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Running a business in Sweden - an introduction

Skilled professionals, smooth business procedures and receptivity to international ownership make Sweden an easy country to operate in. International businesses will find an environment that is modern, open and enterprise friendly.

OPERATING IN SWEDEN

Swedish commercial legislation is adapted to both foreign investments and international trade. There are no restrictions on ownership or operations of foreign companies and the same legislation applies to foreign- and domestically owned companies.

Sweden has a strong economy and a stable political climate and is characterized by openness and transparency within both the private and public sectors.

Internet usage is high and most services are available online. The infrastructure is well-developed in communications and transportation as well as energy.

The Work Environment Act (*Arbetsmiljölagen*) outlines the regulations for maintaining a safe work environment. The employer has the main responsibility for the work environment and employees are required to follow safety instructions.

Environmental awareness is strong in Sweden and the country has taken a proactive role in areas such as recycling and pollution control for several decades and more recently in biofuel development.

SKILLED AND OUTWARD-LOOKING WORKFORCE

As a knowledge-intensive economy that invests heavily in research and development, Sweden draws on an extensive

IN BRIEF

- One of the world's most knowledge-intensive economies
- Wage levels - cost-effective for skilled employees
- Transparent and user friendly business frameworks
- Competitive corporate tax rate of 26.3 percent

pool of highly skilled labor and is amongst the most knowledge-based economies in the world, according to World Bank figures for 2011.

This resource is a prime attraction for businesses of international caliber. Productivity levels are high and the country scores consistently well in international studies of skills levels.

Swedish managers, engineers and marketing specialists are accustomed to working in global markets and different cultures. Swedish executives are highly regarded for their international management skills and knowledge of global affairs. The Swedish workforce is open to foreign-owned employers. More than 600,000 people in the country are employed by foreign-owned companies. A very high percentage of salaried workers speak English and, in many cases, other languages. Nationally, the Swedish workforce is highly multicultural, with around 15.8 percent of total manpower being foreign-born.

WAGE LEVELS - COMPETITIVE FOR SKILLED EMPLOYEES

Salary levels for highly skilled staff are relatively low, and costs for manufacturing labor are similarly competitive. Wage differentials between different types of work are narrower than in many developed countries.

There is no statutory minimum wage; wage issues are instead left to employers and employees and their representatives.

LABOR RELATIONS - STABILITY AND COOPERATION

Sweden has a tradition of mutual respect and cooperation between companies and their employees. Labor relations between employers and trade unions are cordial and constructive. Industrial disputes and conflicts are rare.

Trade unions are important partners for employers because the vast majority of workers are unionized. Employers hold discussions with the unions to agree collective agreements for employees. These regulate pay, training and other workplace issues, run normally for 1–3 years and operate under a two-tier system, with traditional centralized industry-wide agreements supplemented by local, company-level agreements.

Some 69 percent of wage earners and 73 percent of salaried workers belong to a trade union. Wage earners are mainly members of unions within the Swedish Trade Union Confederation (*LO*) and salaried workers are generally in unions that are part of the Swedish Confederation of Professional Employees (*TCO*) or the Swedish Confederation of Professional Associations (*SACO*).

NON-HIERARCHICAL SWEDES

Sweden is known for a non-hierarchical management approach based on knowledge-sharing and delegation of responsibility to the individual. This empowerment of staff and reliance on consensus is credited as a key driver of business innovation and a source of workplace inclusion and staff commitment.

Sweden has a long tradition of flat organizational structures and an informal decision-making process that has fostered a unique way of working in informal collaborative teams.

TERMS OF EMPLOYMENT

Swedish standard employment contracts are normally valid until further notice, but may include an initial trial period – a so-called probationary period in the contract. The maximum probationary period is six months, but there is a substantial scope for fixed term contracts.

Contracts are governed by statutory rules and, in most cases, a collective agreement between the employer (or the employer association to which the employer may belong) and relevant trade unions. The rules are in place to provide certainty for employers and to protect the employee. Collective agreements generally cover issues like working hours, holidays, termination of employment and supplementary pension benefits.

Termination of employment must be based on “just cause”.

