

Trends in the pattern of lifelong learning in Sweden: towards a decentralized economy*

Thomas Ericson

CELMS

Department of Economics

School of Business, Economics and Law

Göteborg University

JEL codes: I21, J24, J50

Key Words: Swedish Model, Lifelong learning, Education, On-the-job training

Abstract:

This essay offers an overview and discussion about the conditions for Swedish workers to obtain lifelong learning. It studies how the Swedish schooling system and the institutions for adult training have influenced workers' abilities to upgrade their skills. A general conclusion is that a previous centralistic structure of education, labour market programmes and wage negotiations has transformed to a more decentralised economy, where individual incentives and abilities to make efficient choices during the life cycle are becoming increasingly important.

* Paper presented at Céreq – 10/12 Mars 2005, Marseille. Comments by Dominique Anxo and Martine Möbus are gratefully acknowledged.

1. Introduction: The Swedish Model

It is hard to overemphasize the importance of education for the individual's opportunities on the labour market. In a world that is characterized by technological developments, rationalizations, and international competition, it becomes more and more apparent that education which is obtained in schools and universities very quickly can be insufficient or obsolete. There is a continuing process of training on the workplaces, through formal training programmes, learning-by-doing, and informal instructions from colleagues. In addition, the worker sometimes needs to take a break from his or her ordinary tasks, attend external courses, experience a different worksite, or go to conferences and similar events. Lifelong learning is nowadays a well-known concept in the public debate.

The capacity to engage in lifelong learning has been crucial for Swedish workers for a long time, although the concept itself is quite modern. There is a fundamental reason why lifelong learning is particularly important for Swedish workers: Sweden is an obvious example of an economy, which, according to the language of macroeconomic textbooks, is "small and open". Sweden is a *small* economy, in the sense that supply and demand of tradable goods on the Swedish market cannot influence the world-market price of these commodities. And Sweden is an *open* economy because policy makers recognize that free international trade of goods and capital is the only way to obtain increasing welfare in the long run. Only through international trade will the market for Swedish producers become sufficiently large to allow for specialization in production, which, in turn, is necessary for increasing productivity and technological development. The domestic Swedish market is simply too small to sustain advanced domestic production of the goods and services that we consume in a modern society.

However, extensive international trade and specialization imply certain risks. Because of lower labour costs in developing nations, whole branches of industries can suddenly move to sites outside the national boarder. There are many examples of previously flourishing industries and plants in Swedish communities that no longer exists today. Many mining industries, shipyards, shoe and textile industries have

moved away, leaving empty buildings and unemployed workers behind.¹ Hence, foreign competition has produced a continuing structural transformation of the Swedish labour market, which has created a need for retraining of unemployed workers, as well as a higher level of education for young people who are about to enter the labour market. It should be remembered that although there is a positive tone and flavour to the word ‘lifelong learning’, it is often driven by the destruction of old industries and jobs. As Schumpeter argued, the development of new technologies and products is driven by a process of creative destruction.

This ongoing process of job destruction and job creation have had a strong influence on the Swedish labour market policy, which developed as an essential part of the policy system often referred to as “the Swedish Model”. In short, the Swedish Model can be defined as “the belief in and legitimacy for broad consensus solutions as alternatives to legislative or market solutions”.² It is a model of decision-making that favours compromises instead of authoritarian legislation by the government in power. On the other hand, negotiations between privileged cartel organizations limit market competition and impose regulations on the economy. The Swedish Model developed during the post-war period, when Sweden experienced a stable economic growth and a strengthening of the political power of the social-democratic party. The public sector expanded gradually, with high taxes, generous transfer systems, and many free public services.

The Swedish labour market is characterized by many of the institutional settings that developed during the period between 1950s and 1970s. Swedish labour market regulations and employment protection are based on negotiations and collective agreements between the social partners. The labour market legislation merely serves as a legal framework from which the trade unions and employers’ organizations can make collective agreements. Labour laws are therefore optional and can be modified partly or entirely by collective agreements.

¹ In a large economy, it would be tempting for policymakers to impose trade restrictions in order to protect domestic producers. This would of course be at the expense of domestic consumers who would face a higher price of the products, and foreign producers who would experience a lower world-market price as a result of the decreased import from the large economy. However, trade restrictions are even more contra-productive in a small economy like Sweden. A restriction on certain imports to Sweden would not influence world-market demand of the goods in question, the world-market price would remain the same, and the profitability of the domestic producers would not be improved. Only the domestic market price would increase, which would have a negative effect on Swedish consumers (and voters) but essentially no effect on firms’ profitability and employment of workers.

