

Contracts of employment in Sweden

There are several different forms of contracts of employment in Sweden. This enhances the possibilities that an employer and an employee will find a mutually suitable contract for the particular position to fill.

The Employment Protection Act (LAS)

The Employment Protection Act (LAS) stipulates the forms of contracts of employment in Sweden. This act applies to both public and private employees. The following persons, however, are excluded from the application of this Act:

1. Employees whose duties and conditions of employment are such that they may be deemed to occupy a leading position (i.e. MD, CEO or head of division).
2. Employees who are members of the employer's family.
3. Employees employed for work in the employer's household.
4. Employees who are employed for work with special employment support or in sheltered employment.

Different forms of contracts of employment

Contracts of employment are, as a main rule, valid for an indefinite term. There are, however, a range of contracts of employment for a fixed term to be entered between employer and employee. Furthermore, an employer and a trade union can in a local collective agreement agree upon other conditions regarding contracts of employment, than the below mentioned.

Contract of employment for a fixed term

It is possible to conclude a general contract of employment for a fixed term. No specific reason needs to be stated why the contract of employment is for a fixed term.

A fixed time employment contract, that regards one and the same employee, has an upper limit of twenty-four months in aggregate over five years. After that, the fixed time employment contract is converted into an employment contract valid for an indefinite term.

Contract of substitute employee

Today a substitute employee can be employed by the same employee for an aggregate time of 36 months over five years. From January 1st 2008 the 36 months are expected to go down to 24 months in accordance with the general contract of employment for a fixed term.

Contract for probationary employment

A contract for probationary employment of a limited duration may also be entered into, provided that the probationary period does not exceed six months. Where the employer or the employee does not wish the employment to continue after the expiry of the probation period, notification of such must be given to the other with no less than two weeks notice. In the absence of the above mentioned notice, the probationary employment shall become indefinite-term employment. Unless otherwise agreed, probationary employment may also be terminated prior to the expiration of the probationary period.

Contract of employment after retirement

A contract of employment after retirement can be entered. In this case the employee has attained the age for compulsory retirement with old-age pension, or in the absence of such a retirement obligation, when the employee has attained the age of 67.

Contract of employment for seasonal work

A contract of employment for seasonal work can be entered. A seasonal employment is justified for a fixed term and season or "if it is brought about by the special characteristics of the work to be done".

Information

Not later than one month after the commencement of work by the employee, the employer shall inform the employee, in writing, of the terms and conditions applicable to the employment. The employer is not bound to provide such information where the period of employment is less than three weeks.

Termination of employment

Dismissal procedures, mass and individual, require three steps: 1) dismissal notice is sent to the trade union; 2) a month later, dismissal is reported to the employee; and 3) actual dismissal takes place one to six months later, depending on for how long the employee has been employed or the number of affected workers. Relevant unions are notified even if an employee is not unionized. This does not apply if the employer is not bound by a collective bargaining agreement.

Under co-determination laws, mass dismissals are subject to union negotiations. The discussions can be protracted, since labor representatives seek to avert mass dismissals or, when they are unavoidable, to mitigate their consequences. The government normally does not intervene, but in extreme cases it may monitor the situation.

The local county labor board must be notified at least two months before dismissals affecting at least 5 and the most 25 employees (this also applies if a number of secluded dismissals, under a period of 90 days, all-in-all affect in aggregate 20 employees or more), four months before dismissals affecting 26-100 employees and six months before dismissals affecting more than 100 employees. Besides full pay during the notice period, employees are entitled to payment for a maximum of ten days for each year of service; employees older than age 40 with more than five years of experience are eligible for severance pay. These payment rates vary by industry and are generally relatively low. Unions can negotiate much higher payments, however, either collectively or for individuals. The government will step in if it believes a company is not acting

in the spirit of the law, even if it has done nothing illegal, or if many jobs are threatened.

