, has occurred over the last ten years.

At the local office, "front-office" work is divided between a younger group below 25 (majority), and a middle-aged group aged 40 and upwards. Two women over 40 were recruited 2–3 years ago for such tasks.

Attitudes towards exit in Bank can then be stated: *Early exit is a threat at lower levels. Early exit is a must at higher levels.*

4.4.2 Handling Reorganization

Banks in Sweden have created their *own occupational pension system*; with own funds and own rules. The Bank pension system provides more flexibility and in some respects more generous terms than similar occupational pension systems. In banking, pension rules are formed through negotiations

Table 18: Early Drawing, Early Retirement due to Employment Reasons and Total Retirement in Bank

	Early Drawing		Early Retirement (Employment Reasons)		
	Male	Female	Male	Female	Retired
1985	—	1	9	4	70
1986	—	1	8	12	66
1987	—	1	4	10	61
1988	—	1	18	12	79
1989	—	—	12	6	64

Source: Personnel Statistics.

between the employers organization and the union of bank employees, which has high coverage. The latest reformulation dates to 1988/89. Opening up for exit on higher levels is done mainly through the use of early drawing of pensions and a bank version of early retirement. Table 18 shows the development of Bank Region in recent years.

Early drawing has been rarely used. On the other hand, there is a steady stream of early retirement due to employment considerations. While early drawing is an individual right, the bank subsidized early retirement pension and as such is an offer from the employer. In 1988/89 early drawing and early retirement were made more competitive, when Bank increased compensation rates: for early drawing from 65 to 72% and for early retirement from 70 to 72%. The last is still more favorable because the scheme gives no pension loss at all after 65. The age limit for early retirement is set to 55. The increase in numbers of early exits in the years 1988/89 is a reflection of these improved conditions. Extra pension payments above 72% can be given on an individual basis, but are rarely used. It is an exclusive right for managers, according to the union.

Private pension arrangements have been supported by Bank through good credit terms. Profit-sharing schemes have further emerged within banking. It is possible to sell some of the shares after five years' employment, and all of them at the age of 60. The combination of private pensions and profit-sharing schemes strengthens incentives of voluntarily early exit. Together they form *a pattern of individualized pension combinations in banking*.

At the local office, work tasks are very differentiated, which favours part-time work. It partly reflects the wishes of women and partly the needs of the employer. One individual works four days a week, one woman with a newly born child works half-time, one individual is free three days a month and one individual works a shorter day. At the time "this is it", since too

much part-time work will cause competence problems for Bank (the managing director).

Part-time pensions (80%, 60% or 50%) exist in banking, starting at the age of 60. They are in general supported by the employer, but do often result in a transfer to a new position (mostly within the office). In mid 1990, only 35 persons in the whole region had part-time pensions. 21 of those were women. One explanation to the low frequency of part-time pensioning is the high volume of regular part-time work in Bank.

The opposite to exiting early is allowing "pensioners" to continue working when vacancies arise, e.g., at holidays. For instance 62 persons work after retirement (in mid 1990) and their conditions are individually settled. It is easy to keep contact with retired employees, since pension issues are handled within Bank. Bank looks favorably at a truly flexible retirement age for the future. It is well in line with the two main problems, i.e., the threat of exit on lower level, and the need of exit on higher level.

Early exits due to work-injuries or health causes also occur. In mid 1990, for example, 56 persons were registered as long-term sick, i.e., for over three months. They will probably get a disability pension. 34 individuals had half-time disability pension and 50 full-time in 1990; a majority of them were above 55 years of age. The terms are comparatively favorable. Bank supplements the sickness benefit, and for those who retire early, Bank guarantees a pension of 80% of the salary. There is a right to return to Bank if early retirement is canceled.

Preventive measures are undertaken by Bank. There is a collective agreement on work environment that regulates health issues and Bank supports sports on a broad scale. Bank has a counsellor, at Region level, who gives advice and help.

4.5 Case 3: High Tech – A Firm within a Multinational Company

The Swedish High Tech company is a plant and a "business area" within one of Sweden's larger international companies, with 90 percent of its sales going to countries outside Sweden. It has subsidiaries, retailers or agents in more than 140 countries worldwide. The company was restructured in 1982 and today, the company consists of three operating areas (the percentage proportions in brackets): Industry (50%) – Food (30%) – Agri(-culture) (20%).

Food is a high-tech business area. Furthermore, it is the fastest growing area of the company. Today it is one of the world's largest suppliers of equipment to the food processing industry, with shares of 10 to 40% depending on the product. Focus on design and sales of processes and plants is being gradually extended by a new strategy involving after-sales

and customer service. The product range includes complete process lines and individual components for the food processing industry.

The Food business area has its Center of Competence at the chosen high-tech company. This center serves the market transacting companies around the world with technical and commercial support. Complicated construction tasks, coordinated purchase planning and management decisions are executed here. The tendency is, however, that extended competence is built up outside of Sweden.

4.5.1 Production Regime – Reoccurring Reconstructions and Theadvent of Just-in-Time Production

High Tech has witnessed two major problems in the 1980s. The first involves a *market pressure* to decrease delivery times, which is mainly a problem for the blue-collar workforce. This has been met through increased flexibility and readiness. On the other hand, it has created an increasing need to cope with slack time in production. High Tech has responded by broadening work skills.

Since 1980, the firm has faced difficulties in recruiting skilled workers. The counter measure has been to try to upgrade blue-collar work, i.e., include also white-collar tasks which, eventually, results in erasing the dividing line between the two groups. In this way "blue-collar" work also becomes more attractive. Since the company is basically selling technology, a profitability crises will be a white-collar problem. In practice, the main problem has been slow adaption of white-collar positions to changes.

To make recruitment of blue-collar workers easier and to increase flexibility, *work-teams* have been created. High Tech further believes that teamwork is a solution not only to the physical but also to psycho-social work environment problems. The teams have been provided with rights of self-determination. The optimal number of individuals in a team is seen as ranging between 8–12. Administrative work and planning has been decentralized to the teams, and they have decisive influence on recruitment. The number of supervisors have been reduced on this road to a new organization.

As the whole company has become more and more international in its approach, a general requirement that all personnel should know English has been formulated – in line with upgrading the claim on blue-collar competence. The reorganization makes strictly white-collar positions increasingly superfluous. The new work organization further increases the possibilities of promotion of skilled blue-collar workers and becomes a component in attracting them to High Tech.