² Pettersson (1999)

It is often argued that the collective agreements have supported the job-destruction and job-creation processes, by keeping the negotiated wage level too high for unprofitable industries to remain on the market, and comfortably low for expanding industries that otherwise would experience increasing wage levels and lower investment capacities.

Thus, the necessity of lifelong learning is indeed an integrated and established part of the Swedish labour market. What we are experiencing presently, in terms of lifelong learning, is perhaps not a fundamentally new situation, but for many reasons that I will discuss in this essay, the conditions under which workers have to acquire new skills may have changed dramatically.

2. The Swedish schooling system

In order to understand the conditions for lifelong learning on the Swedish labour market we need to shortly review the Swedish schooling system.³ There are two main goals for education policy in Sweden: *equality* and *efficiency*. The egalitarian goals can be separated in *equality of outcome* and *equality of opportunities*. The former goal aims to influence the distribution of student outcomes in terms of cognitive skills *etc.*, which has been manifested by centralized and uniform education programmes, where basically all pupils are kept together in one class with similar curriculum. Extra resources have been allocated to children of immigrants and to handicapped pupils with special needs. The second aim, to equalize opportunities, is to be understood as an ambition to reduce the importance of pupils' family background for their subsequent educational attainment. In terms of economic theory, education policy aims to eliminate the credit constraints that low-income families face when their children are about to be engaged in higher education. This is also the main argument behind the efficiency goal: talented pupils with a family background lacking educational tradition should have an equally good chance to obtain higher education and high income in the future.

Until the beginning of the 1990s, the municipalities operated the Swedish schooling system, while the central government decided basic goals, the curriculum, and provided earmarked money for schools. A nine-year tuition-free compulsory

³ This section draws heavily on Björklund, Edin, Fredriksson & Krueger (2004).

education started at age 7, where all children followed basically the same curriculum. A voluntary upper-secondary school offered several programmes, from vocational training to preparation for further studies at the university level.

A turning point of the schooling system took place at the beginning of the 1990s, when a series of reforms changed the track towards decentralization of governance and pluralism in curriculum and teaching methods. Most importantly, the authority to run primary and secondary education was transferred to the municipalities, as well as financial responsibilities. The central government continued to redistribute financial resources from rich to poor municipalities, but the ear marked money for schools was eventually completely eliminated. Secondly, municipalities are now required to fund independent, privately operated schools. Families have complete freedom to choose between a private and public school, provided that a private alternative is available. Thirdly, the daycare for six-year olds were brought closer to primary school, which in practice introduced a compulsory Kindergarden-type programme for six-year olds. Fourthly, one additional year of mainly theoretical studies was added to the vocational programmes in the upper-secondary school. This means that some of the university programmes are now available for vocational students.

The reforms during the 1990s resulted in a remarkable decentralization of a previously centrally governed schooling system. There are still scarce evidence on how this has affected equality and efficiency. A study by Björklund, *et al.* (2004) suggests that student achievement, in terms of final grade in Math, English and Swedish at the age 16, in municipalities with a rising share of student in independent schools increase more than achievement in other municipalities. However, as the authors remarks, this result relies on the assumption that observed differences in performance associated with differential usage of independent schools can, in fact, be attributed to the independent schools, rather than to unmeasured factors that are related to where the independent schools have been established. There are also signs of increasing segregation and increasing dispersion of student performance between schools.

Since the end of the Second World War, the vocational education has been an important part of the economic policy strategy in Sweden. The central blue-collar union, the Swedish Trade Union Confederation (LO), and the Swedish Employers' Confederation (SAF) have had a great influence on the government policy through the arrangement of special central advising committees. On the local level, contacts have

established between potential employers and pupils who need to practice their occupation.

The Swedish model for vocational training is characterized by teaching in a classroom environment. Elements of training on the workplace, such as apprenticeships and trainees are less common than in for example Germany. The practical vocational training programmes also include significant parts of theoretical studies. The purpose is to create broad introductory programmes and then stepwise specialise into specific occupations. Direct preparations for occupational tasks are becoming more and more in the background.