This can be established either for reasons of redundancy or on “personal grounds”. Personal grounds are reasons relating to the individual (including repeated negligence, poor-performance and difficulty cooperating). However, the employer is required to make an active effort to resolve the problem, for instance by issuing warnings or transferring the employee within the company. “Redundancy” comprises reasons not specific to the individual, and includes financial considerations, business restructuring or the closing of a position.

WORKING HOURS

Swedes work on average a greater number of hours compared to the rest of Europe. The statutory basic working week is 40 hours. Overtime is limited to 48 hours over a four-week period and 200 hours per year. This does not apply to those in managerial positions, people working from home and some other categories. Exemptions can also be arranged through union agreements, and workplaces are often flexible about working hours, particularly in smaller companies.

HOLIDAYS AND TIME OFF

Employees are entitled to a minimum five weeks’ paid annual leave after their first 12 months of employment.

Summer vacations have been traditionally taken in July, but in recent years there has been a growing trend to take holidays during other months of the year.

Sweden has 13 public holidays. Most are connected to religious (Lutheran) feasts. In chronological order they are: New Year’s Day, Epiphany, Good Friday, Easter Day, Easter Monday, Labor Day, Ascension Day, Whit Sunday, National Day, Midsummer’s Day, All Saint’s Day, Christmas Day and Boxing Day.

EQUALITY AND DIVERSITY - PRINCIPLE OF NON-DISCRIMINATION

The principle of equal pay for the same job, regardless of gender, has long applied in Sweden. Pay differentials between men and women are narrow compared to many other countries, though women still earn somewhat less than men on average.

In Sweden, women constitute 46 percent of the total labor force, which is a very high proportion compared to other countries.

Extensive legislation is in place to prohibit workplace discrimination. The Discrimination Act (*Diskrimineringslagen*) covers, for example, equal opportunity and employment conditions for men and women; measures against ethnic discrimination in working life; measures against discrimination based on sexuality; and the prohibition of workplace discrimination against people with disability.

The legislation also prohibits direct and indirect discrimina-



tion against employees and job applicants. It applies to hiring procedures, decisions on promotion or selections for training leading to promotion, changes by employers in pay or employment conditions, and redundancy and contract terminations.

WORK ENVIRONMENT RULES

The Work Environment Act outlines the regulations for maintaining a safe work environment. The employer has the main responsibility for work environment and employees are required to follow safety instructions.

Technology, work organization and job content must be designed in such a way that they do not subject the employee to physical or mental strain that can lead to ill-health or accidents. The Swedish Work Environment Authority (*Arbetsmiljöverket*) issues detailed regulations on the environment. Some are available in English on the agency's website.

SOCIAL SECURITY AND PENSIONS

Pensions, healthcare and unemployment insurance in Sweden are funded by a statutory national basic pension and insurance system supplemented by occupational-based agreements. The individual employee can also choose to top this up with private insurance.

National basic pension and insurance

Employers pay statutory employer contributions on their employees' behalf, consisting of charges for pensions, health insurance and other social benefits. Employer contributions amount to 31.42 percent of gross salary.

Exemptions from employer statutory social security contributions are available if a foreign-based company without a permanent place of business sends a foreign employee to Sweden for a short period of time.

SWEDISH BUSINESS CULTURE IN A NUTSHELL

- Highly international corporate environment
- High productivity
- Technology oriented
- Talent for innovation
- Strong emphasis on compromise and consensus
- Non-hierarchical
- Little time between exchange of pleasantries and start of business discussions
- Punctuality important
- Work dress code conservative but casual

For foreign experts a reduction in employer contributions is available as part of the tax relief scheme for key foreign employees.

Occupational-based pension and insurance plan

Many employers also pay into occupational-based insurance and pension plans on their employees' behalf. Occupational-based schemes are an important part of the pension and insurance system, helping employers to attract and retain skilled employees.

Two main types of occupational pension and insurance plan are used in private industry to supplement basic statutory protection: collectively agreed insurance and non-collective insurance.

Private pension plans

The individual employee can choose to top up his or her provision with private insurance.

SICK AND PARENTAL LEAVE - LARGELY COVERED BY SOCIAL INSURANCE SYSTEM

No sickness allowance is payable for the first day off work. If an employee is absent from work due to illness the employer pays 80 percent of salary for days 2–14. From day 15 and onward, the social insurance system takes over and pays a sickness allowance of 80 percent of salary, up to a maximum annual amount (SEK 330,000 in 2012).