The change has two effects on the older workforce. It makes replace-

ments within the firm easier. It increases the importance of older, experienced employees, since they are thought to "stabilize" teams and younger workers are more prone to leave the firm.

4.5.2 Two Reorganizations – Causes, Decisions, Consequences

In 1982 High Tech was reorganized. Blue-collar workers had to re-apply for their old jobs or for a new one within High Tech. This led to a (modest) reallocation of employees and partly solved blue-collar inefficiency, but accentuated white-collar inefficiency.

Employment and age distribution at High Tech can be studied in table 19. The table further shows the increasing share of white-collar workers during the 1980s.

In 1985, the Swedish Government cut subsidies to agriculture, decreasing agricultural production within Sweden and causing a fall in demand for products of High Tech. Subsequently, profits went down. Finding the cause in circumstances linked to changes in government policy, legitimized the firm to take thorough action. By now, it was the white-collar problem which needed resolving.

In the 1982 reconstruction, the blue-collar problem was solved without using exit strategies. Internal strategies, i.e., replacements were one minor answer: the second was expanding the internal labor market. A firm was acquired in a town nearby and closer links were formed with a thermal production firm (belonging to the mother corporation) located in the same town as High Tech. Increased cooperation became the solution to slack problems and a fear of losing competence.

Table 19: Age Distribution of the Employees at HighTech 1982–1990

Year	White-Collar Workers			Blue-Collar Workers		
	55–59	60–64	Total	55–59	60–64	Total
1982	32	28	591	8	9	136
1983	32	24	598	9	7	144
1984	28	27	594	10	8	145
1985	30	27	600	8	8	148
1986	28	28	625	10	8	144
1987	27	12	529	9	6	146
1988	28	14	491	10	6	140
1989	27	19	483	12	8	124
1990	29	25	529	8	9	129

Source: Personnel Statistics.

In the 1986/87 reconstruction, the excess of the white-collar workforce was brought to a head and immediate internal measures were taken. New entrances were stopped. With a turn over rate of between 6–7% this would result in around 40 vacancies a year not being replaced. 15 individuals were (re)located abroad. However, since the firm wanted to reduce the number of white-collar employees drastically, other steps had to be taken. High Tech turned to the SAF-PTK Employment Security Fund for support in mid 1987. With financial support from the Fund, a strategy took form, with two major components.

The *first* component included offers of temporary paid education to white-collar workers in the age ranging from 25 to 45. This education was supposed to create greater skills in areas like Computing and Business Economics and increase internal mobility. In addition, education in itself implied a temporary reduction of the white-collar workforce. Those in education were also encouraged to start a business of their own, relying on new acquired skills, or to leave the company for another employer. This would give a permanent reduction. – When the offer appeared, 32 individuals took up the option. The Fund paid 50% of the costs and subsidized 25% extra if the individual took a job outside the company when the education was finished. The *second* component was an offer of early leave on generous terms, partly financed by the Fund. No future pension losses were to come about due to leaving early. In June 1987, this exit offer was given to 14 individuals, aged 63+; five accepted.

At the same time, planned reductions increased from 100 to 150 white-collar workers, to be completed by 1988. The result was a second exit offer in January 1988 and the age group was extended to 61–65. Favorable information from those who accepted the offer in 1987 was used as an extra argument. This time 30 individuals were eligible and 14 took the offer. In mid 1988 the planned reductions were almost completed (cf. table 19). Because of the participation of the Fund the Labor Market Authorities were not involved. The union supported the program from the start, with the added requirement that it had to be a general offer and no individuals in particular should be singled out. The company approved this. The disadvantage for the firm was that some employees regarded as valuable exited in the process, according to the personnel manager.

The company favors part-time retirement at 60 of white-collar workers, viewing it in the light of productivity gains. The attitude towards part-time pension of blue-collar workers is more reticent, since the loss of skills is pronounced; but it also reflects an over-heated labor market. However, almost 50% of the blue-collar workers in the relevant age group have such an arrangement.

As to internal prevention measures it could be added that preventive and work environment related health-care is expanding and managed within the

Table 20: Number of Employees at Refuse Collection 1985–1989

Year	Total Number	Refuse Collection	Supplies Repair	Street Cleaning	Administration
1985	211	113	32	44	22
1986	206	112	32	44	18
1987	206	—	—	—	—
1988	206	—	—	—	—
1989	214	—	—	—	—

Source: Personnel Statistics.

company. One doctor, two nurses and half-time physiotherapist are employed by High Tech.

4.6 Case 4: Refuse Collection in a Large City – Reorganizing the Work Process to Avoid Early Exit

Refuse Collection is part of local government in a large city (230.000 inhabitants) and has the overall responsibility for household refuse, the transport from dustbins, containers and refuse chutes to the dustheap. The road works' department, however, is in charge of street cleaning. The number of employed at Refuse Collection is shown in table 20.

The largest part of the workforce is occupied in traditional refuse collection. The trucks transporting the refuse are operated by a team of two persons. The workers are divided into such regular teams (self-selected) and a pool of substitutes. Teams have fixed routes, and the members of the pool have to replace the regulars, when they are sick or absent. Wages are hourly paid. The teams are paid for eight hours per tour, and are free to work at their own pace. Most teams do their work in about six hours of intense work.

There is a special transport section of one-man trucks for container transport and delivery, including small lorries for working in large housing estates. For this group, wages are paid by the month. There are also certain job functions related to maintenance, garage and repair work etc. Finally, there is a "street section", where the main task is cleaning up sidewalks. The majority of blue-collar workers belong to the first group; still the core of Refuse Collection. Of these, about 90 are paid by the hour (i.e., in practice by a piecework system). The different sections, comprising mainly jobs for blue-collar workers, are coordinated and supplemented by an administrative section.

For the age distribution among the employed workers and staff see table 21.

Table 21: Age Distribution of Employees at Refuse Collection 1985 and 1990

Age-Group	Workers		Salaried Employees	
	1985	1990	1985	1990
– 20	1	–	–	–
21–25	3	4	–	–
26–30	11	12	1	–
31–35	22	18	–	1
36–40	19	23	3	1
41–45	31	21	12	3
46–50	24	26	6	14
51–55	16	23	10	11
56–60	19	18	5	5
61–66	22	9	1	5
Total	168	154	38	40

Source: Personnel Statistics.

4.6.1 Production Regime and Strategies for Reorganizing Work

Refuse Collection is a monopoly operated by local government. This determines its attitudes and strategies. Its personnel policy is always expected to seek internal transfers; within the whole area of local government.