There are relatively good experiences of the Swedish vocational education, with lower youth unemployment than in many other comparable countries. The entrance to the labour market occurs at an older age than during the 1980s, which is due to the additional year of studies that was added to the vocational programmes. However, it is often argued that the present model does not satisfy the private and public sector employers' demands of vocationally trained personnel. Separate firms and organisations are forced to take a greater responsibility on training their newly recruited staff. Furthermore, there is a lack of co-operation between firms that could diminish the insecurities that prevent larger investments in on-the-job training. An additional problem with the present vocational education is that less study-motivated pupils easily quit a school which to an increasingly extent is based on theoretical studies.⁴

Swedish universities are, with a few exceptions, public and run by a central agency, and not allowed to charge tuition. There are presently 15 universities and 26 regional colleges. University students apply for both a specific university /college and a specific field of study. An applicant thus must choose between fields of study, like medicine, engineering, law, economics, of social work, etc, at the time of application. Since the beginning of 1970s, several programmes for higher vocational education are also included among the fields of study in the universities and colleges, (like teachers in kindergarten). The Swedish university study programmes are thus somewhat closer designed to specific occupations and professions than what is normally the case in other countries, although student can also pursue more free and individually designed studies by applying for separate courses.

⁴ See Olofsson (2003) for an extensive analysis of the Swedish vocational education.

A second special property of the Swedish university system is the universal right for students to receive subsidized student loans, and a stipend. Students merely have to be admitted to a university or college and complete their courses at an acceptable speed. The size of this public financial support is, in general, sufficient to maintain the student's cost of living. Students from wealthy families are also eligible for these loans and stipends.

The enrolment rates increased rapidly during the 1990s, when the youth labour market deteriorated. Enrolment rates had been relatively low since the early 1970s, which partly could be explained by enrolment rules that favoured students with some labour market experience. The purpose was to stimulate as many people as possible to invest in higher education, but the result could often be that many Swedish youths did not apply directly to the universities after having completed three years of upper secondary schooling. After a few years on the labour market, the hurdle to start a university education, in terms of lower income, might have increased.

3. A second chance: adult secondary education

People who for some reason have not obtained sufficient education during their youth have a second chance to obtain this education through the Adult Secondary Education (ASE), which is a part of the public school system. ASE is mainly targeted towards adults who are lacking a three-year upper secondary education or its equivalent. Entrants to the labour market are specially targeted, but the programme is also open for workers that would like to take a course for further training in their present occupation/profession, or workers that want to change occupation. It is also possible to take courses in order to qualify for further studies at the university. Lately, young adults attend the adult education programmes in order to improving their grades and qualifying for certain university programmes.

The ASE programmes are supported by the same public loan facilities and stipends that are available for students at universities. In addition, a law from 1974 stipulates that employees are legally entitled to take career breaks to follow training of their choice, with no restriction on either the type or length of training.⁵

⁵ The right to training leave is backed by full employment guarantee, where the employee is to be reinstated to their job with the same working conditions and the same pay. The employer is however

The effects on the earnings of participants in ASE are not encouraging. Ekström (2003) studies how the earnings for participants in ASE between 1988 and 1995 develop between 1983 and 2000. For Swedish men, participation in ASE was associated with a reduction in earnings by around three and a half percent, while no effect was found for Swedish women. However, the earnings for immigrated women increased by around nine percent.

4. Unemployment and training in labour market programmes

Unemployed workers, part-time unemployed and workers who run the risk of becoming unemployed can obtain various forms of labour market training. Normally, the local public employment office recommends a training programme, which can take place in the public schooling system or be arranged by other providers of education whose services are purchased by the National Labour Market Board (AMS). The unemployed worker receives a wage replacement benefit from the public unemployment insurance system while they participate in training.

Sweden stands out among the OECD countries when it comes to expenditures on active labour market policy (ALMP) as a fraction of GDP.⁶ These expenditures go to labour markets training as well as public employment services and administration, youth measures, and various job creation measures. Sweden has emphasized more on labour market training than most other countries, whereas 42 percent of the expenditures on ALMP in 1986-99 have been on training, compared to OECD average of 29 percent.⁷

The emphasise on labour market training go back to the trade union economists Gösta Rehn and Rudolf Meidner, in the late 1940s and early 1950s. The so-called Rehn-Meidner Model included a policy oriented towards low inflation and tight fiscal policy, selective labour market policy to fight unemployment, and a solidarity-wage policy leading to equal pay for equal work. The solidarity-wage policy would generate unemployment in low-productivity sectors. Their solution to this problem was to introduce publicly financed labour market training and other mobility-enhancing measures, so that workers in low-productivity sectors could be transferred

entitled to decide when the training shall start. Training may not be deferred more than six months without explicit agreement of the trade union representatives. See further Anxo & Storrie (2002).

⁶ 1.79 % of GDP during the period between 1991-95, while OECD average was 0.70 %.

