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Published in:
Nordic Journal of Working Life Studies

2011

Document Version:
Publisher's PDF, also known as Version of record

Link to publication

Citation for published version (APA):
Kjellberg, A. (2011). The Decline in Swedish Union Density since 2007. *Nordic Journal of Working Life Studies*, *1*(1), 67-93. http://ej.lib.cbs.dk/index.php/nordicwl/article/viewFile/3313/3509

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Download date: 08. Jun. 2026

The Decline in Swedish Union Density since 2007[1]

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ABSTRACT

Union density remains very high in Sweden. The significantly raised fees for union unemployment funds in January 2007 were followed by an unprecedented decline in the number of union members in modern Swedish history. In the course of two years union density dropped by 6 percentage points: from 77% in 2006 to 71% in 2008. As a result, the density of employers' associations today is much higher than union density. The article below describes and analyzes union decline among different groups of workers and why it was not difficult to foresee this development when the center-right government sharply raised membership contributions to finance the state-subsidized Swedish unemployment insurance. From July 2008 the government more closely linked fund fees to the unemployment rate for each fund, thus differentiating fund fees between different groups of employees. Since the subsequent economic crisis hit private sector blue-collar workers harder than other employees, the differentiation of fees was further widened. As a consequence, total union fees (including fund fees) also varied more by time and between different categories of workers, which in turn was reflected in the development of union density. From 2006 to 2010 blue-collar density fell by 8 percentage points compared to the 4-point decline among white-collar workers. In contrast to the depression of the 1990s, union density did not increase when unemployment increased rapidly from 2008 to 2009. The article also discusses why the government failed to achieve its main goal of changing the financing system of unemployment insurance: to influence wage formation.

ABBREVIATIONS

AEA Unemployment Fund for Graduates
GS The union of graphical workers and forest/wood workers
IAF Swedish Unemployment Insurance Board
LO Swedish Trade Union Confederation
Saco Swedish Confederation of Professional Associations
SEK Swedish crowns (1 Euro = 9.2 SEK in 2007 and 9.6 SEK in 2008)
TCO Swedish Confederation for Professional Employees

KEY WORDS

collective agreements / employers' associations / trade unions / unemployment funds / unemployment insurance / union decline / union density / union membership.

In 2007 and 2008 something quite unique in modern time occurred in the Swedish union arena. In the course of two years union density fell by 6 percentage points: from 77% in 2006 to 71% in 2008 (annual averages). From 1 January 2007 to 31 December 2008 Swedish unions lost in all 245,000 members, or 8% of all active union members.[2] To find an equivalent it is necessary to go back to the large union defeat in the 1909 general strike. In 2007 alone, trade unions lost 181,000 members or almost 6% of their members.

In 2007 and again in 2008 the center-right government, which came to power after the September 2006 elections, radically changed the financing system of unem-

ployment funds. Among the issues discussed in the article, the following questions may be asked: What was the role of government policy in the considerable membership losses in union unemployment funds and trade unions? Why did the largest decline take place among blue-collar workers? Which objectives did the government wish to achieve by sharply raising fund fees, and later link them more closely to the unemployment rate in each fund? To what degree was government policy successful? Was it possible to foresee the massive membership losses of funds and unions? The aim of the article is to describe and explain the development in Swedish trade union membership since 2007.

In contrast to most other countries, union density in Sweden has generally increased. Two historical exceptions are the years after the 1909 general strike and the depression years in the early 1920s. From 1923 and up to the mid-1980s a period of more or less uninterrupted union growth followed. After a peak of about 84-85% in 1986, union density during the years of the tight labor market in the late 1980s decreased to 81%, to rapidly recover in the early 1990s when Sweden was hit by the deepest depression since the 1930s. In the late 1980s there were plenty of vacant jobs waiting for those dissatisfied with their current jobs. A growing number of people then thought they could manage well without being union members. The rate of unionization fell most among young employees in private services living in big cities, to swiftly rise again among the same groups when harsher times set in (Kjellberg 2001).

Gradual decline followed by a sharp fall

Up to the mid-1990s union density recovered to about 85%. Density then decreased again, but at a relatively modest pace up to 2007. The *average annual* decline from 1993 to 2006 was just 0.6 – 0.7 percentage points among blue-collar workers and 0.5 percentage points among white-collar workers (*Table 1*). In the seven years 1999-2006 it varied from zero to just over 1 percentage point, and was significantly greater among blue-collar workers (on average almost 1 percentage point per year) than among white-collar workers (0.5 percentage points). As a result, blue-collar density (84% in 1999, 77% in 2006) and white-collar density (80% in 1999, 77% in 2006) converged.

Considering the slow union decline from 1993 to 2006 it is remarkable from both a short-term and a long-term perspective that such a large subsequent drop of 6 percentage points occurred in the course of just two years. In the preceding two-year period the decline was limited to 2 percentage points (from 79% in 2004 to 77% in 2006), but then union density suddenly began to fall three times faster. The proportion of the labor force affiliated to unemployment funds decreased even more rapidly: from 83% at the end of 2006 to 70% two years later (Kjellberg 2010a).

The main explanation for this turn of events is not particularly hard to find. From January 2007 the membership fees of almost all unemployment funds increased at the same time as tax reductions for both union dues (25%) and fund fees (40%) were abolished. Unemployed members did not have to pay the raised fund fees. Some groups of workers from one day to the next saw a six-fold net increase of their fund fee. In a country with state-supported *union* unemployment funds as Sweden, i.e. a so-called Ghent system, a raise in the fund fee automatically results in a corresponding increase of

Table 1 Union Density in Sweden, 1990-2010 (%)

	All employees				Blue-collar workers				White-collar workers			
Year	1	2	3	4	1	2	3	4	1	2	3	4
2009+2010	-	-	+0.1	0	-	-	-1.6	-2	-	-	+1.4	+1
2010	71	71.3	+0.1	0	69	69.1	-0.7	-1	73	72.9	+0.6	+1
2009	71	71.2	0	0	70	69.8	-0.9	-1	72	72.3	+0.8	+1
2007+2008	-	-	-5.73	-6	-	-	-6.31	-6	-	-	-5.25	-5
2008	71	71.16	-2.29	-2	71	70.72	-2.80	-3	72	71.52	-1.88	-2
2007	73	73.45	-3.44	-3	74	73.52	-3.51	-4	73	73.40	-3.37	-3
2006	77	76.89	-0.9	-1	77	77.03	-0.4	0	77	76.77	-1.3	-1
2005	78	77.8	-0.8	-1	77	77.4	-1.5	-2	78	78.1	-0.2	0
2004	79	78.6	-1.2	-1	79	78.9	-1.4	-1	78	78.3	-0.9	-1
2003	80	79.8	+0.1	0	80	80.3	-0.6	-1	79	79.2	+0.5	+1
2002	80	79.7	0.0	0	81	80.9	-0.5	-1	79	78.7	+0.5	+1
2001	80	79.7	-0.9	-1	81	81.4	-1.2	-1	78	78.2	-0.8	-1
2000	81	80.6	-1.2	-1	83	82.6	-1.2	-1	79	79.0	-1.1	-1
1999	82	81.8			84	83.8			80	80.1		
1993	85	84.9			86	86.49			83	83.49		
1990	81	81.4			82	82.2			81	80.50		

1. Whole numbers; 2. With decimals; 3. Change by decimals; 4. Change by whole numbers based on change by decimals.
Remark. Employed workers aged 16-64 (annual averages) excluding full-time students working part-time.
Source: Labor Force Surveys.

the total union fee. With the exception of IF Metall and the Union of Food Workers it is true that each individual union member may abstain from membership in the union unemployment fund. The independent Alfa fund was hardly an alternative as its fee was higher than that of almost all union funds. Pressed by the large membership losses in 2007, almost all blue-collar unions abolished the rule that a member also had to be a member of the unemployment fund. White-collar unions had already offered this option to their members. As we shall see, the number of workers taking this option more than doubled in 2007.

When explaining the development of union density it is necessary to distinguish between short-term and long-term factors. From 1993 and up to 2007 the changed composition of labor was one of the *long-term* developments causing the gradual union decline. A more critical attitude, particularly among younger workers, towards union membership had a similar effect (Bruhn 1999, Sverke and Hellgren 2002). Thirdly, in many firms the union workplace organization was successively dismantled (Kjellberg 2007). To point out one *short-term* factor: at the end of the 1980s and in the early 1990s the strong shifts in the business cycle had a marked impact on union density.