Both mothers and fathers are entitled to draw parental allowance. Parents are together entitled to 480 days of leave from work per child, starting from birth. Sixty days are reserved for each parent, but outside of this the parents are free to decide how to arrange their leave. The parental allowance is 80 percent of salary, up to a fixed maximum, paid by the state social insurance system. Fathers may also take ten days' leave in conjunction with the child's birth.

Parents are also entitled to leave from work to care for sick children, up to a maximum of 120 days per child per year. This leave is paid for by the state insurance system in the same way as parental allowances.

ENVIRONMENTAL REGULATORY FRAMEWORKS

Businesses are specifically urged to take steps to reduce emissions, minimize their use of hazardous chemicals, promote more efficient energy use and improve waste management.

Strong legislative and regulatory frameworks are in place to ensure that companies meet their responsibilities.

Companies must always contact relevant authorities at an

early stage to ensure compliance with environmental laws and to reduce the risk of any breaches. When a permit is required it must be approved before operations begin.

LEAST CORRUPT SOCIETY

Sweden is widely regarded as one of the world's least corrupt societies and high standards of business ethics apply in the private and public sectors alike. A strong governance system is credited for minimizing instances of bribery and corruption. Swedes pride themselves on upholding high standards of honesty and integrity in business life.

The Corruption Perceptions Index, published annually by Transparency International, in 2010 ranked Sweden as one of the world's least corrupt society in terms of perceptions of corruption as seen by business people and country analysts.

TAX AND VALUE ADDED TAX (VAT)

Sweden's tax structure is transparent and efficient. Corporate income tax in Sweden is low by international standards, and effective rates can be even lower as companies have the option of making deductible annual appropriations to a tax allocation reserve of up to 25 percent of their profit. The corporate tax rate is 26.3 percent.

Swedish VAT (*moms*) is based on an input/output system, generally granting full credit for all companies registered for VAT. The standard rate of VAT is 25 percent. A reduced rate of 12 percent applies primarily to food, hotel accommodation, camping, and cultural and sporting events. As of 1 January 2012 it also applies to restaurant and catering services (except for wine, beer and spirits, where the standard VAT rate

applies). A reduced rate of 6 percent applies mainly to newspapers, books, magazines and public transport.

Certain services are VAT-exempt. These include medical and dental care, social services, banking and financial services.

COMMERCIAL LEASES AND RENTS

Swedish commercial leases tend to be standardized and for relatively short periods, providing flexibility to business tenants. The physical standard of premises is high and fee structures generally cost-effective, while the regulatory system is business-friendly with high transparency.

Commercial leases are typically for terms of three to five years. Standard contracts, consisting of a four-page document with single-page appendices on index-linked rent and a property tax clause, are generally used for commercial leases.

SERVICED OFFICES

Serviced offices provide a cost-effective alternative to traditional office space. Most of the standard office infrastructure (phone line, furniture, internet access, meeting rooms, etc.) is already in situ. This allows users greater flexibility. Contracts range from one month to several years. Costs depend on location, service level, office size and contract duration.

RECRUITMENT CHANNELS

Companies looking to hire staff in Sweden use a variety of channels – online recruitment networks, recruitment agencies, classified advertisements or the Public Employment Office (*Arbetsförmedlingen*) - whose services are free of charge.

USEFUL CONTACTS

Employers' association

**The Confederation of Swedish Enterprise
(Svenskt Näringsliv)**

Storgatan 19
SE-114 82 Stockholm
+46 8 553 430 00
www.svensktnaringsliv.se

Sweden's largest business federation representing 50 member organizations and 54,000 member companies.

Government agencies

**Swedish Work Environment Authority
(Arbetsmiljöverket)**

Lindhagensgatan 133
SE-112 79 Stockholm
+46 10 730 90 00
www.av.se

The authority's paramount objective is to reduce the risk of ill-health and accidents in the workplace and to improve the work environment.

FURTHER INFORMATION

at www.investsweden.se

- Starting a business in Sweden - an introduction
- Corporate taxes
- Commercial leases and rents
- Buying and building commercial and industrial property in Sweden
- Business costs and prices of key services
- Employing staff - contracts and conditions
- Social security and pensions
- Tax relief for key foreign employees
- Work and residence permits and business entry visas
- Regional financial incentives
- Useful information sources