⁷ Calmfors, Forslund & Hemström (2001)

to high-productivity sectors, thereby reducing shortage of labour in these latter sectors. In practise, the aim during the 1970s also became to hold down unemployment during recessions, and to maintain workers employable when the economy would start to boom again. Various ALMP, including labour market training, have also been used to qualify for a new period of unemployment compensation, since benefits could not be obtained for more than 14 months, but eligibility could be renewed after participation in any ALMP programme.⁸ A third objective is to reduce moral hazard problems that origins from generous levels of unemployment compensation. Payment of unemployment compensation has been conditional on participation in ALMP programmes, or accepting regular job offers from the public employment offices. Thus, unemployed workers who are not interested in finding a new job or participating in a programme will not be eligible for unemployment compensation.

There is presently a controversy on how well the labour market training programmes have served their purposes. Studies of the 1980s indicate that labour market training has had positive employment and income effects, while studies of the 1990s usually find insignificant or negative effects.⁹ One reason for this controversy is the notorious difficulty to evaluate Swedish ALMP measures: there is no control group who has not been, or later will be, covered by any policy measures when they get unemployed. The choice for unemployed is to participate in a programme now or later, rather than now or never.¹⁰

A second reason for the debate on ALMP is different interpretations of its general goal. Labour market training could be seen as one measure to generate employment that otherwise would not appear, because vacant job positions would not be matched with unemployed workers. Labour market training can be seen as a complement to general economic policy by promoting labour market adjustment, which indeed was its original purpose by Rehn and Meidner. This ambitious objective clearly failed during the economic recession that took place in Sweden during the beginning of 1990s. However, advocates of ALMP argue that labour market training never was expected to handle such massive increasing unemployment, so conclusions based on

⁸ Carling, Edin, Harkman & Holmlund (1996)

⁹ See Calmfors, *et al.* (2001) for a review of the literature.

¹⁰ Sianesi (2001)

its performance during this period are not convincing.¹¹ A conclusion from the Swedish experiences on labour market training is that it is very hard to design efficient education and implement them at the right point of time. Labour market training appears to have functioned more as a passive measure to keep workers employable in the future, when the business cycle goes up again.

5. Staff training: incentive structures in Swedish firms and organizations

The previously highly centralized wage bargaining on the Swedish labour market was based on national agreements between the Swedish Employers' Confederation (SAF) and the central blue-collar union, the Swedish Trade Union Confederation (LO). A decentralization of wage bargaining started during the 1980s, when industry-level bargaining gradually replaced the SAF-LO agreements. Since 1991, the traditional centralized agreements were abandoned. Wage settlements are presently based on industry-sector agreements, which sets the frame for wage bargaining at the company level. The union policy of wage solidarity between different workers within the same type of occupation is also gradually abandoned. The objective of the wage-solidarity policy was to limit intra-industry wage differentials in order to achieve faster industrial restructuring and productivity growth. Low-productivity firms were not allowed to lower the wage rate to stay in business, while high-productivity firms were rewarded by stable wage agreements that allowed more profits to reinvest. The research literature is presently considering whether low-productivity firms survive relatively longer after the decentralization of the wage bargaining system.¹² It is also possible that industry-sector wage agreements generates higher wage mark-ups by making unions less aware of unemployment that may follow as a consequence of high wage demands.¹³

The wage structure during the workers career provides some information about the acquisition of skills at the workplace. In line with human capital theory, a flat wage profile would indicate that the worker has not learnt many new skills, while an upside-down u-shaped earnings profile could demonstrate high learning costs at the beginning of the career, increasing productivity and higher wage rate later on. The

¹¹ Zetterberg (2001)

¹² E.g. Hibbs Jr. & Locking (2000)

¹³ Forslund & Lindh (2004)

Swedish wage-solidarity policy would obviously create strong disincentives for further training at the worksite for most blue-collar workers. Nevertheless, statistics from the Swedish labour force surveys show that Swedish workers have a high incidence of personnel training. Around 60 percent participates in "... any education or seminar that was totally or partly paid by your employer/your company" or alternatively "...participate in any course, been taught by a supervisor to do new tasks or conducted studies on your own".¹⁴

A possible explanation for the high incidence of on-the-job training in Sweden is put forward by recent developments of human capital theory, which take into account that imperfectly competitive labour markets generate wage compression with respect to workers' skills. That is, the wage rate increases slower than the value of the worker's marginal productivity in the firm. This will accrue revenue from training to the employer and induce more training.¹⁵ A few empirical studies based on data from other EU countries than Sweden support this hypothesis,¹⁶ but a recent study based on Swedish data does not find more employer-paid training when wage compression increases.¹⁷ Perhaps the interaction between on-the-job training and life-long learning on the worksite is not as straightforward as one could expect. For example, Sweden has high marginal tax rates, which could induce employers to seek alternative ways of compensating their employees by using some of the training events as non-taxable fringe benefits.

