

Laws and regulations for personnel

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Labour rules

Collective agreements

A collective agreement is a written agreement between the employer and the employee union governing wages and conditions of employment and other conditions at the workplace, for instance co-determination.

Collective agreements are voluntary. The aim is to create stability in the labour market with clear rules and predictability. Employers are guaranteed industrial peace and employees gain influence through negotiations.

There are almost 600 different collective agreements in Sweden. More than 3.5 million employees are covered by a collective agreement. This means that more than 90 percent of all employees are covered by a collective agreement.

A collective agreement can cover everything from a single workplace to an entire industry. Collective agreements set the "floor" of what to apply. Legislation within this area can usually be replaced and improved by a collective agreement. However, it is not permitted with contracts "below" the legislation level.

The model is based on mutual understanding between employers and employees. Instead of turning to labour tribunal, the trade union and employer federation try to negotiate. The employee side is entitled to request negotiations on any issue in the workplace.

In 1938 the employers and employees signed an agreement, called the Saltsjöbaden Agreement. In it they decided to regulate conditions in the labour market themselves. This was to avoid legislation.

The government has no mandate to get involved in the negotiations, as the terms are negotiated through voluntary agreements between the parties. Both parties have the right to strike and lockout.

An employer is prevented from employing someone on other terms or at paying less than specified in the collective agreement; therefore no minimum wage legislation is necessary.

When the collective agreement is in effect, strikes and conflicts are not allowed except as sympathy action.

In Sweden, almost all labor legislation can be replaced by collective agreements. When a collective agreement is signed at a company, it applies to all employees, regardless of whether or not they are members of a union.

Agreements can be made at different levels, locally or centrally.

A model for solving disputes applies to issues regulated by the collective agreements. If one party breaks the agreement, the other party can request negotiations on the issue in dispute, which can be held locally and centrally. As a last resort, the dispute can be taken to the Swedish Labour Court, where both trade union and employer federations are represented.

Below you can find areas that often are covered in a collective agreement:

- Recruitment
- General rules of conduct
- Overtime Compensation
- Supplement duty
- On-call duty
- Standby duty
- Travel Reimbursement
- Vacation
- Leave of absence
- Time off
- Sick pay
- Notice
- Rules for negotiations

Co-determination

The Co-determination in the Workplace Act (MBL) came in 1977. This has given employees greater possibilities for insight and influence on companies' activities through negotiations with their employer.

The employer must provide ongoing information about the progress of operations and on guidelines in their human resources policy. The employer is obligated to negotiate with employee representatives before decisions are made about major changes in the operations or to the conditions of work or

employment for the employees. The trade union organization has the right to negotiate and can also request negotiations on other issues. However, the final decision lies with the company.

Employment

As early as 1906, employers and employees signed an agreement giving employers the right to “freely engage and dismiss” employees, in return for employees gaining the right to organize in trade unions.

In 1974, the Security of Employment Act (LAS) was passed. With this law, the employer’s right to freely dismiss employees was abolished.

The law applies to the entire labour market and is based on two main principles. One principle is that a person normally should be employed until further notice; the other is that an employment contract can be cancelled only on objective grounds.

There are also rules for periods of notice, priority, and the right to reemployment. The purpose of the law was to grant legal rights and security to employees. Parts of the law are semi-discretionary, so the employer and employee sides are allowed to make collective agreements that complement or even override the law.

Employment Forms

There are three types of employment forms. Either you are employed for the time being, it is known as permanent employment, or you have a fixed time employment or a trial employment.

Permanent employment

If you are permanently employed, there is no specific date when your employment ceases. The permanent employment lasts until the employer or you want to change the situation. Permanent employment is the main rule in LAS and in collective agreements.

Fixed time employment

The employer and the employee may agree from the beginning, under certain conditions, that the appointment should be limited in time. Then the job begins and ends at specified dates. The following forms of employment are limited in time:

- Replacement
- Holiday work
- Temporary work accumulation

- Project Recruitment
- Traineeships
- Agreed fixed employment

Trial employment

Trial employment may only occur if the employer intends to hire a person as a permanent employee. Trial employment is usually six months. After six months it will automatically turn into a permanent employment, unless decided otherwise.

Notice

There are only two forms for giving notice: notice of termination or dismissal. For notice of termination, an employee receives the usual pay for at least one month. In the case of dismissal, an employee must leave directly with no pay. The reason may be that the employee has stolen or acted violently in the workplace.

Objective grounds

Notice can only be given on objective grounds, that is, lack of work or personal reasons. The period of notice is at least one month but varies with the length of service. If the company goes bankrupt, a government guarantee takes effect and pays the salary.

Priority

Priority rules determine who will be given notice of termination. The main rule is that the person employed last must go first. An employer with 10 or fewer employees may exempt two people from the priority rules. Qualifications can also be deciding factors. The rules are discretionary, so the parties in the collective agreement can negotiate other priority rules other than those stipulated in the law. In other words, they can agree to a different procedure locally. A person who has been given notice is entitled to be reemployed within a certain period.

