

Living and working in Sweden

Sweden's working environment is highly admired internationally. Labor relations are characterized by respect, understanding, cooperation and willingness to compromise. Large scale confrontations in the labor market are rare.

The individual Swedish worker enjoys benefits, by law or by union contract, that include five weeks of paid holiday, paid time off for illness or child-care, 16 months of paid parental leave, regulated working hours, overtime compensation and pension benefits.

Labor is granted insight into major company decisions affecting employment and is represented on boards of directors of companies.

Contracts of employment

Swedish employment contracts are normally valid for an indefinite term. Fixed-term contracts are only allowed in certain cases, for example if the employer faces temporary demand for extra workers.

Employers must adhere to certain rules when employment contracts are terminated. In the event of a shortage of work, the last person hired in a department is laid off first. If there is work of a similar kind in a different area of the organization, a person facing layoff has the right to be transferred. An employee laid off due to lack of work is normally entitled to re-employment priority with the company within a year.

In cases of dismissal due to personal differences between employer and employee, the employer is required to make an active effort to resolve the problem, for example by warnings, transferring, etc. An employer is entitled to terminate an employee's contract on an immediate basis only if the employee seriously neglects his work duties and assignments. Fixed-term contracts can be terminated without any specific grounds. (See ISA fact sheet "Contracts of employment in Sweden".)

Wage setting

There are no minimum wages regulated by Swedish law, since wage issues are the responsibility of the parties in the labor market, generally the trade unions and employers' organizations. According to accepted procedure, the parties of the labor market have set the minimum monthly wage at SEK 14,500 (about EUR 1,600/USD 2,000 at exchange rates in mid-2006) for full-time workers. Collective labor agreements generally include rules concerning minimum wages, and these rules are usually applied to employees who are members of a trade union. It is difficult, and can be misleading, to state a "normal wage" in the Swedish labor force. However, to provide some idea, the average monthly wage in Sweden amount to SEK 26,500 for men and SEK 22,100 for women (in 2005).

High trade union membership

Sweden has a high trade union membership; some 85 percent of wage-earners (blue-collar) and 75 percent of salaried (white-collar) workers. Wage-earners are mainly members of unions within the Swedish Trade Union Confederation (*LO*) and salaried workers are generally in unions within the Swedish Confederation of Professional Employees (*TCO*) or the Swedish Confederation of Professional Associations (*SACO*). Labor contracts normally run for a period of 1-2 years and include agreements on wage increase for the industry they concern. Although there is a clear trend toward bargaining systems that give greater role to wage contracts worked out at the company level, the traditional central industry wide union agreements establish guidelines for each business sector. Employers are also highly organized into national associations. In the private sector,

the Confederation of Swedish Enterprise (*Svenskt Näringsliv*) is the dominant central employers' organization. It consists of various industry and sector organizations.

Few industrial actions

Industry-wide unions and their counterpart employer organizations negotiate collective labor agreements that are used as guidelines for contracts between companies and their local unions. The collective labor agreements primarily cover only wages and job rules. Labor laws cover holidays, sick leave, parental leave, etc. If the parties are unable to reach agreement in collective bargaining negotiations, they are entitled to call for strikes or lockouts.

At first, outsiders may view this structure as a bit complicated. But it works quite smoothly in reaching labor agreements, even though negotiations can be tough. The frequency of industrial actions – strikes and lockouts, both legal and wildcat – has been low since this system was introduced in Sweden in the late 1930s. All bargaining on local level is carried out under a legally binding peace obligation. Risks are very small for industrial actions on the company level.

Close links between trade unions, industry and universities

According to the OECD, Sweden is the most knowledge-based economy in the world. The Swedish Government's determination to maintain Sweden's lead in having the world's greatest knowledge-based working force is strengthened by encouraging companies to interact with students through such things as internships, research and by being a part of educational case studies. Traditionally, there are also close links between companies and trade unions in employee training and education. Trade unions participate in research, studies and other activities involving university students and the academic world.

Social security systems

Social insurance in Sweden aims at providing financial security for a stable and

secure welfare society for all. The Swedish social security system covers a wide range – from parental leave and child care to worker sickness and accident insurance, disability assistance, and care for the elderly. The system is administered by the national Social Insurance Office (*Försäkringskassan*). Social insurance schemes cover all residents and are primarily financed by employer social security contributions, pension fees, interests on funds and taxes. Some social insurance benefits are also funded wholly by the Government.

Employees themselves contribute about 7 percent of their wages or salaries for the pension system, the so-called general pension fee (*egenavgift*). This contribution is included in the income tax, and is deducted by the employer along with the preliminary tax (see ISA fact sheet "Social security costs in Sweden").

Unemployment insurance

Unemployment insurance, financed by employer contributions with state contributions, is administered by trade unions. Unemployment payments are 80 percent of an individual's previous year's income, with a maximum daily compensation of SEK 680, during the first 200 consecutive days of unemployment. Thereafter unemployment payments are reduced to 70 percent. Compensation is paid during a maximum of 300 days, or 450 days for an unemployed person with children. Although unemployment payments depend on membership in a trade union, there is also a supplementary insurance fund, enabling any employee to be covered for loss of income.

Wage guarantee

If an employer is being declared bankrupt and its assets are insufficient to cover employees' salaries and wages, the state will answer for the payments under the terms of the Wage Guarantee Act. These payments can cover claims for the three months immediately preceding the petition for bankruptcy and for the periods of notice of dismissal, however not for more than six

months. The wage guarantee is financed by employer contributions.