At the same time as wage bargaining decentralized during the 1990s, many workplaces have also decentralized responsibility and decision-making to employees. Work reorganisation may be one of the most important reasons for the decentralization of collective wage bargaining.¹⁸ There are fewer managers per workers, leading to integration of working tasks and less specialization. These kinds of flexible organizations could allocate a greater responsibility of on-the-job training to the worker.

¹⁴ Ericson (2004)

¹⁵ Acemoglu & Pischke (1999)

¹⁶ Almeida-Santos & Mumford (2004) and Bassanini & Brunello (2003)

¹⁷ Ericson (2004)

¹⁸ Katz (1993)

6. Central agreements on worker support in case of downsizing

Employees in both the private and the government sector are covered by various central agreements that regulate the layoffs of workers when firms or government organisations are downsizing. These central agreements (“Omställningsavtal”) have a long tradition in the government sector and for white-collar workers in the private sector. In 2004, an agreement was also signed between the Confederation of Swedish Enterprise (former SAF) and the Swedish Trade Union Confederation (LO). The general objective of these agreements is, on the one hand, to improve the laid-off worker’s opportunity to find a new job. On the other hand, the employer benefit from a simplified process of downsizing the firm and better options to select workers that the employer wants to keep. A separate foundation administrates and executes the commitments that are specified in the central agreement. The employers are financing this third-party foundation through a fee, which is proportional to the firms’ wage costs.

When a downsizing of a firm is to take place, the primary task for the third-party foundation is to organize the support for laid-off employees. Firstly, the worker support include redundancy payments and – in the government sector – early retirement. Secondly, the worker can obtain individual guidance on future job opportunities or how to start up a new private business. The worker can also participate in further education while receiving wage-replacement compensation. The secondary task for the third-party foundation is to pay a complementary unemployment compensation in addition to the ordinary unemployment insurance to workers that have not find a new job.

The employers benefit from increasing flexibility and profitability during the process of downsizing the private company or the government authority. For example, in the private sector, the central agreement stipulates that local parties should negotiate on which personnel that should remain in the firm, and in this negotiation they should consider the firm’s worker-skill requirements and future profitability. In the government sector, the method to simplify downsizing is to employ *early measures* to find new job positions for workers within the authority, before the actual process of reducing the number of personnel have started. A representative from the third-party foundation visits the authority. After negotiations between the employer, employees and union representatives, the third-party foundation can pay the costs of training the employee for a new job within the authority.

It is interesting to note that these collective agreements on downsizing resemble an insurance contract. There are basically two conditions that need to be fulfilled: Firstly, there have to be many employers who finance the supportive actions that are engaged when a firm or organisation has to reduce its staff. Otherwise, there would be no pooling of risks. Secondly, a third party has to mediate the support from the employer to the employee. Otherwise, each firm would finance a common fund. If there were no independent third party who redistributed the fund resources to where it was needed, each firm would demand benefits from the downsizing-support in proportion to their contribution to the common fund. The insurance property would then vanish.

In contrast to active labour market policies, there is very little research that evaluates the efficiency of these collective agreements. A public investigation was performed in 2002 in order to analyse the prerequisite of extending the collective agreement to all sectors on the labour market.¹⁹ Presently, it is only the municipal employment sector that lacks agreements, mainly because of increasing demands of labour in this sector.

7. Policy initiatives: the Knowledge Lift and Individual Learning Accounts

The Knowledge Lift

During the period 1997-2002, the government initiated a new major adult education programme called the “Adult Education Initiative” or “Knowledge Lift” (KL), which is by far the largest adult education programme in Sweden. The objective was to raise the skill level of adult low-skilled workers to a level of 3-year upper-secondary school. By this means, these individuals would strengthen their position in the labour market. KL was organized within the existing municipal adult secondary education (ASE). Like ASE, KL focused on the acquisition of general skills, in contrast to specific skills required in particular occupations or professions. However, part of the education could be vocational courses, work placement or arranged by the labour market training in ALMP. A single course lasted typically a half-year term.