Seen from an international perspective, variations in union density between different industries and sectors in Sweden are small. Besides being a precondition for

the very high Swedish union density, this means that changes in the composition of the labor force has a much more modest influence than in most other countries. As is evident from *Table 2*, there also exist pronounced differences in Sweden between sectors and industries. In 2010 union density in the public sector was 85%, in the

Table 2 Union Density for Blue-collar and White-collar Workers by Industry and Sector, 2006-2010 (%)

	2006	2007	2008	2009	2010	2006-2007	2007-2008	2008-2009	2009-2010	2006-2010
A. Blue-collar workers										
Manufacturing	84	81	81	81	79	-3	0	0	-2	-5
Construction	81	77	73	73	71	-4	-4	0	-2	-10
Retail/wholesale trade	64	61	57	56	56	-3	-4	-1	0	-8
Other private services	67	62	58	57	56	-5	-4	-1	-1	-11
of which: - hotel & rest.	52	47	40	36	36	-5	-7	-4	0	-16
- transport	71	67	63	62	63	-4	-4	-1	+1	-8
All private services	66	62	58	56	56	-4	-4	-2	0	-10
Whole private sector	74	70	67	66	65	-4	-3	-1	-1	-9
Public sector	87	85	83	82	83	-2	-2	-1	+1	-5
Both sectors	77	74	71	70	69	-3	-3	-1	-1	-8
B. White-collar workers										
Manufacturing	80	76	75	76	77	-4	-1	+1	+1	-3
Retail/wholesale trade	62	59	56	58	61	-3	-3	+2	+3	-1
Other private services	66	63	61	63	63	-3	-2	+2	0	-3
of which: - transport	75	71	71	71	71	-4	0	0	0	-4
All private services	65	62	60	62	63	-3	-2	+2	+1	-2
Whole private sector	69	65	63	65	65	-4	-2	+2	0	-4
Public sector	89	86	85	85	86	-3	-1	0	+1	-3
Both sectors	77	73	72	72	73	-4	-1	0	+1	-4
C. All employees										
Manufacturing	82	79	79	79	78	-3	0	0	-1	-4
Construction	79	75	71	71	70	-4	-4	0	-1	-9
Retail/wholesale trade	63	60	57	57	58	-3	-3	0	+1	-5
Other private services	67	63	60	61	61	-4	-3	+1	0	-6
of which: - hotel & rest.	52	49	41	36	38	-3	-8	-5	+2	-14
- transport	73	69	66	65	65	-4	-3	-1	0	-8
All private services	66	62	59	60	60	-4	-3	+1	0	-6
Whole private sector	71	68	65	65	65	-3	-3	0	0	-6
Public sector	88	86	84	84	85	-2	-2	0	+1	-3
Both sectors	77	73	71	71	71	-4	-2	0	0	-6

Remarks. Employed workers aged 16-64 (annual averages) excluding full-time students working part-time. Due to relatively few white-collar workers in construction this item is excluded. Manufacturing includes all commodity production including agriculture, forestry and mining.

Source: Labor Force Surveys.

manufacturing industry 78%, and in private services 60%. When activities move from the public sector to private services through privatization, the introduction of buy and sell models and the use of subcontractors, jobs are transferred from the sector with the highest unionization to that with the lowest. Similarly, the growing employment proportion of private services and the decreasing proportion of the manufacturing industry in the private sector together have a negative influence on unionization. In recent decades this process has been accelerated by the *outsourcing* of activities and jobs from manufacturing firms to private service firms. The changing composition of the labor force has its greatest impact on newcomers to the labor market, many of whom are young people.

The public sector's decreasing share of total employment and the increasing proportion of private sector services play a prominent role in explaining *long-term* union decline. On the other hand, this means that the changed composition of the labor force cannot more than marginally explain the massive drop of union members during the years 2007 and 2008.

Declining union density in these two years was most marked among young employees: a decrease of 10 percentage points from 2006 to 2008 among those aged 16-24 (about three out of four had a blue-collar job) and a 7-percentage point fall among employees aged 25-29 (*Table 3*). There is a high proportion of young workers in private services, not least in hotels and restaurants, i.e. where union density has dropped sharply. In the age range 30-44 the decline was 5 percentage points among both blue-collar and white-collar workers. Among those aged 45-64 density declined by 5 percentage points among white-collar workers and 4 percentage points among blue-collar workers. Consequently, there was a marked decline in union density among all ages, but most among the young.

Table 3 Union Density by Age and Sex, 1990-2010 (%)

Age	1990	1993	2000	2006	2007	2008	2009	2010	1990-2010	1993-2010	2006-2008	2008-2010	2006-2010
16-24	62	69	52	46	40	36	35	34	-28	-35	-10	-2	-12
25-29	78	81	74	68	64	61	59	60	-18	-21	-7	-1	-8
Sum 16-29	69	76	64	58	53	49	48	48	-21	-28	-9	-1	-10
30-44	85	86	82	77	74	72	72	73	-12	-13	-5	+1	-4
45-64	88	89	88	85	82	81	80	80	-8	-9	-4	-1	-5
Sum 16-64	81	85	81	77	73	71	71	71	-10	-14	-6	0	-6
Women	83	87	83	80	76	74	74	75	-8	-12	-6	+1	-5
Men	80	82	78	74	71	68	68	68	-12	-14	-6	0	-6

Remark. Employed workers aged 16-64 (annual averages) excluding full-time students working part-time.
Source: Labor Force Surveys.

Individualistic attitudes among young employees contain important structural components such as a high proportion of temporary workers. Among employees aged 16-24, more than one out of every two has a temporary job, compared to every third in 1990. Temporary jobs mean a loose connection to the labor market and the individual work-

place, in particular as they are often followed by periods of unemployment. Workers with temporary jobs, not least those with unsocial working-hours, fall largely outside the workplace community. Often they are not even contacted by union representatives. As the proportion with temporary contracts was about the same in 2007 as in 2006, it can hardly explain the large membership losses in 2007. Neither is it probable that attitudes towards unions changed very much from one year to another.

The large union drop among young people fits well into the pattern where variations in union density are greatest among this category of workers. This was particularly evident at the end of the 1980s and the beginning of the 1990s. Then, too, attitudes were linked to a structural component: more precisely, the greatly varying number of vacant jobs in those years of sharply shifting business cycles. A more critical stance towards union membership had its greatest impact during booms and in regions with an excess of jobs.

One material factor influencing the pervasive force of critical attitudes focused upon in this article is the substantial increase in fund fees in 2007. To obtain an indication of its significance, it is relevant to question whether the substantial union losses among young people correspond to the categories of people most frequently leaving unemployment funds. Some of the latter were approaching retirement or – like many public sector employees – thought they had a low risk of unemployment. It should be observed that the decline in membership not only depended on the frequency of people *leaving* funds but also on the number *not joining* an unemployment fund. The largest drop in new members occurred among the young. When adding decreased inflow and increased outflow, membership losses were most frequent among the youngest (aged 16–24) and the oldest (aged 60-64). The decline was particularly conspicuous among low-income workers, who accounted for 60% of total losses during 2007 and 2008 together (Kjellberg 2010a).

Largest and smallest union decline

The decline of union density from 2006 to 2007 was as large among white-collar workers as among blue-collar workers, but in 2008 density fell most among blue-collar workers (*Table 2*).[3] This development accelerated in 2009 and 2010 when density *increased* among white-collar workers in contrast to the continued blue-collar decline.[4]

Considering the whole period from 2006 to 2010, the density of blue-collar workers fell by 8 percentage points compared to 4 percentage points among white-collar workers. Unions lost most members among blue-collar workers in private services and construction (10 percentage points drop in each). In private services, excluding the retail and wholesale trade, blue-collar density fell by 11 percentage points: from 67% in 2006 to 56% in 2010. In hotels and restaurants it dropped by 16 points to 36% 2010. The smallest decline from 2006 to 2010 was among white-collar workers in the retail and wholesale trade (minus 1 percentage point), but also the largest swings (minus 6 points 2006-2008, plus 5 points 2008-2010). Among both blue-collar and white-collar workers union decline was significantly larger in the private sector than in the public (*Table 2*). The diverging union density between these sectors and among white-collar workers compared to blue-collar workers can be largely attributed to changed fees for union unemployment funds among different categories of workers.