Refuse collection is physically demanding. The organization of the work together with payment by the hour have led to a situation of highly intense work. This is crucial in understanding the health problems of the workforce. More often than not, few men continue their work as regular refuse collectors beyond the age of 55–60 years.

The status of Refuse Collection as a public agency makes it impossible just to fire older workers, so Refuse Collection has, instead, developed three strategies for taking care of the older section of the workforce. The first, and in the long term, the most important strategy has been the *reorganization of the work process*. The trash bags have been replaced by bins on wheels (small containers in plastic or metal). This makes it impossible for the workers to load their barrows with several bags. The new bins must be steered by two hands (i.e., it becomes impossible to drag more than one at a time). The availability of the bins (and the reduction of damaging work conditions) has also been changed by administrative rules, i.e., by rules governing the shape of rooms for the bins (height, availability etc.). The board governing refuse collection and disposal is part of the political administration and open for pressure and arguments.

The second strategy has been a successful *broadening of the area of work and competence*. It has taken three main forms.

(1) *Container transport*

Container transport has grown in two areas: industrial waste and the collection of material for recycling (paper, glass, metal) from households. There is also a special service for collecting old household appliances, such as, refrigerators, cookers etc. One man operates a truck and the handling of containers is mechanized (using lifts etc.).

(2) *Integrated service for larger housing estates*

Refuse Collection takes over tasks that were previously done by caretakers, e.g., dealing with the garbage rooms (where the bins and cans are placed). For the Refuse Collection worker this is an upgrading of his work, with more varied tasks. Accordingly, the caretakers have also had their work upgraded and their services have become more visible (simple repair work, taking care of flowers, lawns, bushes etc.). It has also been in the interest of the landlords as they want the work of their caretakers to be visibly more important for tenants. This work is now being done by small new trucks, which are operated by one man. About 15 people are now employed in this service and it covers around 25% of the housing estates in the city. The work is physically less demanding than regular refuse collection and has no piece-work incentive built into it.

(3) *Sidewalk cleaning*

Cleaning of public roads and streets comes under the Road Works Department. However, cleaning of sidewalks and other areas, apart from the street, is the duty of the house owner (landlord). Refuse Collection has been rather successful in bidding for such contracts and jobs, and this constitutes the third road to renewal and the "street section" now employs about 20 persons. Transfer to the street section was the traditional exit for the older workers and is still valued as such.

All these new jobs are paid monthly (and there is no "time incentive" as in regular refuse collection). In this way the new jobs bring in a slower pace of work, with positive effects on health in the medium and long run.

4.6.2 Handling Exits in a Local Authority

A third strategy is the *use of different exit routes*. On the average, absence from work at Refuse Collection due to sickness, is about 12%. This is not regarded, neither by management nor the unions, as alarming, taking into considerations the demands of this work. There are, however, serious problems for several older workers. Long sickness periods often lead to disability pensions. However, there are no cases of disability pensions for labor market reasons, i.e., unemployment pension, for Refuse Collection workers. This exit is closed to a public sector agency.

The later part of a worker's career in Refuse Collection will follow any

Table 22: Type of Job Related to Type of Pension Exit. All Pension Exits 1976–1990 from Refuse Collection

Section within the Refuse Collection	Full Disability Pension	Half Disability Pension	Part-Time Pension	Early Pension
Refuse Collection	13	2	4	—
Street Cleaning	17	—	8	—
Supply/Repair	3	2	1	—
Administration	3	3	—	4
Total:	36	7	13	4

Source: Personnel Statistics.

of the customary exit pathways. If we relate the different exit options to the four major sections within Refuse Collection we get table 22.

The exit rate from the street section is markedly higher than from the others. This is what we should expect given the pattern of internal job shifts. These normally lead from regular refuse collection to:

- container transport,
- housing estates services,
- repair, supply, garage work (indoor),
- street section.

In the street section, wages are lower. One who voluntarily applies for a transfer to this section will get a lower wage. If, however, an individual is transferred due to health reasons he will continue to get the earlier wage. Many workers also anticipate such a transfer by voluntarily changing to a more mechanized job, such as, one-man truck or container transport; thereby getting an easier job and avoiding part of the wage reduction.

In theory, the local authority and all its departments, agencies and divisions, should function as a replacement and transfer area for those employed within Refuse Collection. This follows the normal practice of the Act on Security of Employment in the public sector. In reality this does not work and in the last ten years very few individuals from Refuse Collection have been replaced this way. What has happened is that every department or division will defend and reserve for "their own" the easy jobs and niches. The Road Works Department, for example, wished to take over the Street Division from Refuse Collection as a way of finding jobs for their older workers. This advance was rebutted by the elected board of Refuse Collection. Refuse Collection encounters the same resistance from other departments when it needs to find new jobs for their workers.

4.7 Case 5: A General Hospital – New Ways of Handling Disabling Work

The Swedish health care system is organized through public bodies. Hospitals, including psychiatric hospitals, nursing homes, and the majority of outpatient care are run by the counties. Costs for health care are financed by the county tax, a flat income tax, varying between 13–16% in different counties. Sickness insurance, and the major part of the medicine costs (medicines prescribed by doctors) are financed by a social insurance contribution, levied as a pay-roll fee (about 10%).

The county we have chosen employs about 30,000 people and is divided into "Health Care Districts", centered around a hospital. Our district employs about 6,000 and also administers a large psychiatric hospital, several nursing homes and several primary care outpatient facilities. The district is the employing agency and responsible for personnel policy. The central administration of the county has mainly regular staff functions (education, training, etc.). The size of the district is shown in table 23 through employment figures.

Table 23: Distribution of Employees in Hospital District in 1990

Category	Hospital Care District	County as a Whole
1. Doctors	367	1,708
2. Nurses	1,386	5,483
3. Other Care Personnel	2,421	10,660
of which:		
a) Asst. Nurses	1,608	5,532
b) Wardens	435	1,873
c) Orderlies	256	2,754
4. Medico-Technical	48	297
5. Paramedical	254	1,630
6. Maintenance	741	3,298
of which:		
a) Cleaning	357	1,299
b) Kitchen	218	836
7. Administration	525	2,718

Source: Personnel Statistics.