The individuals’ demand for further education was driving the participation in KL. Recruitment of participants was sometimes carried out in co-operation with trade union organisations or the local public employment office. Participants were eligible

¹⁹ SOU 2002:59

for the same grants and loans as in the ordinary ASE. In addition, a so-called ‘special education support’ was given to participants who were unemployed and received unemployment insurance payments at the date of entry to a course. This massive education programme engaged a maximum of 228.000 individuals in the spring 1999. As a comparison, the number of pupils in the regular upper-secondary school is around 300.000. In 2002, the share of men was 33 percent, participants older than 30 years was 56 percent, 77 percent was born in Sweden, and 60 percent had at most 2 years of upper secondary school.²⁰

An evaluation of the outcome by Albrecht, van den Berg & Vroman (2004) finds that young men benefited from KL by a positive employment effect. It thus seems that men who were hurt by the recession in the early 1990s were highly represented among the participants, and they benefited from KL by getting back to work. However, there was no isolated effect on average income for participants, which is at odds with the objective of the programme to raise worker skills as well as their productivity and wages.²¹ Furthermore, no significant effects could be found on women’s employment and income. The authors conclude that perhaps the participation of older women at adult education courses is not directly guided by labour-market prospects but rather by consumption value of education.

Individual Learning Accounts

A second policy initiative worth mentioning is the recent plan by the government to introduce “Individual learning accounts”. These accounts were supposed to improve the individual’s lifelong learning over his or her working life through subsidized savings to finance training. The worker could save a tax-deductible amount on a regular basis. Withdrawal from the account was subject to income taxation, but a “competence premium” would subsidize the savings through a tax reduction. Employers who paid money into the account would obtain a 10 percent reduction of the payroll taxation. Similar reductions would be given to self-employees.

However, these plans were never realized, as the social democratic government withdraw its proposal from the parliament at a rather late stage. Presumably, the

²⁰ Skolverket (2003)

²¹ Methodological difficulties may, however, explain this result. Sample size on individual incomes among participants may have been too small. The effect on income may also have been underestimated, because of longer work experience in the control group and/or too short period after the programme to evaluate income effects.

resistance from the LO to introduce individual and subsidized learning accounts played a central role. LO argued that high-income earners would be favoured, while low-income earners would hesitate to save any money. White-collar trade unions, on the other hand, strongly supported the idea. The employers confederation, on the other hand, was sceptical about the model, but for other reasons than LO. They argued that without the active involvement of employers, the savings could easily be misused or invested in pure recreational activities. Experiences from the United Kingdom indicated that this could be a considerable problem.

The failure to introduce individual learning accounts is thus primarily caused by the lack of agreement between the social partners. The Swedish tradition of collective agreements and optional labour laws that can be modified partly or entirely by collective agreements made it in practise impossible for the government to enforce a reform that neither the blue-collar union nor the employers' association approved.

The idea to introduce some kind of learning accounts had been around for quite some time. As a matter of fact, the need for increasing flexibility during the workers' life cycles and the requirement of further training was often emphasized by one of the architects of the Swedish Model, Gösta Rehn. He argued that uncertainties and insecurities during the working life, which is caused by fluctuating business cycles and structural changes, called for a more flexible allocation of working time over the workers' life cycle. Individuals' productivity would be improved if they could decide independently *when* to engage in family life or further training. Individual flexibility would be supported by a public social security system that would allow the individual himself to determine when the periods of absence from work would take place. In practise, this would lead to a flexible retirement, as well as possibilities to use pension savings to finance further training during the active working life.²²

A second reason for the failure of learning accounts is the intrinsically complexity of the many issues that had to be solved before the social partners could reach a settlement. If the employer is to be engaged in the learning accounts, which both the blue-collar trade union and the employers' association seemed to prefer, then several intriguing questions turn up: Who should have the property rights of the savings, the employer or the employee? Should there be a binding agreement between the employer and the employee? Should the savings be reserved for training? Should

²² Milner & Wadensjö (2001)

unexploited saving be available for consumptions and/or pension savings? It is probably very difficult to reach a universal solution for the whole labour market on these matters. A decentralization of agreements to industry level, or even the local level, is probably necessary to be able to move forward with these learning accounts.

8. Immigration, an unexploited resource?

An ideal property of a learning society is the capability to integrate immigrants into the labour market. In Sweden, labour immigration coincided with the period of labour shortage between the end of Second World War and the early 1970s. After this period, unemployment grew and non-Nordic labour immigration was halted. During the 1980s and 1990s, immigration of refugees, relatives to earlier immigrants, and others in need of sanctuary increased considerably. The labour market was unable to absorb these immigrants, which lead to unemployment, and a public debate about how to deal with emerging problems of social segregation.

The inability to absorb knowledge-capital from minorities into the Swedish labour market highlights the difficulties and challenges that the Swedish labour market institutions face in the future. The viewpoint of the Confederation of Swedish Enterprise (former SAF) is that the high rate of unemployment of immigrants is due to cultural background, employer uncertainty about the immigrants' qualifications, and the shift in labour demand towards jobs that are "increasingly incompatible with immigrants' competence".²³ Most importantly, they argue, "one of the problems is that new immigrants in particular lack the specifically Swedish skills that are becoming essential in an increasing number of occupations".²⁴ To minimize the employers' risks of recruiting immigrants, they argue that the labour market must be deregulated, which would involve less employment security and free wage setting. Furthermore, to prevent immigrants from making their living on services in the informal (untaxed) sector of the economy, tax relief for domestic services should be introduced.

