



Collective agreement

– employers' frequently asked questions

What is a collective agreement?

“A collective agreement is a contract between an employer and a union organization, or between an employers’ organization and a union organization. A collective agreement must be in writing and concern terms of employment.”

Extract from the Co-Determination Act (MBL)

What does a collective agreement contain?

The collective agreement regulates the rights and obligations of both the employer and the employee and contains provisions relating to: wages (e.g. minimum wage, holiday pay and pay for overtime and unusual hours)

Can I pay higher wages than what is stated in the agreement?

Of course you can pay more than what is stated in the agreement. But you cannot pay below that. You are free to provide better terms for your employees than what is provided for in the agreement. The agreement

What are the benefits to me as an employer?

A collective agreement provides the following benefits to the employer:

- Set rules about the terms in the workplace and for the employees. Rules set up by the parties themselves, the employers’ organizations and the Commercial Employees’ Union, not by political decisions.
- Rules that eliminate the need for the employer to compete with others through the worst terms and lowest wages. Instead, you are able to compete on equal terms by having wages and employment terms regulated in a collective agreement.
- A guarantee that your employees are well insured.
- Clear rules about dealing with conflicts in the labour market. When the collective agreement is signed, the no-strike rule is in force. No industrial actions, e.g. strikes, may be taken.

insurances by the Labour Market Insurance Company (AFA) general terms (e.g. employment, termination and working hours).

only regulates the minimum wage levels and employment terms. Paying higher wages and having better terms than what is provided for in the agreement is something that is up to you.

We are a small business with good relations. Do we really need a collective agreement?

A collective agreement is needed in all types of companies, both large and small. A collective agreement makes things simpler and safer for all. Rules that everyone is familiar with and has agreed upon make for cooperation and good relations. In addition, nobody needs doubt what rules apply.

Does it cost anything to enter into a collective agreement?

The actual agreement costs nothing. The only increase in costs would be if the wages in your company were lower than the minimum wage in the collective agreement plus the premiums for the Labour Market Insurance Company (AFA). (The cost of

insurance is based on the information on wages that you submit.)

What insurances are included in AFA?

The contractual insurance provides your employees with support and security in case of illness, redundancies, deaths and work-related injuries. The contractual insurance covers the following:

- Health insurance (AGS) – supplemental insurance in case of illness.
- Group life insurance (TGL) – paid out to the next of kin if the employee dies.
- Transition insurance – support in finding new employment in case of cutbacks and terminations due to shortage of work.
- Severance payment (AGB) – in case of unemployment, a supplemental grant in addition to unemployment benefits.
- Occupational injuries insurance (TFA) – if the employees are injured in the work place, or on their way to or from work.
- Contractual pension – a supplement to the general pension.

The collective agreement guarantees that all employees are insured, irrespective of whether you, as their employer, have paid your premiums on time or not. This provides safety to you and your employees both.

Am I, as an employer, tied to the Commercial Employees' Union in any other way?

You have no ties to the Commercial Employees' Union. The agreement covers terms of employment, nothing else.

Is it not sufficient if I, as an employer, abide by the agreement without signing it?

Without a written agreement, your employees have no guarantees that the agreement will be honoured, and they are not automatically covered by the contractual insurance. But if there is an agreement, everybody knows the rules and you avoid unnecessary discussions about what is right or wrong.

Do I have to sign an agreement?

The signing of a collective agreement is based on it being a voluntary agreement between your company and the Commercial Employees' Union. Almost every company in the country have entered into collective agreements with their respective unions.

Can the Commercial Employees' Union provide help in signing a collective agreement?

Yes, contact your nearest union division for help. Even if the Commercial Employees' Union works for its members, i.e.

your employees, you, as an employer, are welcome to contact our representatives to sign a collective agreement and get information about agreements and legislation.



**You can contact
Handels Direct on
0771- 666 444**

Handels Direct will give you personal advice on issues relating to your membership, your job and work in general. This may involve anything from terms of employment, wages, the working environment or membership benefits to questions about your membership fee.

You can call Handels Direct weekdays on 0771-666 444, wherever you live.



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