4.7.1 Work Organization

During the last decade patients in nursing homes, as well as in hospital clinics, have become harder to handle. They are in general older and demand more care and are not as agile as before. Caring work has thus become more "physical" and at the same time the number of support personnel has decreased. Some "intermediate wards", caring for patients, that could manage themselves, have been closed. Work has become more intense and concentrated. After a long phase of expansion of resources and growth in the numbers of employed, the situation is now one of reallocation, restructuring and intensification. To this should be added a change in the proportion of different categories within nursing. Consequently, the number of trained nurses is growing and the number of assistant nurses and orderlies are diminishing. This tends to shift some parts of work from the category of assistant nurses to trained nurses, which entails an intensification of the work for both categories.

The average age of the employees has slowly been rising and this has been due, in the main to expansion in the 1970s and a tendency for those over 50 to increase their hours of work (diminishing the need for new entrants). Today, however, the demand is for younger people and the schools, educating nurses and assistant nurses, are all geared to those coming directly from high school. Earlier the county organized "reactivating courses" for nurses and others who had been away from work for years and courses for older people who wanted to be employed. This was in vogue 15 to 20 years ago, but no such course have been initiated in the last five to six years. Efforts to re-enlist nurses that have left the hospital sector, have not been successful.

Work injury is still a problem – and many members of the SKAF-union (organizing orderlies, nurses assistants, cleaning and kitchen personnel) are worn out before they reach 60. In the words of a local SKAF union representative: "They are worn out before 60. Every day someone is coming and reporting a work injury." Some of them will receive disability pensions when they are around 57–58 years. The administrative union (SKTF) stated their main problems as reorganization and computerization. With the proposed transfer of some work areas in old age care to the local authorities, there may be problems for some amongst the administrative personnel at Hospital. Some of these will have an offer of early retirement (from 60 years+). Computerization, on the other hand, demands new skills and further training. Some older personnel have experienced this change and see it as a difficulty.

Sickness is also problematic, with the average number of sick days per employee increasing dramatically, from 27 to 45 days between 1984 and 1989. The total number of sick days increased from 148,190 to 263,104, an

Table 24: Average Number of Sick-Days, and Long-Term Sickness among Different Categories of Employees at Hospital in 1989

Category	Average Sickdays	Long Sick Spells: % of Category	Average Days Absent per Longterm Sick Spell
1. Doctors	13.5	5.2%	171
2. Nurses	24.1	11.1%	141
3. Other Care Personnel	46.0	20.2%	163
of which:			
a) Asst. Nurses	39.2	17.2%	150
b) Wardens	54.5	24.3%	174
c) Orderlies	76.5	32.8%	170
4. Medico-Technical	37.5	9.8%	242
5. Paramedical	27.4	17.3%	108
6. Maintenance of which:	75.3	34.1%	167
a) Cleaning	88.9	39.8%	169
b) Kitchen	63.7	30.3%	154
7. Administration	38.9	19.4%	146
Average for all Employees:	45.3	—	162

Source: Personnel Statistics.

increase of 77.5% during the same period. Long-term sickness (> 32 days a year) accounted for more than 95% of this increase and is seen as an alarming problem. The whole picture is shown in table 24.

The sickness rate differs considerably between occupational categories. The harder the work and the less qualified the personnel, the higher the rates of absence (cf. the gap between group 1, 2 and 3, as well as the increase within group 3).

4.7.2 The Dialectics of Decentralization and Internal Mobility

In the last few years, the trend towards a more decentralized organization within the Health Care District has been featured. The personnel administration has shifted downwards to the level of the clinics, which have become the "basic units". Work schedules, budgets and hiring of personnel, are now decisions within the jurisdiction of the manager of the "basic unit" (in practice the head physician). In the future, further major personnel decisions, including the problems of the long-term sick and those in need of new jobs etc., will also be within the responsibility of the "basic unit".

The philosophy of Hospital management is that "basic units" should take care of their own problems and carry the costs of their work organization, such as work injuries, disability etc. Thus, management believes, they will be forced to take a long-term view of their working arrangements.

Decentralized responsibility has made it practically impossible to move between clinics and work units, so it has become increasingly more difficult for older employees, or those in need of "easy jobs", to be transferred to other clinics. Every "basic unit" wants to reserve their nice and easy jobs for their own employees, but it has also rendered normal mobility between units and clinics more difficult as a union representative explains: "They are building walls between the units."

Age-specific mobility differs amongst categories of employees. Most nurses stay in their normal nurse position, although some may take up a more administrative position (becoming head nurses, section administrators etc.). Even so a few try to transfer to out-patient clinics, which have only day schedules and weekend closing, that makes the job very attractive. The out-patient clinic is also appealing for assistant nurses and when there is an opening, between 30 and 40 individuals apply. The possibility to move is obviously limited. In addition, assistant nurses have the option for an individual career in nursing and they can receive paid training to become a qualified nurse. It should be noted, that there are few possibilities for internal mobility for the maintenance personnel. In another area, the administrative personnel works within an hierarchical organization. In the 1980s, Hospital tried to recruit many of the top career positions from outside, thereby partly blocking internal mobility. This pattern included top managers as well as engineers and supervisors but there is no parallel move out of Hospital to other sectors.

This "locking-in" was enhanced by changing rules for promotion. Previously, "experience", which was interpreted as the number of years worked, was the major qualification when applying for a new job or an internal transfer. An employee could, so to say, "earn" the right to a transfer. But this is no longer the case. Today, the emphasis is on training, formal education and suitability, including your personal style.

4.7.3 Dilemmas, Causes of Action and Means Used

The counties have defined two exit points in the pension system: one as an age span 63-65 and the other at 65. The occupational pension system in this sector offers incentives for many employees to work until the statutory age but many employees in fact leave before 63/65. Few people stay on until they reach the upper retirement age within their category. The typical exit for the long-term sick is the disability pension.

The dilemmas of Hospital may be found in the combination of an aging personnel, an aging group of patients and budgetary constraints. This leads to a rising intensity of work, which, in turn, creates rising rates of absenteeism due to exhaustion and sickness among the employees. These trends are visible in the exit patterns found in Hospital.

Before proceeding to examine the ways out, which involve a combination of preventive measures, let us first consider the facts about exit. The number of individuals achieving early retirement, due to disability, is very large, nearly as large as the number of those who retire at the statutory pension age. The increase in disability pensions has been very poignant since the early 1980s. Early retirement is most common amongst the nursing aides and the cleaning personnel. The Health Care District has a higher rate of disability pensions than other districts within the county. This may be due to better counselling from the pension officer or to the bad environment in the area (a consequence of several major polluting industries).