The LO strongly oppose these suggestions as they "...would have a profound impact not only on the Swedish labour market but also on the drive for equality that

²³ SAF's comment on government report SOU 1995:76, Ministry of Labour, quoted from Lundqvist (2004)

²⁴ Lundqvist (2004), p. 12.

has distinguished Swedish society”.²⁵ Instead, they call for a policy that would support full employment and “upgrading of skills throughout the workforce”.²⁶ The LO propose a typical and traditional social democratic approach which is characteristically formulated in the following sentence: “The principal strategy must be to boost the overall number of jobs by strengthening Sweden’s competitiveness in terms of the workforce’s qualifications and its ability to constantly marshal new skills in the structural transformation now under way in Swedish working life”.²⁷

A reasonable solution in the tradition of the Swedish Model could be to negotiate a consensus between unions and employers on how to prevent disloyal competition and the emergence of an extensive informal labour market. Collective solutions to spread the costs of recruiting immigrants are probably necessary to induce employers to employ immigrants to a greater extent. Lundqvist (2004) points out that a range of institutions that help reduce recruitment costs within a country, such as a common language, education, culture, employment offices, vocational specifications and so forth. Immigrants, however, do not share these institutional backgrounds. Therefore, institutional settings that reduce firm’s recruitment costs and create incentives for immigrants to acquire Swedish-specific skills are crucial for the future.

9. Prospects for the future

Let us sum up what I have tried to describe in the previous sections. The Swedish schooling system has transformed from a centralistic and homogenous education system to a more decentralized and heterogeneous set of education programmes. Upper-secondary schooling has become less focused on vocational training and more designed to prepare all students to pursue higher education at regional colleges or universities. Policy initiatives to promote adult education for people without higher education also indicate an increasing emphasis on more formal education. The alternative source of worker-skills upgrading, the labour market training programmes, is likely to be a less essential part of labour market policies in the future. It has proven to be difficult to find any significant effects of these programmes, and the efficient timing and design of education is too complex for a central authority. A trend towards

²⁵ Ibid. p. 12

²⁶ Ibid. p. 12

²⁷ Ibid. p. 12

decentralization of labour market training can be seen by the central agreements on worker support in case of downsizing, which enables firm-tailored training measures for displaced workers to take place. Thus, the further training decision is decentralized either to the worker (in adult education programmes) or to the local negotiating parties in a plant closure or other down sizing. In addition, the former centralized wage bargaining system is nowadays decentralized to industry sectors and there is an increasing room for individual wage negotiations.

As in other OECD countries, the service and industry sector is increasingly integrated, which leads to less standardized tasks and more functions oriented towards problem solving, teamwork, and individual initiative. Although the economy is global, the requirement of “Swedish-specific skills”, i.e. knowledge about Swedish language, habits, institutions, etc., seems to be increasingly important in these kinds of jobs. The difficulty to integrate immigrants into the Swedish labour market is an obvious sign of an increasing segmentation of the Swedish labour market.

The Swedish model is inspired by the trade-economists Rudolf Meidner and Gösta Rehn and their ideas on how to combine steady economic growth and low unemployment. An active labour market policy to increase worker mobility to new job opportunities and moving people out of unemployment is a central ingredient in their model. The relevance of this idea, which essentially is an idea about lifelong learning, is hardly less today than when it was formulated for several decades ago. However, a central question for the future is how to implement labour market training in an economy which is much more characterized by decentralized decision-making than in previous years. It is unlikely that the Swedish school is going back to its previous centralistic structure. It is unlikely that wage bargaining will be centralized again. It is unlikely that all the important decision-making in firms and other organization will be centralized to the management of the firm/organization. Hence, it is unlikely that a central authority will be able to design efficient labour market training programmes for all workers who become unemployed.

A favourable path, in my opinion, would be to allow for increasing wage dispersion between occupations and qualifications, in order to create incentives for lifelong learning. After all, increasing wage dispersion is not inconsistent with wage-solidarity in the meaning of ‘equal pay for equal work’, as long as the opportunities to reaching higher pay is there for everyone. The Swedish schooling system, with its emphasis on equality of opportunities and subsidized student loans, does not create

any obstacles in that respect. A second ingredient could be to use the Swedish tradition of consensus and collective agreements to establish institutions that allow employers to share the costs of training their personnel. It is not only during downsizing that workers need training. A significant part of workers' lifelong learning will take place in expanding high-technological firms as well as in the public sector.