Laws against discrimination in working life

Sweden has four specific laws prohibiting discrimination in the workplace. They cover equal employment opportunities for men and women; measures against ethnic discrimination in working life; measures against discrimination based on sexual orientation; and prohibiting discrimination in working life against persons with functional disabilities. These laws also prohibit both direct and discrimination against job applicants and employees. The acts also apply during hiring procedures, making decisions regarding promotion or selecting employees for training leading to promotion, when employers adjust pay or employment conditions, and in lay-offs or ending employment contracts.

Gender equality in the labor market

For a number of years the National Labor Market Board (*AMS*) has had special programs and/or funding related to efforts to eliminate gender inequality in the labor market. This includes differences between men's and women's wages. The principle of equal pay for the same job and work of equal value has long applied in Sweden and is affirmed by collective agreements on gender equality. Pay differentials between men and women are small compared with many other countries, but on average, women still earn less.

The Swedish labor force consists of approximately 4.2 million workers, of whom women represent at least half of the total. This means that Sweden has the highest percentage in the world of women in working life. In February 2006, some 75 percent of women between 16 and 64 years of age were employed, compared to approximately 80 percent of men. A considerable percentage of the women have part time jobs, less than 35 hours a week, in order to combine work and child care.

International management

International management experiences Swedes have long experience of managing multinational companies. Managers, engineers and marketing specialists are accustomed to working in foreign cultures and in global markets. Swedish executives have gained high regard abroad for their international management skills and knowledge of global affairs. A very high percentage of salaried workers speak English and, in many cases, more additional languages beside Swedish. Labor costs for top executives and managers are generally less than in other European countries, and far less than in the US.

Multicultural environment

About 220,000 foreign citizens are in the Swedish labor force is, or approximately 5.2 per cent of the total. Of these, some 40 percent come from other Scandinavian countries and about 13 percent from former Yugoslavia. Foreigners holding resident permits have the same rights in the labor market as Swedish citizens.

Working hours

By law, the basic workweek is 40 hours. Overtime is limited to 48 hours over a four-week period and no more than 200 hours per year. This applies to all employees, except for those in managerial positions, people working out of their homes, and some other special categories. Deviations from the law may be made through union contracts. However, workplaces are often flexible about working hours, particularly in smaller companies. The increasing flexibility is also facilitated by the large use of personal computers in Sweden, allowing many employees to work from their homes. Workers often take days off as compensation for overtime.

Vacations and holidays

Vacations and holidays are covered by legislation. All employees in Sweden are entitled to a minimum five-week paid annual leave, after the first year of

employment. However, in instances of fixed-term contracts, the parties may agree that the employee does not have the right to paid leave, but shall receive holiday pay instead. Normally, vacations are taken so employees can have four consecutive weeks off. Traditionally, vacations have been taken in July, which means that many companies all but close down operations in that month. However, in recent years, because of the much stronger international business environment, full operations continue through the summer, while employees take vacations at other times of year. Vacation time can be accumulated up to one week per year for a five-year period. This means an employee could be entitled to a maximum of ten weeks vacation. Sweden has twelve public holidays per year. Most are connected with religious (Lutheran) holidays. The public holidays in annual order are; New Year's Day and Epiphany, Good Friday, Easter Day, Easter Monday, Labor Day, the Ascension of Christ, Whit Sunday, National Day, All Saint's Day, Christmas Day and Boxing Day.

Parental leave

The Swedish social insurance system covers parental leave. Fathers and mothers are both entitled to draw parental allowance. Parents decide who will draw the parental benefits. Parents, combined, are entitled to 480 days of leave from work in order to care for children, starting at birth. 60 days of these 480 are reserved for each parent, but outside of this the parents are free to decide how to arrange parental leave. The state social insurance system pays 80 percent of the normal wage for the first 390 days, up to a maximum of SEK 403,000 per year, to the parent who has decided to stay at home. After that, no matter the parents' income, a parent will receive SEK 180 per day. Fathers also may take ten days leave in connection with the birth of a baby. Parents are entitled to leave to care for sick children, up to a maximum of 60 days per child per year, with 80 percent of the normal wage paid by the insurance system.

Sick pay

The employer pays 80 percent of the total loss of income for days 2-14. From day 15 and forward, the social insurance system pays employees a sickness benefit of 80 percent of income. Maximum annual sick pay for an employee is 7.5 times the price base amount, which corresponds to a total of 302,200 SEK in 2007. There is no compensation paid for the first day off of an illness period.

Health and medical care

Several reports (e.g. British Medical Journal 2003, Swedish Association of Local Authorities and Regions 2005) show that the health care services in Sweden perform well compared to health services in other developed countries. This finding applies to access to care, quality of care, medical outcomes, and health effects. Since good outcomes are achieved through average expenditure, in comparison to other countries, this would indicate that the overall efficiency of Swedish health services is good in comparison to other countries.

The reports conclusion is based on the fact that, in comparison to other countries, Sweden:

- provides for most health care needs (using the percentage of elderly in the population as an indicator)
- has a moderate cost level (measured as cost per capita and year, and as percentage of GDP)
- has a moderate resource level (measured as the number of physicians and nurses per 1,000 population)
- has good accessibility to care (measured as number of operations per 100,000 population for common interventions, e.g. cataracts, hip replacement, and bypass surgery)
- has good medical outcomes and effects (e.g. lowest infant mortality rate, high survival from cardiovascular diseases, low mortality from cancer etc.)

Please note that the contents of this fact sheet should be regarded as an overview of current conditions in Sweden. These may change and thereby render descriptions of laws and other frameworks inaccurate. In all individual cases we request that advice always be sought with relevant authorities, organizations and businesses on specific issues.