The SKAF representatives sometimes suggest that some older women among their members should try to get their sickness and injuries recognized as "work injuries", and demand compensation. But "quite often they answer that they don't want to do this because then '...they (i.e., the supervisor) will get angry with me'." The older women, for instance, do not want to raise this issue with the supervisor or manager and thereby expose themselves to the danger of being disliked or suspected of "scrounging", that is to say, exploiting the welfare system. "Many don't want to use the social insurance system we have, they will come to work, even if they are not able to have a decent life outside the job."

Another union officer gave a graphic description of the consequences of these set of attitudes:

"Sometimes we have meetings for our older members, to inform them about the pension agreement. Then you notice that half of those present will stand up or walk around every five or ten minutes. They have so much pain, in their back or in their shoulders that they can't sit still. But they will not report as sick and they will try to avoid, for as long as possible, taking up sickness benefit."

Certain older female workers feel strongly pressured to quit: "Many of my older colleagues will tell me, almost crying, that their supervisor tried to persuade them to look for and apply for other jobs; to quit 'their' clinic." Why is this? The major reason is that if they are old and sick they cause problems for the supervisor; economical as well as practical. "They want to get rid of them as soon as possible, to get rid of their responsibilities." This can be explained by the economic squeeze that is now put on basic units. If they have people with long-term sickness within them, the basic units must deal with that on their own because of the decentralized procedure.

The preventive efforts take place through the work environment and health policies and two major efforts can be distinguished.

The *Local committee for the work environment and occupational safety* is an organization present in all Swedish workplaces. It is composed of representatives from the employer and the unions concerned. Three (elected) union representatives are employed full time to cover this area and they are paid by the employer. There are 78 elected representatives responsible for the work environment in their units with another 50 in reserve. This is the formal machinery for discussions and negotiations relating to the work environment.

The *Adaptation group* is responsible for taking care of employees who have been sick for longer periods. It is the traditional internal institution handling sickness and exit problems. Hospital has a special fund (APG account) – part of the budget of the district – which is directed specifically to the problems of those employees who can not continue to work in their normal jobs. The 1990 budget for the Adaptation Group was about 7.5 million SEK.

The APG account is handled by a committee, where the unions have representation. During 1989 there were the following number of cases:

- 60 were transferred to other jobs,
- 7 were paid while getting an education or labor market vocational training,
- 9 were paid out of the central APG account, while continuing to work in their old units.

4.7.4 Decentralization and Rehabilitation Policies – The Work Environment Project

Today, decentralization of responsibility has begun and the APG account will probably be abolished. The question arises why? One answer is: As long as it exists there is a temptation for some units to shift the cost and the burden of sick and injured employees on to the APG account. The maintenance section for example has used the APG account more than others, which can be explained by their work situation and sickness patterns.

However, preventive efforts do not end with this. Hospital is attempting with extra effort, to put through its own "*work environment project*". The aim of this project is to teach administrators and the heads of the basic units how to set up a "rehabilitation plan". The clinics are made responsible for their personnel and must find jobs for them within the organization in case of sickness, work injuries etc. They will lose the easier way out of such dilemmas – for example the transfer to a central problem-solving unit (like the APG); or firing people. The basic units will have to plan for this new

situation when an institution like the Adaptation group no longer exists. This project is a way for the central personnel management to force and induce, but also to help, the heads of the local units to act in accordance with the new work environment and rehabilitation legislation. The goal of the project, conducted with resources from the Working Life Fund (cf. section 5.4), is to create new routines for handling rehabilitation.

4.7.5 Collaboration between the Social Insurance Office and Hospital

During 1990 a new form of collaboration began between the Health Care District (as the employer) and the Regional Social Insurance Office. The background to this was a government proposal, which placed more emphasis on rehabilitation and reform of the work environment (cf. section 5.4). The new policy emphasizes on keeping people employed and not on accepting the rise in early retirement due to work injuries and sickness.

The work routines of the Local Social Insurance Office (SIO) were also changed at this time. Four SIO employees were allocated to Hospital, to handle its employees, especially its long-term sick cases. Each SIO officer usually handles a random sample of cases, based on their birth dates, but in the new procedure, the officers will try to connect the individual cases with their work. The aim of this change is governed by concerns of rehabilitation. Over time the SIO officers will get to know the specific work environment of their cases much better. In this way they can become involved in establishing new tasks for them at their workplace. The SIO officers are able to finance both retraining (e.g., in the education offered by the Labor Market Board) and rehabilitation schemes (such as special treatment of back injuries etc.).

During mid 1990 Hospital had a backlog of 143 people who had been reported long-term sick, i.e., who had received sickness benefit for more than six months. The immediate action of the SIO was to attempt to look more closely into these cases with the help of doctors and other specialists of the SIO. Some were soon recommended disability pensions, and some were put on a rehabilitation program.

The SIO (and the doctors) defines the criteria for receiving the disability pension. Hospital then will have to take action with regards to those that are judged able to go back to work. This will put new demands on Hospital as an employer and especially on the personnel department. In the future, the SIO's ambition is that their officers will contact each person when he/she has been reported sick for four weeks, or if they have repeated spells of short-term illness.

4.8 Concluding Remarks

The case studies have shed light on different age-related practices in Swedish firms and work organizations. We have focused on situations where age, as a variable, is seen as problematic, due to reorganizations, productivity crises, including patterns of work injuries and sickness. We have also demonstrated the presence in firms of prevention policies. Even more space has, however, been devoted to exit-related practices. This seems to be a paradox, given our insistence on the "Work Society" character of Sweden, and the special role we have accorded to the prevention policies, which aimed at internalizing the age-related dilemmas of the older workforce into firms.

Thus our case studies show *how the pressures towards exits of the older workforce are managed in firms*. Of course, exits occur on a wide scale. But our cases also show how they are being forestalled, as well as prevented, through concrete measures and if nothing else, they were being postponed and delayed; thereby slowing the exit rates. Thus, the case histories illustrate how the balance between accommodating and preventive policies is struck in practice.

However, one major aspect of prevention has been underestimated through our focus on firms. This is the labor market oriented prevention, what we will characterize as the *firm-external prevention*. By this we denote those policies that keep marginalized groups in the labor force, through subsidized employment and sheltered jobs, and the use of labor market training and education, to minimize open unemployment. Some exit routes from a specific job or firm, however, presuppose that the firm-external prevention policies exist as a next step. The Employment Security Fund often supports exit from one firm – but in combination with re-employment at another job, or retraining.