Individuals may not be dismissed without good cause ("objective grounds"), and a dismissed employee may appeal to court and retain the job until the court reaches a decision. Objective grounds include repeated negligence; inability to do the job; inability to work with others; repeated drunkenness and, in some situations, refusal to accept orders; participation in illegal strikes; etc. Age, sickness, religious beliefs or a physical handicap are not sufficient cause for dismissal unless the incapacity is so great that no appreciable work can be performed; an employer must instead take steps to make the work easier for the employee.

Severance compensation ranges from a minimum of six months of pay when a worker has been employed for less than six months to a maximum of 48 months of pay when a worker has at least ten years of service and is at least 60 years old. Particularly in the case of white-collar workers, additional compensation can be negotiated individually. Employers must inform the county Labor Market Board of the composition of their labor force and of dismissals of older and handicapped workers. If an agreement cannot be reached, the board may impose conditions on the companies. Employees are eligible for damages of 16-32 months of salary, depending on length of service.

Notice must be given in writing and at least one month in advance, whether by the employer or the employee; three months is more common. An employee with a longer period of employment is entitled to a longer period of notice, e.g.: if the aggregate length of the employment with the employer is at least two but less than four year the employee is entitled to two months' notice; if the aggregate length of the employment with the employer is at least four but less than six years the employee is entitled to three months' notice, and so forth up to a maximum of six months of notice after an aggregate length of employment of at least

ten years. The employee receives full pay during the period of notice. For redundancy, workers must be laid off on a last-in-first-out basis (LIFO), a system that is reversed when a company rehires. LIFO dismissal is not compulsory if the cutback is isolated and temporary.

There are three exceptions to job-security rules. First, an employee may be taken on for a trial period if the employee agrees (i.e. probationary employment). Second, an employer may refuse to accept a court ruling to reinstate an employee and instead pay damages – these have averaged 16-32 months' salary, depending on the length of employment. Third, job protection does not apply to a managing director or deputy, the only persons in a Swedish company who can be fired without notice or explanation; their rights can be stipulated either by stating in their contracts that the job-security laws apply or by including protective clauses. Replacement workers (i.e. temporary substitute employment) hired to fill in for full-time employees who are on some type of leave may work for 11 months, with the possibility to renew the contract for one term.

Notification that fixed-term employment will not be continued

An employee who will not be given further employment when the employment ends, must be notified to this effect by the employer not less than one month before the expiration of the period of employment, conditioned he/she has been employed by the employer for more than twelve months during the past three years. (As of the 1 July 2007 he/she has been employed by the employer for more than six months during the past two years).

Summary dismissal

An employee may be summarily dismissed where he/she has grossly neglected his/her obligations to the employer. Summary dismissal may not be based solely on circum-

stances that were known to the employer more than two months before the date of dismissal.

Retirement with old-age or disability pension

An employer desiring an employee to leave his or her employment when the employee reaches the age at which retirement with old-age pension becomes compulsory (normally 65) or, in the absence of such an obligation, at the age of 67, shall give the employee at least one month's written notice of such.

Negotiation with trade unions

An employer and a trade union can however, to a certain extent, in a local collective agreement agree upon other conditions regarding contracts of employment, than the above mentioned.

Sweden's main labor laws are as follows:

- Security of Employment Act preventing arbitrary dismissal.
- Co-determination at Work Act provides for consultation with the workforce on major issues affecting companies.
- Board Representation for Employees Act provides for employee representation on certain company boards.
- Equality of Men and Women at Work Act prohibits discrimination based on sex and encourages measures to promote equality.
- Work environment Act governs health, safety and environmental standards in the workplace and provides for joint employer-employee safety committees, whose functions are developed in collective agreements.
- General Hours of Work Act sets a normal working week of 40 hours and an overtime limit of 200 hours per year.
- Holidays Act provides a statutory right to five weeks of annual holiday from the first year of employment, of which four consecutive weeks may be taken during the June-August period.

- The Promotion of Employment Act obliges the employer to notify the county labor board of dismissals affecting at least five employees.
- The Labor Disputes and (Judicial Procedure) Act stipulates what judicial procedure to be followed in disputes concerning collective bargaining agreements and other labor disputes.
- The Work Injury Insurance Act stipulates that all employees, regardless of nationality, are insured against occupational injuries.

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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.