The internationally very high Swedish union density

Before looking at the development of unemployment fees, attention should be paid to some circumstances explaining why Swedish union density remains very high from an international perspective (cf Kjellberg 2007):

- The existence of union unemployment funds. The close links between unions and unemployment funds in Sweden, Denmark and Finland have no doubt promoted the very high union density (about 70%) in these countries. The absence of such funds in Norway appears to be the main explanation why union density is considerably lower (about 50-55%) in a country otherwise very similar to other Nordic countries.
- The combined centralization and decentralization of industrial relations distinguished by co-operative labor market parties, employers' associations with a very high density (*Table 12*) and a non-repressive state. These features of Swedish industrial relations have prevented a fragmentary union coverage and promoted a high coverage of collective agreements (*Table 13*). Through decentralization, referring to the extensive coverage of union workplace organizations, unions are brought close to the rank-and-file members.
- The preference of self-regulation to state regulation, for example the absence of state extension mechanisms and legislation on minimum wages (Kjellberg 2009). Unions have thus avoided appearing superfluous to workers.
- The high proportion of public sector employees, which usually have a higher rate of unionization than private sector workers.
- The most socially segregated union structure in the world, through the existence of separate national unions for blue-collar workers (affiliated to the blue-collar Swedish Confederation of Trade Unions, LO), university-graduates (Swedish Confederation of Professional Associations, Saco) and other white-collar workers (Swedish Confederation of Professional Employees, TCO). The relatively homogeneous social composition of each union has facilitated membership recruitment. Many white-collar workers would have hesitated before joining blue-collar dominated unions with close links to the Social Democratic Party. Sweden has escaped the intense membership competition common in many continental European countries, but Saco and TCO partly recruit among the same groups of university-graduated employees. The efforts of the former union of supervisors to organize all kinds of managers caused TCO to expel this now independent union. At the end of 2010, LO contained 47% of Swedish union members, TCO 34%, Saco 16% and independent unions 3%. The three largest national unions affiliated to LO, TCO and Saco are shown in *Table 4*.

Significantly increased fund fees from 2007 – accelerated social differentiation of fees 2008-2010

Due to significantly increased fees for unemployment funds from January 2007, fund members had to finance their unemployment insurance to a substantially higher degree than before (and the state to a correspondingly lower degree). In addition to the basic

Table 4 The Three Largest LO, TCO and Saco Unions

	LO	TCO	Saco
1	Municipal Workers	*Unionen*	Association of Graduate Engineers
2	IF Metall	Teachers' Union	National Union of Teachers (LR)
3	Commercial Employees	Municipal Employees	Jusek*

*University Graduates of Law, Business Administration and Economics, Computer and Systems Science, Personnel Management and Social Science.

Remark. Unionen was founded in 2008 by a merger of two TCO unions, one dominated by white-collar workers in manufacturing (up to then the largest TCO union) and a white-collar union in the private service sector.

fee, a new 'raised financing fee' (at most SEK 300 per member and month) was introduced to bring in SEK 10 billion to the public treasury. Its size was dependent upon the rate of unemployment in each fund, but 'only' those with jobs had to pay the raised fees. Before 2007 the fee in general was about SEK 90-105 per month (*Table 5*), which after 40% tax reduction decreased to SEK 54-63. From January 2007 the monthly fee for most union funds was raised to about SEK 330-365, now without tax reduction. In three cases, low unemployment among the members resulted in a much lower fee (about SEK 240-245): (1) the AEA Fund which is common to all Saco unions (recruiting university graduates) and the TCO union of nurses, (2) the Teacher's Fund associated to the TCO union of teachers, and (3) the Fund for Finance and Insurance Employees, which is common to the TCO unions organizing these categories of employees. Consequently, these three white-collar funds with a total of 830,000 members – or every fourth member of a union unemployment fund in December 2006 – did not have their fees raised as much as other white-collar funds, not to mention blue-collar funds.

Be that as it may, the fees of *all* union unemployment funds and the independent Alfa fund were raised significantly from January 2007. Massive membership losses promptly followed. The unions also lost large numbers of members. Due to decreasing unemployment and the rule that no fund is obliged to pay more to the state than that needed to cover benefits, some funds were soon able to lower their fees; in the first instance the three white-collar funds mentioned above, but also the LO fund for electricians.

From July 2008 the differentiation of fund fees increased considerably. The government linked the fees more closely to the rate of unemployment among the members of each fund. Every month each fund had to pay an 'unemployment fee' to the state, which replaced the 'raised financing fee', corresponding to 33% of benefits paid to unemployed members.

The polarization of wage and salary earners in groups with low fund fees and others with very high fees was further widened in 2009. Two circumstances caused this. Firstly, the SEK 50 reduction of fund fees enacted by the government in July 2009 in itself widened the differentiation as the relative reduction was greatest among the funds with already low fees. The Saco fund, AEA, now lowered its fee from SEK 140 to SEK 90 and was then at the same level as before 2007. Also the TCO funds for teachers and for finance and insurance employees reduced their fees to SEK 90. The government motivated its increase in support by its concern that people were abstaining from membership for economic reasons and that growing unemployment caused an urgent need for many to

Table 5 Fees (SEK) for Selected Unemployment Funds, 2006-2011

	Dec. 2006	Jan. 2007	Sept. 2008	Jan. 2009	May 2009	July 2009	Dec. 2009	Dec. 2010	Dec. 2006 – Dec. 2010	Jan. 2011
Teachers (TCO)*	97	247	148	138	138	90	90	90	-7	90
AEA (Saco unions and the TCO union of nurses)	90	240	150	140	140	90	90	90	0	90
Finance and insurance employees (TCO)*	86	244	118	118	118	90	90	90	+4	90
Supervisors and managers (independent)	93	326	198	198	198	140	140	120	+27	120
Municipal employees (TCO)	99	331	200	200	200	139	139	129	+30	129
Municipal workers (LO)	100	340	226	220	320	270	215	144	+44	142
ST Civil servants (TCO)*	84	315	188	188	188	143	143	143	+59	143
SeA Government employees (TCO)*	104	342	200	188	188	143	143	143	+39	143
Chemist's employees (TCO)	104	323	217	225	225	167	167	167	+63	177
Electricians (LO)	92	326	155	155	155	155	155	180	+88	180
Journalists (TCO)	105	347	220	205	205	205	205	190	+95	150
HTF/Commercial employees (TCO) / Unionen*	106	353	214	214	214	214	214	196	+90	176
Sif/Employees in manufact. ind. (TCO) / Unionen*	90	331	214	214	214	214	214	196	+106	176
Paper workers (LO)	105	350	299	239	239	239	239	259	+154	189
Seko Communication workers (LO)	104	349	193	193	278	278	296	278	+174	225
Food workers (LO)	102	359	327	287	287	287	287	297	+195	287
Transport workers (LO)*	106	361	296	296	306	306	306	306	+200	306
Commercial employees (LO)	95	346	305	285	285	335	335	315	+220	260
Maintenance workers (LO)	100	351	351	325	325	325	325	325	+225	295
Alfa (independent)	115	366	305	305	450	450	450	361	+246	297
Building workers (LO)*	116	366	296	296	425	425	425	375	+259	305
IF Metall (LO)	93	339	224	209	384	384	384	390	+297	170
Hotel and restaurant workers (LO)	97	361	397	395	415	430	430	405	+308	385
Theatrical employees (TCO)*	99	375	405	405	405	405	405	412	+313	412

	Dec. 2006	Jan. 2007	Sept. 2008	Jan. 2009	May 2009	July 2009	Dec. 2009	Dec. 2010	Dec. 2006 – Dec. 2010	Jan. 2011
Graphical workers (LO) / GS*	110	364	325	325	325	420	420	420	+310	220
Wood and forest workers (LO) / GS*	96	365	325	325	325	420	420	420	+324	220
Musicians (LO)	115	415	415	415	415	415	415	444	+329	444

* The Teachers' fund since December 2007 is common to the Teachers' Union (TCO) and the Union of Folk High School Teachers (TCO); the fund for finance and insurance employees is common to the union of finance employees (TCO) and the union of insurance employees (TCO); the ST fund (associated with the TCO union of civil servants) and the SeA fund (the two TCO unions of civilian employees in the defense forces and customs' and coastguards' officers) merged in January 2009; the TCO unions HTF and Sif merged into Unionen in January 2008; the fund for the Building Workers' Union (LO) and that for the Painters' Union (LO) merged in October 2007; the fund for theatrical employees is common to the unions of theatrical employees (TCO) and professional musicians (TCO), the fund for the LO union of forest and wood workers in April 2008 merged with the fund for the LO union of graphical workers into the GS Fund. The unions also merged.

Remark. As regards union unemployment funds, all fees refer to employed union members. Some small union unemployment funds are excluded from the table: the independent syndicalist fund, the fund for the independent union of stevedore workers and the fund for the small TCO union of forest and agricultural employees. The fund for the independent white-collar union of commercial travelers is also excluded.

Source: IAF (Swedish Unemployment Insurance Board).

join the funds. The finance minister, Anders Borg, thought it 'would be secured most effectively by lowering fund fees' (*Dagens Nyheter* 4 November 2008).