The cases illustrate *the combination of accommodation and firm-internal as well as firm-external prevention policies*, that together define the way Sweden deals with the older workforce and (early) exit situations. Furthermore, the cases give examples of emerging trends and dilemmas that modify the Swedish Policy Regime and have consequences for the Swedish model. Some of these trends and dilemmas will be dealt with in the concluding section of our chapter. We will discuss the effects of changing work processes, new managerial strategies and accentuated decentralization on the older workforce. This will point to the new direction in prevention policies – with the Social Insurance Office as coordinator and with "work environment" and "rehabilitation" as key items.

Table 25: Costs for Disability Pensions, Work Injury Annuities and Sickness Benefits 1980–1990. Milliard SEK (current prices)

Year	Disability Pensions	Work Injury		Sickness Benefits
		Annuities	Sick Benefits	
1985	17.9	1.1	0.7	17.9
1986	19.7	1.3	1.6	20.0
1987	21.1	1.6	2.9	23.1
1988	23.3	2.2	4.7	31.1
1989	26.2	2.9	5.4	33.9
1990	—	3.7	6.2	34.9

Source: RFV

Note: In 1991 Sickness Benefits Costs Fell to 31.9 Milliards SEK; this can be Attributed to Changes in Sickness Insurance Regulations from March 1991.

5 Current Issues and Future Trends

5.1 The State Dilemma – Increased Costs

During the 1980s public costs for the major exit forms have grown significantly. Disability pensions and work injury life annuities are the main components of this “cost explosion”. Sick benefits show the same sharp increase (table 25). Total costs for these schemes are straining the public budget, which has made a change in priorities a government issue.

Public costs can be cut *through closing some exit options and tightening eligibility to others*.

(1) The growing uneasiness with early retirement was shown when the combination of unemployment benefit for 450 days, followed by disability pension (i.e., “unemployment pension”), was abolished in 1990. At that time an over-heated labor market was the immediate precondition, but the decision to end unemployment pensions indicated a general change in attitudes towards early exit.

(2) Eligibility to the “health disability pension” has been tightened; stricter medical terms have applied since 1991 and a minimum age of 60 years has been enforced. This pension is planned to be phased in with the work injury insurance. By making it more difficult to qualify for the more generous work injury scheme, a certain transfer to the less costly disability pension system is expected to take place, thereby, reducing the total public costs.

(3) The state wants to direct a larger number of exit-prone individuals into the scheme of early drawing. Early drawing is in principle just an actuarial redistribution of the individual's pension benefits over more pension years and involves no extra costs to the state. If the alternative is a

state-financed early exit the state will gain substantial amounts, by directing more exits into the scheme of early drawing, thereby shifting the costs onto the individuals. This is planned in two steps.

(a) Some early retirement cases that formerly were "full" cases are hoped to end up as "half" cases, when it has become possible to combine half early retirement with half early drawing in 1992.

(b) The part-time pension has in 1992 been questioned. The non-socialist government wants to abolish it and half early drawing is mentioned as the distinct alternative.

To sum up the new trend: The state wants the number of exits to decrease, but if early exit occurs, the cost shall to a larger extent be born by the individual himself.

5.2 The Firm Dilemma – Decreased Internal Transferability

Today, Sweden witnesses changes, within industrial and service production, similar to those in other countries. Our case studies demonstrate that one common feature is the *decentralizing of the responsibility for profits and efficiency* to lower-level production units. This is obvious in all five cases. It includes the decentralization of personnel policy to the same units. Together, these circumstances determine the employment and personnel strategies of firms, which affect the older workforce. On the one hand, there is a pressure within the Swedish Policy Regime on firms to internalize certain public policy objectives. On the other hand, there is a spontaneous strategy by firms to externalize some of their problems.

The technical-organizational changes in firms tend to eliminate many so-called "*easy jobs*"; those that have been used as the internal gradual exit routes. Many of these "easy jobs" were located in intermediary functions within firms, such as, inventories, secretary pools, attendance, repairs etc. Workers, in the past, have been given lighter white-collar tasks or have been transferred to less burdensome manual jobs. Refuse Collection gives a picture of extensive transfers from regular refuse collection to container transport; housing estate services; repair, stock, garage work; and the "street division", in cases of disability or low productivity. They are all examples of more or less "sheltered" work. Steel Mill reveals the same. The general pattern is that individuals are moved from a special division to supporting, complementary tasks, in cases of disability or decreased productivity.

Decentralization makes the process of internal gradual exit much more difficult. Decentralization is linked to *local responsibility for profits and efficiency*. This makes lower levels within an organization less inclined to take responsibility for "problematic" employees (those with low productiv-

ity, sickness problems etc.) and they also want to preserve their "easy jobs" for their own employees, which makes internal replacements generally more difficult for these groups. The personnel programs of local governments, on the other hand, cover wide areas, and transfers have usually taken place between entities. Transfers are the standard solutions in the public sector. Due to decentralization, the personnel policy of replacement within local governments has almost collapsed.

Modern "*just-in-time*" strategies imply cutting down stocks of inputs, of intermediate products, and of finished products. The just-in-time strategies lead to demands for more flexibility, therefore team-work is the answer (cf. Steel Mill and High Tech) to this demand in the most competitive firms of our cases. This general trend penetrates public and private firms and bodies, less subjected to competition, but still under pressure to increase productivity and efficiency. In this process the "classical chain of command", not least the supervisor position tends to be made redundant. The intermediary level is out, the "*work-team*" is a new key concept.

The drive towards technical rationalization and organizational decentralization inclines to marginalize certain individuals:

- with low formal education,
- with limited ability to adapt to new conditions,
- not willing or able to learn new techniques in the way that firms want them to (cf. Steel Mill),
- not willing or able to participate in new and changing forms of organization (sometimes the case with older foremen and supervisors), especially relevant for older white-collar workers with routine jobs, for whom the changing boundaries between workshop and office might be socially problematic.

In firms, internal job shifts were the traditional solution for marginalized employees. Can work-teams be expected to cope with this problem – much the older worker's problem? The answer is in the negative. Low level units, such as work-teams, seem to externalize their personnel problems within the firm, but the level that could handle these claims is slowly disappearing.

Given the compressed Swedish wage structure and the rather high level of total labor costs, we should perhaps expect that the changes discussed above would lead to an even faster marginalization of older employees in Sweden than in other countries. Adaptation to declining competence and productivity of an employee can be compensated by a lower wage – and if that road is closed, the dilemma must be handled in other ways.

