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Working in Sweden - employee guide

Sweden has a modern working environment with an engrained culture of equal opportunity and employee protection.

ATTRACTIVE AND REWARDING WORK ENVIRONMENT

Sweden offers an attractive and rewarding work environment to employees. Labor and employment protection frameworks are strong and there is a national culture of constructive cooperation and dialog between employers and employees. Industrial disputes and conflicts are rare.

The individual employee benefits include five weeks of paid annual leave, paid time off for sickness and childcare, paid parental leave, and pension benefits. As a general rule, working hours are regulated and overtime is compensated.

For detailed information about terms of employment, wage levels, labor relations, working hours, holidays and time off, entry visas and work permits, social security and pensions as well as equality and diversity, please see the “Further information” box at the end of this fact sheet.

SOCIAL SECURITY SYSTEM - MULTI-FACETED SECURE WELFARE SOCIETY

Social insurance aims to provide financial security through a stable welfare society for all. The social security system has many facets, ranging from parental leave and child care to sickness and accident insurance, disability assistance and care for the elderly. The system is administered by the Swedish Social Insurance Agency (Försäkringskassan), covers all Swedish residents and is primarily funded by statutory contributions. Many employers supplement the statutory contribu-

IN BRIEF

- Spirit of cooperation beneficial for employees and employers alike
- Basic 40-hour working week and five weeks' vacation
- Employer pays social security contributions for employees

tions they pay on behalf of their employees with occupational-based agreements. Individuals can also top up their provision with private insurance.

Claiming pensions

Everyone who earns taxed income in Sweden is entitled to a pension. Pensions are based on the contributions paid in and the number of years worked in Sweden.

As there is no fixed retirement age for public pensions, foreign employees can decide themselves when to receive a pension after employment in Sweden (though not before their 61st birthday). The usual procedure for an individual living abroad and who has previously worked in Sweden is to claim Swedish pension rights at the same time as claiming pension rights in the country of residence.

Sick and parental leave - largely covered by social insurance system

An employee who is absent from work due to illness receives no sickness allowance for the first day off work. Thereafter, the employer pays 80 percent of salary for days 2–14. From day 15 and onward, the social security system takes over and pays a sickness allowance of 80 percent of salary. Limits exist

both in terms of the length of time for which sickness allowance is payable and the maximum payments that a claimant may receive.

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, beyond which parents are free to decide how to arrange their leave. The parental allowance is 80 percent of salary up to a maximum and is paid by the social security system. Fathers may also take ten days' leave in connection with the birth of a child.

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 social security system in the same way as parental allowances.

Health and medical care

All inhabitants of Sweden have equal access to health care services. The Swedish health care system is government-funded and highly decentralized, and performs well in terms of medical outcomes when compared to countries with similar levels of development.

The fee for a hospital stay is SEK 80 per day. Fees for consulting a primary care physician range from SEK 150–320. A cost ceiling limits the individual's payment liability: after a patient has paid a total of SEK 900 in fees, medical consultations become free of charge for 12 months from the first consultation. A similar ceiling exists for prescription medicines, so no one pays more than SEK 1,800 per 12-month period.

Unemployment insurance

Unemployment insurance makes up some of the shortfall in income that results from unemployment. The statutory unemployment insurance scheme has two components: basic insurance and optional loss-of-income insurance.

Basic insurance covers everyone who loses their job. The unemployment allowance is SEK 320 per day for a maximum of 300 days.

An individual needs to be a member of an unemployment insurance fund (Arbetslöshetskassa – A-kassa) to qualify for loss-of-income insurance. People who lose their job are paid 80 percent of salary (up to a daily maximum of SEK 680) for the first 200 consecutive days of unemployment. For an additional 100 days the allowance reduces to 70 percent of salary. Payments are for a maximum of 300 days, or 450 days if the person has children.

TAXES IN SWEDEN

Paying income tax

Income tax has two components: local income tax (which goes to the municipality and county council where the taxpayer is registered), and state income tax (which goes to central government). Local income tax rates vary between municipalities. In 2010, the average local income tax rate was 31.56 percent.

In addition to local income tax, the employee pays a state income tax of 20 percent on annual income exceeding SEK 383,000. For incomes above SEK 548,300 the employee pays a state income tax of 25 percent. These rates apply for the 2011 financial year.

Tax reductions for foreign employees

Key foreign employees – executives, experts, researchers and others with special skills that are not readily available in Sweden – may qualify for a special 25 percent tax break when working in Sweden. The individual is taxed on only 75 percent of his or her income for the first three years of employment in Sweden. The tax relief applies to all salaries and benefits, such as employer contributions to housing and living costs. It also applies to stock options and other special compensation offered by the employer.

Other taxes

Net income from capital interest, share dividends and capital gains is taxed at 30 percent. Up to 100 percent of capital losses may be deducted from capital gains. If net capital income is negative the individual receives a tax reduction of 30 percent of the deficit up to SEK 100,000. On deficits above SEK 100,000, the tax reduction is 21 percent.

Wealth tax has been abolished. The property tax based on the determined value of single-family houses has also been phased out and replaced by a local government real-estate-related charge.

PERSONAL REGISTRATION

Civic registration and personal identity numbers

Anyone who plans to reside in Sweden for more than 12 months needs to apply to a local office of the Swedish Tax Agency (Skatteverket) for civic registration. After registration the applicant is assigned a personal identity number (personnummer). This number is unique and is needed to open bank accounts and obtain a phone number, etc.

Registration for social insurance

Individuals moving to Sweden and who plan to reside in Sweden for more than 12 months register with Försäkringskassan. This in order to participate in the Swedish social

insurance system. Registration takes place at a local office of Försäkringskassan after receipt of a personal identity number from Skatteverket.

USEFUL CONTACTS**Swedish Social Insurance Agency (Försäkringskassan)**

For information on the nearest office please see the agency's website.
www.forsakringskassan.se

The Swedish Social Insurance Agency administers insurance and benefits of the social insurance system. It has some 240 local offices in the various counties.

Swedish Tax Agency (Skatteverket)

SE-171 94 Solna
0771 567 567 (from Sweden)
+46 8 564 851 60 (from abroad)
www.skatteverket.se

The Swedish Tax Agency is the government agency for taxation, tax collection and national registration of residents.

FURTHER INFORMATION

at www.investsweden.se

- Running a business in Sweden - an introduction
- Social security and pensions
- Employing staff - contracts and conditions
- Tax relief for key foreign employees
- Work and residence permits and entry visas
- Useful information sources