Secondly, despite the SEK 50 government contribution, the rapidly accelerating unemployment among blue-collar workers forced the funds associated to the Building Workers' Union, the Union of Forest, Wood and Graphical Workers (GS) and IF Metall to raise their fees considerably, in the latter case from SEK 209 to SEK 384 in May 2009 and to SEK 390 in January 2010. As a result, the total *union* fee approached SEK 700-800 per month. In contrast to most other unions, IF Metall has no supplementary 'income insurance'. Owing to the rapidly increasing unemployment among its members in 2009, such insurance would have been very expensive. Later the Building Workers' Union had to abolish its income insurance for this reason.

In July 2009 the union funds in *Table 5* could be divided into *three groups* with respect to the monthly fee for employed union members:

(1) **SEK 90-170:** AEA (all Saco unions and the TCO union of nurses) and funds associated with the TCO unions of teachers, folk high school teachers, finance employees, insurance employees, municipal employees, civil servants, civilian employees in the defense forces, customs' and coastguard officers, chemist's employees, one independent white-collar union and the LO union of electricians. In total: all Saco unions, 10 TCO unions and 1 LO union.

(2) **SEK 205-240:** the funds associated with the TCO union of journalists, *Unionen* (TCO) and the LO union of paper workers. In total: 2 TCO unions and 1 LO union.

(3) **SEK 270-430**: the funds associated with the unions of theatrical employees (TCO), professional musicians (TCO), municipal workers (LO), communication workers (LO), food workers (LO), transport workers (LO), maintenance workers (LO), commercial employees (LO), IF Metall (LO), building workers (LO), painters (LO), graphical, forest and wood workers (LO), hotel and restaurant workers (LO) and musicians (LO). In total: 2 TCO unions and 12 LO unions.

The first group was almost completely dominated by white-collar unions, in particular those recruiting university-educated professionals. In contrast, all but two unions in the third group were blue-collar unions. The middle group contained the largest white-collar union in Sweden (*Unionen*), another white-collar union and a relatively small blue-collar union.

At the end of 2010 the union funds in *Table 5* could be divided into *five groups* with respect to how much the fund fee for employed union members had been *raised* since the end of 2006:

(1) + **SEK 0-65**: AEA (all Saco unions and the TCO union of nurses) and the funds associated with the TCO unions of teachers, folk school teachers, finance employees, insurance employees, municipal employees, civil servants, civilian employees in the defense forces, customs' and coastguard officers, and chemist's employees, one independent white-collar union and the LO union of municipal workers. In total: all Saco unions, 9 TCO unions, 1 independent white-collar union and 1 LO union.
(2) + **SEK 90-105:** the funds associated with the LO union of electricians, the TCO union of journalists and *Unionen* (TCO). In total: 2 TCO unions, and 1 LO union.
(3) + **SEK 155-200**: the funds associated with the LO unions of paper workers, communication workers, food workers and transport workers. In total: 4 LO unions.
(4) + **SEK 220-260**: the funds associated with the LO unions of commercial employees, maintenance workers, building workers and painters. In total: 4 LO unions.
(5) + **SEK 300-330**: the funds associated with IF Metall (LO) and the LO unions of hotel and restaurant workers, graphical workers and forest/wood workers (GS), musicians, and the TCO unions of theatrical employees and professional musicians. In total: 2 TCO unions and 4 LO unions.

The social polarization of fund fees increased considerably in 2008 and 2009 and remained very marked in 2010 (*Table 5*). While the fees of almost all blue-collar funds at the end of 2010 surpassed the December 2006 level by SEK 155-325, the corresponding rise among almost all white-collar funds was confined to SEK 0-65. During the whole of 2010 the fee for the IF Metall fund was as high as SEK 390 and of the GS fund SEK 420, reflecting the high unemployment among blue-collar workers in the manufacturing industry. In contrast, all public sector funds were now in the first of the five groups. As late as July 2009, the fund for the largest union in Sweden, the Municipal Workers' Union (LO), belonged to the third group. Due to decreasing unemployment and the expiration of benefits for many unemployed, several funds were able to lower their fees considerably in January 2011, among them the IF Metall fund, which cut fees to SEK 170.

Growing social polarization of fund fees – divergent development of union density

As a consequence of the increasingly differentiated fund fees, *total union* fees also became more differentiated for the large majority of employed union members who maintained their fund membership (unemployed fund members do not have to pay 'the unemployment fee'). In July 2009, the *total* union fee (including fund fee) exceeded SEK 600 per month in almost all LO unions, often by a wide margin.[5] In contrast, the total

union fees of the two largest Saco unions (*Table 4*) did not exceed SEK 350. In some TCO unions the figure was lower than SEK 340.[6] The total union fee of the largest TCO union, *Unionen*, was about SEK 440.

The difference between blue-collar and white-collar unions was marked by the generally lower union fee proper of white-collar unions – that is, excluding the fund fee. Thirdly, the wages of many white-collar workers, particularly university-educated professionals, were at least twice as high as those of most full-time hotel and restaurant employees. The significantly increased fund fees from January 2007 brought the total union fees for several LO unions to such high levels that many workers felt that they could no longer afford to pay; alternatively, they felt there was no reasonable proportionality between the size of the fees and the utility of union membership.

The increasingly differentiated fund fees – and thereby also total union fees – were reflected in an increasingly divergent trend in membership of blue-collar and white-collar unions. In 2007 membership losses already differed considerably between the blue-collar LO and its white-collar equivalents TCO and Saco (*Table 6*). While LO lost 16% of its members and TCO 6% during the four years 2007-2010, Saco membership *increased* by 7%. In the first of these years, when *all* fund fees were doubled or more, Saco had also lost members. Considering the continuous increase in numbers of professional employees and the number of Saco members it is remarkable that in 2007 Saco *decreased* by 1.1%, contrasting to its 1.4% growth in 2006, implying a swing of 2.5% (*Table 6*). Conversely, part of the LO fall in 2007 could be attributed to the declining proportion of blue-collar workers and other long-term changes in the labor force (see above). Subtracting the 2006 LO 'normal' membership loss from that of 2007 gives a swing of 6.4%. To conclude, after paying attention to long-term trends, a substantial difference remains between LO and Saco regarding the development of membership in 2007.

The union unemployment *funds* in 2007 were exposed to even greater losses than unions, both in absolute terms – minus 345,000 fund members compared to minus 181,000 union members – and in relative terms: minus 10% of members in union-run unemployment funds, but 'only' minus 6% of union members (*Tables 6-7*). The Saco fund AEA in 2007 lost 5% of its members, i.e. considerably more than the 1% decline of Saco unions. It is also remarkable that the membership decline in TCO funds was proportionally as large as in LO funds (minus 11%).

In 2008 the membership decline slowed down in trade unions as well as unemployment funds (*Tables 6-7*). This should be seen in the light of the lowering of many fund fees towards the end of the year. Secondly, the increased feeling of insecurity associated with the rapidly deteriorating business cycle in the autumn presumably served as an incentive for membership in unions and unemployment funds. In 2008 the decline was about the same (minus 2%) in unions and union funds.

A comparison between LO, TCO and Saco in 2008 shows a growing *divergence* of union members as well as fund members. The LO unions lost twice as high a proportion of members as the TCO unions (and twice as high a proportion of fund members), while Saco *increased* as much as TCO declined.[7]

In addition, differences grew between individual unions. The Municipal Workers' Union (LO), which in July 2008 reduced its fund fee from SEK 337 to SEK 226, halved its losses (from minus 6% in 2007 to minus 3% in 2008), while the Hotel & Restaurant Workers' Union (LO), which had to *raise* its fund fee from SEK 361 to SEK 397, was

Table 6 Changes in Number of Active Trade Union Members, 2006-2010

	2006	2007	2008	2007-2008*
LO	-1% (-1.4)	-8% (-7.8)	-4% (-4.0)	-11% (-11.48)
TCO	-1% (-1.3)	-5% (-5.2)	-2% (-1.7)	-7% (-6.6)
Saco	+1% (+1.4)	-1% (-1.1)	+2% (+1.7)	+1% (+0.7
Others	-1% (-0.8)	-4% (-4.1)	+4% (+3.7)	-1% (-0.5)
All	-1% (-1.0)	-6% (-5.8)	-2% (-2.2)	-8% (-7.9)
Numbers	3,101,800	2,920,500	2,856,500	
Change	-31,100	-181,200	-64,000	-245,300

	2009	2007-2009*	2010	2007-2010*
LO	-3% (-2.8)	-14% (-13.9)	-2% (-2.1)	-16% (-15.7)
TCO	0% (+0.4)	-6% (-6.3)	0% (+0.1)	-6% (-6.2)
Saco	+4% (+4.3)	+5% (+4.9)	+2% (+1.9)	+7% (+6.9)
Others	+5% (+5.0)	+4% (+4.46)	+4% (+3.5)	+8% (+8.3)
All	0% (-0.4)	-8% (-8.2)	-1% (-0.6)	-9% (-8.8)
Numbers	2,844,600		2,829,000	
Change	-11,900	-257,200	-15,600	-272,800

*From 1 January 2007 to 31 December a subsequent year.