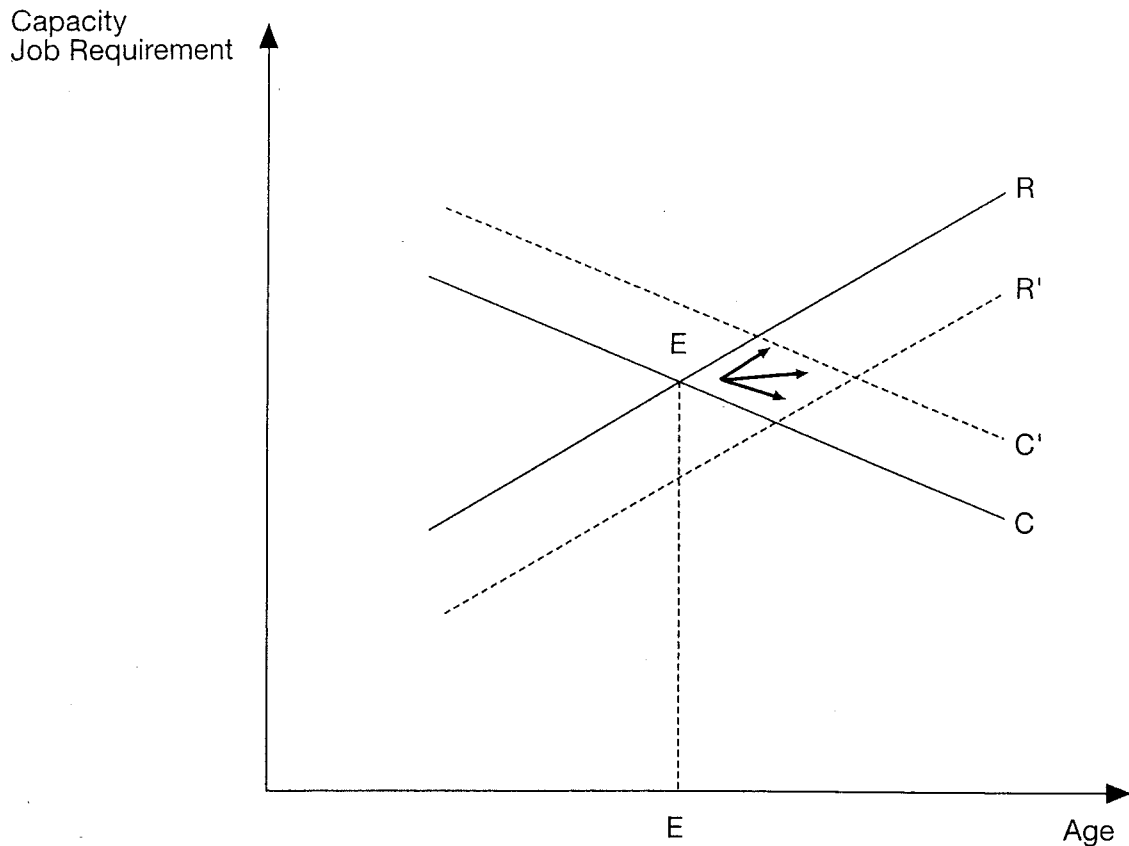


Chart 1: Age, Individual Capacity (C) and Job Requirement (R); A General Model of the Older Workforce Dilemma in Firms

5.3 Age, Capacity and Job Requirements – A Model for Understanding Exit Dilemmas in Work Organizations

The model in chart 1 links age of employees to (1) changes in the demands on capacity and (2) changes in job requirements. This, we suggest, is a likely pattern for *exit threatened employees* 50–65 in many work organizations.

Over a period of time, a job position in a work organization normally demands increased competence, work capacity, productivity etc. This is shown by the *job requirement line* (R) sloping upwards. At the same time work capacity, competence and productivity of the average employee in a given job declines over time – the *capacity line* (C) is sloping downwards. At a certain age the capacity of the individual falls short of the requirements. At this point (E) we find “the firm-preferred exit point”. Beyond (E), with increasing age, the gap between (individual) capacity and job requirements widens (cf. the REC-angle in chart 1).

The problem that this widening gap implies can be solved in different ways. We regard the different solutions as *functional alternatives*. The

problem is illustrated for one individual. For the firm it generally appears as a problem of the workforce as a whole.

We can distinguish three alternative solutions:

- A) Externalizing the problem through exit,
- B) Internal solutions to the problem through,
 - B1) Changing job requirements,
 - B2) Changing the capacity of employees (job-specific or general).

Externalization simply means that firms close the gap by dismissing individuals when they reach or approach their individual E-points. This is the *exit-solution*. When individuals reach this point, firms are even willing to subsidize exits. Steel Mill gave a concrete picture of how far a company is willing to subsidize an early exit for some of its employees. The same can be seen in the practice of early retirement at Bank. However, the State Dilemma formulated in section 5.1 above implies that we should expect the State to block "topped-up exits" from becoming the preferred solution. This is one way in which we can interpret the closing of the alternative of "unemployment pension".

Firm-internal solutions can shift the two lines in chart 1 (as shown by the dotted lines), thereby pushing the E-point to a later age. The complete success of an internal strategy implies pushing the point to the statutory pension age of the individuals.

The "spontaneous" firm internal solution is *internal transfers*. These can shift the requirement line (R) downwards, since the new job that the individual is transferred to generally implies easier tasks than the job he is leaving. It could come as a result of moving to a new position or to a part-time job. This might also lead to a shift of the capacity line (C) upwards, since a new job position can change the set of requirements that the individuals have to respond to, thereby increasing his job specific capacity. A new job might also increase motivation and thereby capacity.

Internal transfers have been part of the personnel policy of many larger firms. We talk of them as "spontaneous" because they have been part of personnel programs *without* intervention from the State. It has, as was shown in Steel Mill, been the traditional gradual internal exit route. Now, our case studies indicate that this solution is increasingly blocked through technical change and changes in the work organization within firms (cf. the Firm Dilemma in section 5.2).

Then, what internal solutions are left? We will now come to state-induced internal changes in the firms, i.e., changes coming about as results of *internalizing strategies*. They can also be illustrated through the model in chart 1.

- (1) The requirement line can be lowered if the State *subsidizes jobs for*

specific groups of employees, e.g., older workers. This is part of existing prevention policies (cf. section 2.2.3 above). However, such a policy can become a cost problem for the State and it is therefore likely to remain a measure of minor importance.