References

- Acemoglu, Daron and Jörn-Steffen Pischke. 1999. "Beyond Becker: Training in imperfect labour markets." *Economic Journal*, 109:453, pp. F112-F42.
- Albrecht, James, Gerard van den Berg, and Susan Vroman. 2004. "The knowledge lift: The Swedish adult education program that aimed to eliminate lower worker skill levels." *Institute for labour market policy evaluation, Working Paper 2004:17*: Uppsala.
- Almeida-Santos, Filipe and Karen Mumford. 2004. "Employee Training and Wage Compression in Britain." *Discussion Papers in Economics: The University of York*.
- Anxo, Dominique and Donald Storrie. 2002. "Working time transitions in Sweden," in *The Politics of Regulating Working Time Transitions in Europe*. J O'Reilly ed. Cheltenham: Edward Elgar.
- Bassanini, Andrea and Giorgio Brunello. 2003. "Is Training More Frequent When Wage Compression is Higher? Evidence from European Community Household Panel." *IZA Discussion Paper No. 839*.
- Björklund, Anders, Per-Anders Edin, Peter Fredriksson, and Alan Krueger. 2004. "Education, equality, and efficiency - An analysis of Swedish school reforms during the 1990s." *Institutet för arbetsmarknadspolitisk utvärdering, Rapport 2004:1*: Uppsala.
- Calmfors, Lars, Anders Forslund, and Maria Hemström. 2001. "Does active labour market policy work? Lessons from the Swedish experiences." *Swedish Economic Policy Review*, 8:2, pp. 63-124.
- Carling, K, Per-Anders Edin, A Harkman, and Bertil Holmlund. 1996. "Unemployment duration, unemployment benefits, and labor market programs in Sweden." *Journal of Public Economics*, 59, pp. 313-34.
- Ekström, Erika. 2003. "Earnings effects of adult education in Sweden." *Institute for labour market policy evaluation, Workingpaper 2003:16*: Uppsala.
- Ericson, Thomas. 2004. "The Effects of Wage Compression on Training: Swedish Empirical Evidence." *Working Paper 2004:15, Institutet för arbetsmarknadspolitisk utvärdering*.
- Forslund, Anders and Thomas Lindh. 2004. "Decentralisation of bargaining and manufacturing employment: Sweden 1970-96." *Institute for Labour Market Policy Evaluation, Working Paper 2004:3*: Uppsala.
- Hibbs Jr., Douglas A. and Håkan Locking. 2000. "Wage Dispersion and Productive Efficiency: Evidence for Sweden." *Journal of Labor Economics*, 18:4, pp. 755-82.
- Katz, Harry C. 1993. "The Decentralization of Collective Bargaining: A Literature Review and Comparative Analysis." *Industrial and Labor Relations Review*, 47:1, pp. 3-22.
- Lundqvist, Torbjörn. 2004. "Organised Interests, Labour Market and Migration: the Swedish Model." *Institute for future studies, Working Paper 2004:3*: Stockholm.
- Milner, Henry and Eskil Wadensjö eds. 2001. *Gösta Rehn, the Swedish Model and Labour Market Policies, International and national perspectives*. Aldershot: Ashgate.
- Olofsson, Jonas. 2003. "Grundläggande yrkesutbildning och övergången skola-arbetsliv - en jämförelse mellan olika utbildningsmodeller." *Institutet för arbetsmarknadspolitisk utvärdering, Rapport 2003:8*: Uppsala.

- Pettersson, Lars. 1999. "The Swedish Model and Manufacturing Industry: A Pattern of Change." *Scandinavian Economic History Review*, 47:2, pp. 45-62.
- Sianesi, Barbara. 2001. "The Swedish active labour market programmes in the 1990s: Overall effectiveness and differential performance." *Swedish Economic Policy Review*, 8:2, pp. 133-69.
- Skolverket. 2003. "Kunskapslyftet och den gymnasiala vuxenutbildningen hösten 2002." *Skolverket Dnr 00:1671*: Stockholm.
- SOU, Statens Offentliga Utredningar. 2002. "Omställningsavtal – ett aktivare stöd till uppsagda" *Näringsdepartementet*: Stockholm
- Zetterberg, Johnny. 2001. "Comment on Lars Calmfors, Anders Forslund and Maria Hemström: Does active labour market policy work? Lessons from the Swedish experience." *Swedish Economic Policy Review*, 8:2, pp. 125-31.