Remarks. The number of union members refers to employed and unemployed members on 31 December each year. Pensioners are excluded as well as TCO and Saco student members and self-employed Saco members. All changes refer to calendar years, i.e. from 31 December in the previous year until the end of the year in question.

Source: Information from trade unions and union confederations.

exposed to a continuously large flight of union members (minus 19% in 2007, minus 15% in 2008).

With respect to unemployment funds, too, LO and Saco were diametrically opposed: while LO funds decreased by 3%, the Saco fund AEA increased by 3% in 2008. For the whole period 2007-2010, LO funds lost 15% of their members; AEA increased by 5%. In all, union unemployment funds lost 358,000 members in this period despite a net growth in 2009 and 2010 (*Table 7*). That was considerably more than the 273,000 members that Swedish unions lost during these four years (*Table 6*). In none of them did total union membership grow.

Another indicator of growing divergence between different categories of workers is obtained when comparing the development of union density for blue-collar and white-collar workers. From 2006 to 2007 there was a large fall in both cases, but from 2007 to 2008 density fell more among blue-collar workers than among white-collar workers (*Tables 1-2*). Considering the whole period from 2006 to 2010, the decline in union density of blue-collar workers was 8 percentage points compared

Table 7 Changes in Number of Members of Union Unemployment Funds, 2006-2010

	2006	2007	2008	2007-2008*
LO	-1%	-11%	-3%	-14%
TCO	-2%	-11%	-2%	-13%
AEA	0%	-5%	+3%	-2%
Others	+1%	-11%	-1%	-12%
All	-1%	-10%	-2%	-11%
Numbers	3,514,700	3,169,500	3,115,700	
Change	-33,400**	-345,200	-53,800	-399,000

	2009	2007-2009*	2010	2007-2010*
LO	-1%	-14%	-0,5%	-15%
TCO	+1%	-11%	-0,1%	-11%
AEA	+5%	+2%	+3,0%	+5%
Others	+2%	-10%	+2,5%	-8%
All	+1%	-11%	+0,4%	-10%
Numbers	3,143,700		3,157,000	
Change	+28,000	-371,000	+13,300	-357,700

*From 1 January 2007 to 31 December the following year.

**The decline in the 4th quarter of 2006 was 23,100 people.

Remark. The number of members of union unemployment funds (including directly affiliated non-union members) refers to 31 December each year.

Source: IAF.

to 4 points among white-collar workers.[8] In the private sector, and particularly in private services, the disparity was substantially larger. Blue-collar density in the private service sector fell by 10 percentage points from 2006 to 2010 compared to 2 points among white-collar workers. In the second half of this period the growing divergence was manifested in a continued *fall* of blue-collar density in contrast to the *increasing* density among several white-collar groups in 2009 as well as 2010 for the *average* white-collar density. As a result, from being equal in 2006 (77%), white-collar density in 2010 surpassed that of blue-collar workers by 4 percentage points (73% and 69% respectively).

A comparison of union density by industry also shows increasing divergence from 2008. In the manufacturing industry the decline slowed in 2008, but not among blue-collar workers in private services and construction, among both of which density decreased by 4 percentage points from 2006 to 2007 and by another 4 points from 2007 to 2008 (*Table 2*). As shown in *Table 5,* fees for all LO funds in private services and construction remained very high throughout 2008.[9] The small loss of members in blue-collar manufacturing unions in 2008 may be partly attributed to the rapidly deteriorating economic prospects in the autumn. Prior to that, however, IF Metall in July 2008 was able to cut its fund fee from SEK 330 to SEK 224, which meant that the fund moved from the group with highest fees to the middle group. Due to soaring unemployment, the IF Metall fund returned to the high-fee group in May 2009. As

shown in the three-group survey above and in *Table 5*, the fee was higher than ever before (SEK 384).

After remaining stable in 2008 and 2009, blue-collar union density in manufacturing declined by 2 percentage points in 2010 at the same time as *white-collar* union density in manufacturing *increased* by 1 point (*Table 2*). There are good reasons to suppose that this disparate development reflected, above all, the increasingly divergent fund fees within manufacturing. At the end of 2010 the members of the Association of Graduate Engineers (Saco) paid SEK 90 per month to their unemployment fund AEA (*Table 5*). The fund fee for the independent white-collar union of supervisors and managers was SEK 120 and the members of the white-collar *Unionen* (TCO) paid SEK 196. All this was far below the SEK 390 fee for the IF Metall fund or the SEK 420 GS fund fee. Within the manufacturing industry, white-collar fund fees in 2010 were thus considerably lower than blue-collar fees, signifying a very marked divergence parallel to the dissimilar development of white-collar and blue-collar union density.

Union density and the business cycle

In Sweden, union density has traditionally increased in times of recession and decreased in times of a tight labor market. Looking at recent trends, this pattern now seems to have ended. The years 2009 and 2010 represent the first deep economic crisis in modern times in Sweden not accompanied by rising union density. This contrasts sharply to the early 1990s, when both unemployment and unionization climbed markedly in just a few years (*Table 8*).

Table 8 Unemployment, Union Density and Directly Affiliation to Union Unemployment Funds, 1985-2010 (%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Unemployment	6.5	5.6	4.7	4.0	4.0	4.9	5.5	6.0	5.4	4.6	4.6	6.5	6.0
Union density		81.8	80.6	79.7	79.7	79.8	78.6	77.8	76.9	73.4	71.2	71.2	71.3
Directly UUF		10.6	11.1	11.6	11.9	12.2	13.5	14.2	15.1	15.3	16.2	18.2	18.5

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Unemployment	2.8	2.7/2.5	2.1	1.7	1.5	1.6	3.0	5.2	8.2	8.0	7.7	8.1	8.0
Union density	83-84*	84-85*	83*			81.4			84.9	85*			
Directly UUF						3**			6.4		7	8.1	9

*Estimated by comparisons with other series; ** Estimated from the development in a number of individual funds.

Remarks. Unemployed aged 16-64, excluding full-time students in search of work. Union density: employed workers aged 16-64 (annual averages) excluding full-time students working part-time. Directly UUF = directly affiliated to union unemployment funds at the end of each year (2006-2010 excluding the Electricians' Fund).

Sources: Labor Force Surveys (SCB 2005), IAF, unemployment funds, Kjellberg 2001 and own calculations.

It should be noted that *Table 8* only refers to *average* unemployment and *average* union density. Not even in 2009 did the former appear to be remarkably high, for example compared to 2005, which is not generally considered to be a year of recession comparable to the 1990s or 2009-2010. On the other hand, unemployment increased by almost 2 percentage points from 2008 to 2009 but only by 0.5 points from 2004 to 2005. Considering the great disparity between white-collar and blue-collar workers regarding unemployment and fund fees in 2008-2010, a more detailed analysis is required. In the manufacturing industry, irrespective of the measure used, unemployment among members of the IF Metall fund at the end of 2009 was more than twice as high as in the white-collar *Unionen* fund, not to mention the graduate engineers in the AEA fund (*Table 9*).