(2) The capacity line can be shifted upwards by *upgrading* individual capacities through *internal education*. We have seen such efforts in action, partly stimulated by the State (cf. Steel Mill), partly (and recently) through initiatives by Employment Security Funds. *Vocational training* through the Labor Market Training Schemes (AMU) belong to this category.

Both these strategies often imply a change of job *and* firm. Getting a job with employment subsidy might involve a change of employer. Training and education often aim at giving the individual new possibilities of leaving the firm for a new job, or even becoming self-employed (cf. High Tech and Steel Mill). Standing alone, these programs will only be a minor element in solving the two dilemmas.

However, none of the so far described alternatives can obviously solve the older worker exit problem. Instead, new forms of prevention have been proposed, changing the *work environment* and efforts of *rehabilitation*. In relation to the exit problem in chart 1, successful prevention implies that the decrease in capacity is slowed down (cf. physical deterioration). Instead of shifting the capacity line (C) upwards in chart 1, we should rather illustrate this alternative through a decrease of the slope of C, i.e., giving it a flatter shape.

5.4 The Social Democratic Heritage – Renewed Emphasis on Prevention within Firms

Besides being a cost problem early exit has become a threat to the full-time, full-employment pillar of the "Work Society" ideology. The large number of early exits has led to a lowered average actual pension age of the Swedish workforce, even taking the rising actual pension age of public employees into account (cf. section 2.4). And this has not been due to a reform ideology from above, but due to practices from below, where firms, corporatist bodies and employees are the main actors.

Ambitions to reduce costs have created a *renewed emphasis on prevention policies*, especially regarding work environment and rehabilitation, forming a way out of the exit/cost dilemma and adhering to the "Work Society" logic. In 1988, the new direction was set out in the report "Early and coordinated rehabilitation" (SOU 1988: 41). The report emphasized cooperation between health and social services, as well as employment and insurance offices, together with firms. These actors were, in such a setting, supposed to plan more effectively for rehabilitation. In 1989 the Pension

Commission published a report on disability pensions and early exit, arguing that state policy ought to "...counteract the ongoing marginalization of older workers from working life" (SOU 1989: 101, p.12). New laws regulating these two areas were passed by the Swedish Parliament in 1991 (cf. Proposition 1990/91: 140 and 1990/91: 141). The goal is to *prevent exits through reorganization of the work process and work organization*. The argument was that preventive action could, if it was successful, decrease the number of individuals having to exit due to disability and work injuries, thereby reducing the costs of the compensation. We will point to two characteristic and illuminating institutional developments in this field.

5.4.1 Preventing Sickness and Physical Deterioration as Causes for Early Exit – Designing a New Role for the Social Insurance Office

Social Insurance Offices (SIOs) have traditionally taken on a passive role in exit related situations. They have given service, but not until the matter is almost settled. With the new policy (that early retirement ought to decrease) the office has to take a new and more active role at an earlier stage.

This new formula can be seen in Hospital above, which is actually a pilot project in renewing the role of SIO. SIOs normally handled their number of cases randomly, but in the new procedure, they work with a group of employees in the same firm. In practice, they try to connect the sickness pattern of individual cases with the work environment. It is suggested that over time the SIO officers will get to know the specific work environment of their cases better and that they should be able to influence work conditions, and even work organization, within firms. The SIO can use their control over the financing of retraining and rehabilitation measures as a way to influence changes in work organization.

In the new law on rehabilitation, the Social Insurance Offices have become the coordinating public authority. The classic accommodating authority has now to proclaim prevention. This close cooperation between a public agency such as the Social Insurance Office and a large employer represents a new direction in Swedish policy. It is a case of *penetration of Social Welfare Agencies into the work organization of firms*. This is the organizational response to the new direction in prevention policies.

5.4.2 The 1990 Working Life Fund

An important new component in stimulating rehabilitation in the early 1990s, using subsidies to encourage changes within Swedish firms, is the *Working Life Fund*, established in 1990.

This Fund is designed to be temporary, and to complement law-bound, compulsory measures within firms. A temporary work environment fee, paid by employers, during the period September 1989-December 1990, is the financial basis of the Fund. Starting to distribute financial support in early 1991, the Fund is supposed to have a life-time of around five to six years distributing around 2–2.5 milliard SEK a year. Support from the Fund is supposed to be linked to firm-based financial contributions. As a net calculation, the Fund will subsidize around 30% of the resulting firm-based programs.

The Fund is organized county-wise. It gives support to mainly work-rehabilitation (80–90%), though it also supports work-environment projects. Change in work-organization and education efforts to increase job-rotation are subsidized. The Funds support should be distributed in proportion to size of branches within private and public sectors, as well as amongst the two sectors. Almost all applications, that have not fallen outside of the Funds' field of operation have been approved during 1991.

5.5 Future Trends – Clashing Trends?

A Liberal/Conservative government took power in autumn 1991, proclaiming its adherence to the "work-for-all strategy", in a period of rapidly increasing unemployment. How will the new government deal with the "Social Democratic heritage" of extended prevention through work environment and rehabilitation?

Implementation of these goals through the use of Funds will probably be given less priority, because of the ideological resistance to state and trade union directed redistribution through Funds (cf. section 3.3). Pressures for changes from firms, e.g., externalization of problems, will be expected to meet less resistance, given the more pro-employer orientation of the new government (cf. Introduction).

The essence is still a situation of clashing trends, given the existing Policy Regime. On the one hand, the Swedish *state* aims at forcing and inducing firms to *internalize the exit problem* through rehabilitation and work environment reforms. On the other hand, the *lower level units within the firm* aim at *externalizing* redundant individuals. This creates a management dilemma, with far-reaching social consequences, which is a central paradox coming out of our case studies. It has been embedded in a strong Policy Regime, which keeps externalization within bounds, and thereby keeps the exit rate rather low.

It is hard to evaluate the relative strength of the forces mentioned. How strong will the pressures on firms to internalize the older workers be, i.e., keeping them employed? How strong will the pressures from within firms

to externalize their "older worker problem" become? Experience from other countries suggests that the development of the unemployment rate, the volume of employment in society, or in broader terms the survival of the Swedish "Work Society" is the basic determinant. Existing evidence from comparative social research indicates that a recession with increasing unemployment, combined with decreasing State ambitions on prevention, will result in rising levels of early exit among the older Swedish workforce in the 1990s.

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