According to previous statistics, union density should have *increased* most among blue-collar workers in the manufacturing industry and construction, but it remained at the same level in 2009 as in 2008 and even *decreased* from 2009 to 2010 (*Table 2)*. In order to explain these figures it is necessary to consider the remodeling of the Swedish Ghent system, and in particular the increased linkage between fund fees and unemployment introduced in July 2008 just before the economic crisis hit Sweden. As a consequence, fund fees were raised most for the workers hardest hit by rising unemployment, i.e. almost without exception blue-collar workers. Through this, total union fees (includ-

Table 9 Unemployment in Some Blue-collar and White-collar Union Funds, 1989-2010 (%)

	Dec. 1989	Dec. 1990	Dec. 1995	Dec. 2000	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	June 2010	Dec. 2010
UE (1)											
IF Metall	2.4	3.5	10.0	5.6	6.7	5.0	3.5	6.0	10.5	5.7	4.9
Unionen	1.5	1.9	6.7	3.4	5.0	3.8	2.8	2.9	4.5	3.8	3.4
AEA	0.7	0.8	2.9	1.3	2.1	1.6	1.3	1.3	2.0	1.8	1.6
UE (2)											
IF Metall			11.2	7.7	8.8	6.9	4.9	7.2	12.2	7.1	6.1
Unionen			9.3	6.2	7.9	6.5	5.0	4.5	6.0	5.2	4.7
AEA			4.1	2.3	3.2	2.7	2.2	2.1	2.9	2.6	2.3
UE (3)											
IF Metall			15.8	11.7	13.4	10.9	6.8	9.9	18.4	13.4	12.7
Unionen			12.1	8.5	10.4	9.1	6.4	6.1	8.4	7.9	7.4
AEA			5.0	3.0	4.1	3.7	2.6	2.6	3.6	3.5	3.3

Remarks. The IF Metall Fund and the Unionen Fund include their predecessors. UE (2) includes part-time unemployed and those temporarily employed by hour. UE (3) also includes people in labor market programs.
Sources: The Swedish Public Employment Service (number of unemployed) and IAF (number of fund members).

ing fund fees) also increased considerably. This militated against the expected growth of unionization under other circumstances. In 2010 union density among blue-collar manufacturing and construction workers *declined* by 2 percentage points (*Table 2*). This must be seen in the light of the continuing, extremely high fund fees (IF Metall SEK 390 and GS SEK 420 during the whole of 2010) combined with increasingly good prospects of economic recovery (cf *Tables 8-9*). As we have seen, union density among *white-collar* manufacturing workers *increased* both in 2009 and 2010 (*Table 2*). To conclude: fund fees closely linked to the unemployment rate among the members of each fund combined with widely disparate unemployment rates in different categories of workers was reflected in diverging union density.

It should be noted that union density also declined from 2002 to 2005, i.e. in another recent period with increasing unemployment. During that period, however, unemployment grew much more *gradually* (4% in 2002, 6% in 2005) than from 2008 (4.6%) to 2009 (6.5%). Neither did it reach such high levels among blue-collar workers as in 2009 (*Table 9*). Union density decreased by 2 percentage points in those three years (on average 0.6 points per year). The trend was clearly more negative among blue-collar workers (in total, minus 3.5 percentage points) than among white-collar workers (minus 0.6 points; *Table 1*).

Fund members abstaining from union membership and union members abstaining from fund membership

Traditionally, union membership and membership of union unemployment funds have been very closely linked. In the 1980s people became increasingly aware of the option of joining a union fund but abstaining from union membership, i.e. to be directly affiliated to a union unemployment fund. Since 1990 direct affiliation has increased considerably, i.e. from about 3% to almost 19% in 2010 (*Table 9*). This development started in the 1980s among private sector white-collar workers and spread to blue-collar and public sector workers in the 1990s. It is associated with the tendency among workers to weigh the costs and benefits of union membership. While costs appear to be the dominant motive among low-wage groups such as hotel and restaurant workers (49% directly affiliated in 2010), maintenance workers (29%) and commercial employees (26%), others feel they manage fairly well without being union members. When fund fees were raised significantly for all categories of workers from January 2007, the average rate of direct affiliation (15%) did not change appreciably (*Table 8*). Both union members and non-union members left union unemployment funds in great numbers. In some white-collar funds even the *proportion* of those directly affiliated decreased in 2007. On the other hand, it grew from 23% to 30% in the LO fund for hotel and restaurant workers. Since 2007 direct affiliation has increased twice as much in blue-collar funds as in white-collar funds.[10]

During the depression in the early 1990s both union density and the rate of direct affiliation to union unemployment funds grew. In contrast, during the recent economic crisis direct affiliation increased (from 16% in 2008 to almost 19% in 2010) but average union density was unchanged (71%). A marked difference, however, can be observed between blue-collar and white-collar workers. While both union density and direct affiliation increased among white-collar workers, blue-collar density declined

at the same time as the proportion of direct affiliation to blue-collar funds increased by more than 4 percentage points (Kjellberg 2010b). Faced with very high and rising total union fees, a relatively large number of blue-collar workers abstained from union membership but joined union unemployment funds during these years of high unemployment.

A new phenomenon that appeared in 2007 was the rapidly growing proportion of *union* members abstaining from membership in unemployment funds – some of them because they could not afford to pay the high fees, while others felt they were exposed to a very low risk of unemployment (*Table 10*). In 2008, both the proportion of direct affiliation to unemployment funds and the proportion of union members abstaining from fund membership increased. At the end of 2010, every eleventh union member did not belong to an unemployment fund and almost every fifth fund member was not a union member.

Table 10 Proportion of Active Union Members Abstaining from Membership in Union Unemployment Funds, 2006-2010

	2006	2007	2008	2009	2010
LO	1.5%	5.5%*	6.4%*	6.4%*	6.4%*
TCO	4.6%	10.2%	10.8%	10.5%	10.6%
Saco/AEA	8.5%	10.4%	11.2%	15.2%	11.3%
Others	2.5%	11.9%	16.8%	19.1%	(19.5%)
All	3.7%	8.0%*	8.9%*	9.8%*	9.1%*
Numbers	113,300	230,900*	253,400*	276,200*	254,900*

*Excluding Electricians.

Remarks. At the end of each year. TCO excluding the Association of Health Professionals (nurses) but including the Association of Airline Pilots.

Source: Calculations from statistics provided by IAF, unemployment funds, trade unions and union confederations.

Largest decline in union density among foreign-born workers

The social divergence of fund fees also has an ethnic dimension, since foreign-born workers are over-represented among blue-collar workers in the private service sector, i.e. in industries with many low-paid workers, high risk of unemployment and very high fund fees. Excluding the wholesale and retail trade, 25% of blue-collar workers in private services in 2008 were born abroad. In the Hotel and Restaurant Workers' Union more than one-third of the members were born abroad (2004). In 2007 and 2008, this union lost almost one-third of its members and its unemployment fund lost more than one-third. From 2006 to 2009, the blue-collar union density in hotels and restaurants fell from 52% to 36% - more than in any other industry, including construction (*Table 2*). In the same period the overall decline in union density was greatest among those born abroad. From 2006 to 2009, private sector density declined by 10 percentage points among immigrants compared to 5 points among native Swedes.

Among blue-collar workers, union density continued to decline in 2010. From 2006 to 2010 private sector unionization dropped by 14 percentage points (from 75% to 61%) among immigrants compared to 8 points (from 74% to 66%) among Swedish-born blue-collar workers (Kjellberg 2010a).

Density of Swedish employers' associations considerably higher than that of trade unions

As a consequence of the large fall in union density since 2006, the density of employers' associations is now considerably higher than that of trade unions. As shown in *Table 12*, 75% of all private sector workers in 2009 were in firms affiliated to employers' associations. That substantially exceeded the 65% private sector union density. In contrast to the unionization rate, the density of employers' associations has remained steady over the last 15 years.

The high density of employers' associations is conducive to both high union density and high coverage of collective agreements. About 85% of Swedish private sector employees were covered by collective agreements in 2009, despite the absence of state extension mechanisms *(Table 13)*. Several unaffiliated employers have substitute agreements with trade unions, implying that they apply the conditions stipulated in industrial

Table 11 Union Density by Sector and Country of Birth, 2006-2010 (%)

	2006	2007	2008	2009	2010	2006-2008	2006-2009	2006-2010
Private sector								
Foreign-born	71	67	62	61	62	-9	-10	-9
Born in Sweden	71	68	66	66	66	-5	-5	-5
Private sector in all	71	68	65	65	65	-6	-6	-6
Public sector								
Foreign-born	82	80	78	78	78	-4	-4	-4
Born in Sweden	89	89	85	85	86	-4	-4	-3
Public sector in all	88	86	84	84	85	-4	-4	-3
All sectors								
Foreign-born	74	71	67	66	67	-7	-8	-7
Born in Sweden	77	74	72	72	72	-5	-5	-5
Both sectors in all	77	73	71	71	71	-6	-6	-6

Remark. Employed workers aged 16-64 (annual averages) excluding full-time students working part-time.
Source: Labor Force Surveys.

Table 12 Proportion of Employees (%) in Sweden Covered by Employers' Associations and Trade Unions

			Density of Employers' Associations				
Sector	1995	2000	2005	2006	2007	2008	2009
Private	77	75	78	77	77	75	75
Public	100	100	100	100	100	100	100
All	86	83	85	84	83	82	82
			Union Density				
Sector	1993	2000	2005	2006	2007	2008	2009
Private	78	74	72	71	68	65	65
Public	94	92	89	88	86	84	84
All	85	81	78	77	73	71	71

Remark. In some international publications the density of employers' organizations in Sweden is far too low. To obtain a correct calculation it is necessary to include about 20 private sector employers' associations other than SN (excluding business organizations within and outside the Confederation of Swedish Enterprise (SN), only employers' associations included). It is also easy to miss converting full-time equivalents (SN statistics) into individuals (Labor force statistics).
Sources: As regards employers' associations, own calculations from statistics provided by Statistics Sweden (SCB) and employers' associations.

Table 13 Proportion of Employees Covered by Collective Agreements (%)

Sector	1995*	2005:1	2005:2*	2007:1	2007:2*	2009*
Private	90	90	89	87	86	85
Public	100	100	100	100	100	100
All	94	94	93	91	91	90

*The coverage of collective agreements in private sector 1995, 2005:2, 2007:2 and 2009 is calculated from the number of workers employed by members of employers' associations and then adding the number of workers covered by substitute agreements. Regarding 2005:1 and 2007:1 the number of workers covered by collective agreements is provided by the National Mediation Office to which the number of workers covered by substitute agreements is added.
Sources: Calculations from statistics provided by the National Mediation Office, Fora (a service company owned by LO and the Confederation of Swedish Enterprise), the Swedish Statistical Office and employers' associations (Kjellberg 2010c).

agreements. Including public sector employees, collective bargaining coverage was as high as 90% in 2009, which signifies a small decrease since 2005.

Why were fund fees raised so much and differentiated?

Never before in Swedish history did *government* intervention have such a negative impact on union density as in 2007 and 2008. Another consequence of the radically changed financing of unemployment funds enacted by the center-right government was that the proportion of the labor force *outside* unemployment funds became almost twice

as large in the space of a few years: from 16% at the end of 2005 to 30% at the end of 2008 or in numbers from about 700,000 to 1,400,000 people (the same number and proportion as at the end of 2010).

These far-reaching consequences are a reason to pose the question *why* the fees were raised so much. The three motives announced by the government were to influence wage formation, to pressure unemployment funds to sharpen their controls to prevent faulty payments of benefits, and to stimulate labor mobility by relatively low fund fees in sectors and industries with low unemployment and high fees in those hit by high unemployment.

The first of these objectives appears to be the most important. The idea was to put pressure on unions to lower their wage claims by:

(1) significantly raising fund fees in industries hit by severe unemployment,
(2) abolishing tax reduction for union fees and fund fees, and
(3) dismantling the solidarity system of equalization, which redistributed money from funds with low unemployment rates to those with high rates.

According to the economic theory that inspired the reform, fund fees linked to unemployment rates in each fund should prevent union members from taking full advantage of wage increases in industries where unemployment increased as result of excessive wage agreements (Holmlund and Lundborg 1999). Increased fund fees were thought to function as a kind of penalty tax on wage increases that caused growing unemployment. Secondly, unions would risk losing members as raised fund fees would make union membership more expensive unless union members abstained from fund membership (which was not possible in all unions) at the same time as non-union members received the full benefit of wage increases provided they abstained from fund membership (the same applied to union members abstaining from fund membership). Economists stressed the first aspect: that wage increases would be of less value if they resulted in increased fund fees. In practice, though, the greatest consequences so far are the negative effects on *membership development*.

In January 2007 *all* fund fees were raised significantly, although to a lesser extent in the case of AEA and a few TCO funds. That was logical, since the government used the increased fees to finance the simultaneous cut in income taxes and to prevent the Swedish economy from being over-stimulated during the boom. As a result, the raised fund fees in practice functioned as a kind of tax on fund membership itself. In the case of wage increases resulting in increased unemployment, the raised fee could be considered as a tax on membership since non-members would escape it.

It appears paradoxical that fund fees were raised sharply and in most cases remained at a very high level in a year distinguished by relatively low and decreasing unemployment. The good economic prospects accelerated membership losses of unemployment funds and unions, as some workers considered the risk of unemployment and the need for union support to be small.

To stimulate job growth, the cut in income taxes known as job tax deduction only benefited the employed. Unemployed fund members who found a job benefited from the job tax deduction but also had to pay the raised fund fees, in contrast to unemployed members. Thus, the raised fund fee operated as a reversed job tax deduction. In autumn 2006 the chairman of the Swedish Fiscal Policy Council, Lars Calmfors, argued that the government, without weakening the employment-stimulation effect, could have easily

avoided raising fees so much that the funds risked losing members (*Dagens Nyheter* 6 November 2006). Calmfors repeated this argument and sharply criticized the government in the council's 2008 report (*Svensk finanspolitik* pp. 25-26). The conclusion was that the considerably raised membership fees hardly achieved any real aim. Even if the fees had been more differentiated from the beginning with respect to unemployment in each fund, the council found that the influence on wage formation would have been limited due to the increasingly weakened correspondence between the coverage of industries, funds, trade unions and collective bargaining.

From July 2008, fund fees became more closely linked to unemployment levels, which caused a sharper differentiation of fees with respect to different categories of workers, but by then the 2007 bargaining round was since long finished and three-year agreements concluded for the period 2007-2010. When the government bill was presented in autumn 2007 the bulk of the bargaining round was already finished. The significantly increased fund fees introduced in January 2007 did not appear to influence the bargaining round of this year at all. On the contrary, due to the boom the negotiated wage increases became *larger* than in any other round since the 1997 Industry Agreement, which marked a turning-point in gearing down the previously high nominal wage increases. The Commercial Employees' Union (LO), in particular, managed to raise the wages of its many low-income members in 2007. The ambition of LO was to obtain especially large wage increases for unions with many low-paid women, such as the Municipal Workers' Union, the Commercial Employees' Union and the Hotel and Restaurant Workers' Union. In contrast to many other groups, unemployment among hotel and restaurant workers was high (7-9%) in 2007. Considering that the Hotel and Restaurant Workers' Union won a substantial wage increase in its national agreement for 2007-2010, government policy did not appear to be very successful. If this union and others with many low-paid members had accepted lower wage increases, they would probably have risked still larger membership losses. Within large parts of the LO area the result was a *negative* correlation between unemployment and centrally bargained wage increases.

Despite the increased differentiation of fund fees from July 2008, as in the 2007 bargaining round, the Hotel and Restaurant Workers' Union and other LO unions with many low-paid members and high fund fees also succeeded in obtaining wage increases clearly above the average level in the 2010 bargaining round. Thus, the government failed to justify its most important claimed motive for changing unemployment insurance: to persuade unions with high unemployment among their members to moderate wage claims.

Despite growing differences in fund fees between the members of IF Metall (LO), Unionen (TCO) and the Association of Graduate Engineers (Saco) they obtained almost identical wage increases in the 2010 bargaining round. On the other hand, this was not particularly remarkable since all three unions belong to the constellation Unions in Manufacturing and their members are often in the same enterprises, although it definitely implied a contradiction to the government aim that differentiated fund fees would be reflected in wage agreements.

A number of circumstances contributed to the government's failure to influence wage formation by differentiated fund fees linked to the rate of unemployment in each fund. Firstly, the economic theory referred to above on differentiated fund fees presupposes a close correspondence between the coverage of industries, unemployment funds, trade unions and collective bargaining. In the real world, this is far from always the rule. The largest unemployment fund in Sweden, AEA, covers all Saco unions and one

TCO union, and thus a very large bargaining area. In addition, due to its low fees AEA has succeeded in recruiting a relative large number of members from other TCO funds. Another example is the white-collar union *Unionen*, which covers the whole manufacturing industry and a large part of the private service sector. Secondly, the theory presupposes that collective bargaining is concentrated on the industry level and is exclusively a matter for national unions and employers' associations. Such a premise also deviates from the Swedish system of collective bargaining.[11] Since the mid-1990s both coordination within LO and coordination between the employers' associations affiliated to the Confederation of Swedish Enterprise have increased strongly. Since the 1997 Industry Agreement there has also been close coordination within the manufacturing industry between LO, TCO and Saco unions, among them the largest private sector union in Sweden, *Unionen* (TCO), the largest LO union in this sector (IF Metall) and the largest Saco union (the Association of Graduate Engineers). A corresponding coordination has taken place between the employers' associations in the manufacturing industry. Furthermore, there is an accepted norm in the Swedish labor market that the export industry should function as a wage-leader. This norm is even written in the statutes of the Mediation Office, which is assigned an important coordinating role in promoting an efficient wage formation process.

The large union decline: easy to foresee

When the fee for unemployment funds was more than doubled for most employees from 1 January 2007 it was not difficult to foresee that many would leave the funds and trade unions or would abstain from joining, as in the case of new entrants on the labor market. Very soon such a development could also be observed. The relatively low unemployment in 2007 certainly augmented membership losses among unions and unemployment funds. Neither was there a lack of warnings from researchers, trade unions or unemployment funds. Lars Calmfors thought that individuals with a low risk of unemployment, such as low-paid employees who felt they could not afford to pay the raised fees, would leave the funds. The proposal of the center-right alliance on compulsory fund membership was motivated by the fact that 700,000 people in the labor force were not fund members, but can also be understood in the light of the expected *membership flight* in the wake of the planned, significantly increased fund fees.

According to the Swedish economists Bertil Holmlund and Per Lundborg, the level of state subsidy of unemployment insurance is considered 'one of the crucial factors' influencing union density in countries with a so-called Ghent system (Holmlund and Lundborg 1999 p. 413). To be more precise, they claim that heavily subsidized Ghent systems 'always raise the unionization rate' and weaken wage moderation (or increase wage pressure – ibid. p. 412). Conversely, reduced subsidies would have a negative impact on union membership and thus result in more moderate wage increases as the balance of power shifts between social partners. The first of these assumptions – that reduced subsidies would have a negative impact on union membership – proved to be correct when state subsidies were reduced and membership fees significantly increased from January 2007.

Such a development was also expected according to a memorandum from the Ministry of Enterprise, Energy and Communications (under the previous social democratic government) published one year before the 2006 elections (*Arbetslöshetsförsäkringens*

finansiering pp. 6-9, 37-42). By simulating different variants of raised fund fees it was evident that union density was expected to be 'considerable lower than today' (p. 50). The conclusion was that 'a voluntary system of unemployment funds like the Swedish, only can be maintained as long as the fees are low enough to prevent drop-outs' (p. 65). The reason for reflecting on this in 2005 was to investigate whether the budget could be strengthened by increased fund fees. As a matter of fact, this motive also played a prominent role in the significantly raised fund fees introduced by the center-right government in 2007 to finance job tax deduction.

Swedish sociological and psychological research on the motives of workers for joining, remaining in or leaving unions concludes that not only the cost of membership, but also the perceived *utility* of membership plays a prominent role in decisions to belong to a trade union or not (Bruhn 1999; Kjellberg 2001, Sverke & Hellgren 2002). Many individuals weigh the costs and benefits of membership. This instrumental attitude is particularly common among young workers. The theory of the economists Holmlund and Lundborg presumes that the costs of union membership and the utility of being a union member are weighted (Holmlund and Lundborg 1999). Consequently, unions organizing large low-paid groups in particular have an interest in raising wages to encourage members to feel that they benefit from the membership and can afford to pay the fees.

All union members suddenly had to pay substantially higher total union dues on 1 January 2007, through the significantly raised fund fee. At the same time the *utility* of the membership did not change or was even perceived to be reduced during this increasingly prosperous year in the Swedish economy. From a research perspective it was hardly unexpected that the union decline which had started in the mid-1990s would accelerate considerably when the fees for unemployment funds were raised.

Conclusions

Returning to the questions posed at the beginning of this article, we have just seen that it was not difficult to foresee the large decline in membership of unemployment funds and trade unions that took place after the significant increase in fund fees in January 2007, carried out by the center-right government elected in September 2006. Both sociological theory and the economic theory that inspired the government indicated such a course of events.

Considering the long-term decline in union density – on average 1 percentage point per year from 1999 to 2006 – about two thirds of the six-point drop in 2007 and 2008 could be attributed to the remodeled system of financing Swedish unemployment insurance. The huge membership losses in union unemployment funds (almost 400,000 people in two years) and unions (245,000 members) were certainly amplified by the positive business cycle, which made workers more reluctant to pay the generally raised fund fee. In 2007 a relatively large number of union members abstained from fund membership but maintained union membership. In contrast, the rate of direct affiliation to union unemployment funds did not expand in this year.

From 2006 to 2007 union density fell as much among white-collar workers as among blue-collar workers: 3.4 and 3.5 percentage points respectively. Fund fees from July 2008 became more closely linked to unemployment in all funds and the

economic crisis in 2009 and 2010 hit blue-collar workers much harder than white-collar workers. Union density fell more among the former (minus 1.6 points from 2008 to 2010) than among the latter (plus 1.4 points). In all, blue-collar density fell by 8 percentage points from 2006 to 2010 compared to 4 points among white-collar workers. Thus, from being equal in 2006 (77%) white-collar density in 2010 exceeded blue-collar density by 4 percentage points (73% and 69% respectively). A similar tendency could be observed prior to 2006, however. Blue-collar density declined twice as much over four years as white-collar density (by 4 and 2 points respectively from 2002 to 2006), although at a much slower pace than during the subsequent four-year period.

Union density in Sweden has traditionally increased in periods of recession due to the close link between unions and unemployment funds and the important negotiating role of unions with respect to redundancies (Kjellberg 1983, Björklund et al 2006 pp. 259–260). The recession that peaked in 2009 was the first since the 1920s when *rapidly* increasing unemployment was not followed by rising union density. Considering the extremely high unemployment rate among blue-collar workers, density could be expected to increase most among this category of workers, but on the contrary it declined. Not least the divergence in union density between blue-collar and white-collar workers in manufacturing indicates the impact of the significantly differentiated fund fees, and consequently total union fees, in 2009 and 2010.

The government's principal aim in significantly raising and differentiating fund fees - to persuade unions with high fund fees to be more moderate in wage negotiations - has not yet materialized in collective bargaining. Both in the 2007 and 2010 bargaining rounds, LO unions with many low-wage members and high fund fees, such as the Hotel and Restaurant Workers' Union, in fact obtained *higher* wage increases than all others. According to the economic theory that inspired the government, collective bargaining should not be coordinated. In reality, however, it is; for example in the blue-collar confederation LO, in the Confederation of Swedish Enterprise and across LO, TCO and Saco unions in the manufacturing industry. Despite large variations in fund fees in manufacturing during the 2010 bargaining round, wage increases in practice were identical, irrespective of the level of fund fees. From this perspective, the changed fund fees may be labeled a failure. As we have seen, that does not imply the absence of other substantial effects. Both the proportion of the labor force covered by income-related unemployment insurance as well as union density declined dramatically in just a few years.

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End note

[1] This article, which is an updated and enlarged version of 'Det fackliga medlemsraset i Sverige under 2007 och 2008' (Arbetsmarknad & Arbetsliv 15(2) 2009, pp. 11–28), was written with financial support from the Swedish Council for Working Life and Social Research (project: Union Density in Global Perspective).

[2] Refers to active wage and salary members including unemployed. Pensioners, self-employed Saco members and student members in TCO and Saco are excluded.

[3] Also with decimals, the white-collar decline from 2006 to 2007 appeared as high as that among blue-collar workers: 3.5 and 3.4 percentage points respectively (Table 1). From 2007 to 2008 union density fell less among white-collar workers (minus 1.9 points) than among blue-collar workers (minus 2.8 points).

[4] The blue-collar decline in the years 2009 and 2010 together was 1.6 points, in contrast to white-collar increase by 1.4 points (Table 1).

[5] The total union fee reached almost SEK 700 in IF Metall (LO), the Commercial Employees' Union (LO) and the Musicians' Union (LO). It exceeded SEK 700 in the Food Workers' Union (LO), GS – the union of graphical workers and forest/wood workers (LO), the Hotel

and Restaurant Workers' Union (LO) and the Maintenance Workers' Union (LO). In the Building Workers' Union (LO) and the Painters' Union (LO) it exceeded SEK 800.

[6] The Teachers' Union, the Association of Health Professionals, the Insurance Employees' Union, the Finance Employees' Union, the Union of Civil Servants and the Union of Municipal Employees.

[7] When one decimal is used, the divergence grows further: TCO lost 1.7% of its members and LO 4.0% while Saco increased by 1.7% in 2008.

[8] Blue-collar density declined by 7.9 points and white-collar density by 3.9 points (Table 1).

[9] Although the building workers' fund reduced its fee somewhat in May 2008 it still was almost SEK 300. In addition, the Building Workers' Union in 2007 had to raise the pure union fee with SEK 155 due to the dismantling of the inspection fees after a verdict in the European Court of Human Rights.

[10] From 12% in 2007 to 16% in 2010 (blue-collar funds) and from 19% in 2007 to 21% in 2010 (white-collar funds).

[11] The membership exodus from the unemployment funds, the lack of overlap between collective bargaining areas and union unemployment funds as well as the strong coordination on the part of trade unions and employers' associations in the Swedish model of collective bargaining were among the reasons why the Swedish Fiscal Policy Council in its 2011 report concluded 'that the contribution differentiation should be scrapped if the current system of voluntary unemployment funds is retained' (quotation from the English summary of Svensk finanspolitik 2011).