Contract

In LAS you also find rules regarding the contract between the employer and the employee. The contract is supposed to contain information regarding:

- The starting date
- Workplace
- Tasks
- The employment form, temporary or indefinite
- Dismissal times
- Salary and other benefits
- Working hours

- Vacation
- If there is collective agreement

Working hours

The Working Hours' Act contains rules on how much a person can work each day, week, or year. The act discusses emergency duty hours and preparedness, what breaks and pauses one is entitled to, and what applies for rest during the night. Parts of this act can be overridden by collective agreements; however, the levels in the rules that adhere to the EU's working hour directive are absolute minimum levels.

Discrimination

There are laws against discrimination in working life on account of age, sex, ethnicity, religion, sexual orientation, or disability.

Gender equality

In the early 1980s, Sweden initiated a Gender Equality Act and with it important protection against discrimination based on sex. The legal framework for actively promoting gender equality in working life was then established.

Employers with ten or more employees must provide an equality plan annually, according to the Equality Act. The equality plan is supposed to contain active measures regarding that working conditions must be suitable for both men and women, workers shall be able to combine parenthood and work, to combat sexual harassment and other harassment based on sex, to promote a balanced participation between women and men in training and recruitment and to prevent gender-based wage differentials.

Work environment

The employers are responsible for an acceptable working environment. The Work Environment Act contains rules concerning obligations for the employer and other safety and health officers to prevent illness and accidents on the job. There are also rules on cooperation between employers and employees, such as in the activities of the health and safety officers.

Union representatives

For an employee who has been elected as a union representative at a workplace with a collective agreement, the Workplace Union Representatives Act applies. The employer must pay the wages of a person who is working for the union in the workplace to a "fair and reasonable" extent.

If the person in question is working for the union outside their own workplace, participating in a conference, or taking a course, the trade union pays compensation for loss of earnings. The Act

grants the representative the right to negotiate and pursue union issues at the workplace and protects the representative from discrimination.

Social Insurance in Sweden

Social insurance is an important part of the Swedish social security system. The Swedish social insurance covers everyone that lives or works in Sweden. It provides financial protection for families and children, for persons with a disability and financial protection in connection with illness, work injury and old age.

Employment tax

In order to finance the social insurance all employers pay employment tax on the total salary costs, benefits included. For 2009 the employment tax is 31.42 per cent. The employment tax is divided into seven categories. It is supposed to cover the cost for the employee's pension, sick pay, parental benefit etcetera. In addition to this, all taxpayers pay a general pension contribution.

The employee only gets benefits from the employment tax up to a certain level. The ceiling, in most cases, is 7.5 income base amounts. Since there is no direct link between the amount paid and the level of pensions and benefits an employee is entitled to this is considered to be a tax. About 60 percent of these contributions could be regarded as taxes and the remaining 40 percent as compulsory social security premiums.

Old age pension

The pension consists of income/supplementary pension, premium pension and guarantee pension and is administered by Swedish Social Insurance Agency and the Premium Pension Authority (PPM). The pension is based on the individual's income during their life time, from the age of 16 and up. If a person has worked for a long time and earned a lot, they will receive a higher pension. Similarly, they will receive less pension if the income has been low.

The amount of 18.5% of the income is paid into the pension system, 16% to the income pension and 2.5% to the premium pension. These contributions are recorded as pension entitlements. Everyone also receives pension entitlements for sickness benefit, parental benefit, unemployment benefit, and sickness and activity compensation.

The ceiling for pensionable income is 7.5 income base amounts. For income above this amount, a person does not get any pension entitlement.

A person can start drawing pension from the age of 61. The longer they wait and continue to earn pension entitlements, the higher the pension will be. They can also choose to take out full, three-quarters, half or one-quarter pension.

As long as a person has an income, they will continue to earn pension entitlements, regardless of whether or not they draw their pension. The old age pension is liable to tax.

Income pension

The bulk of the pension entitlements a person has earned go towards the income pension. The pension entitlements earn interest in line with the growth of incomes in Sweden. When a person retires, the pension is determined by the pension entitlements they have earned throughout their life and by the life expectancy for their age group.

Premium pension

The amount of 2.5 percent of the pensionable income goes towards the premium pension. The pension capital can be invested in any of the various funds registered with the Premium Pension Authority.

Guarantee pension

If a person has had low or no income during their life, they may be entitled to guarantee pension.

Persons born between 1938 – 1953

Persons born between 1938 and 1953, are guaranteed at least the pension they would have received under the ATP scheme, based on the amount they have earned for this scheme up to and including 1994.

ITP

ITP is an additional pension that is included in many collective agreements. This will provide an addition to the state pension. The employer pays about 10 per cent of the salary cost as an ITP-fee.

Sick pay

A person that is employed and falls ill must report sick to the employer. If the person has been employed for at least a month they are entitled to sick pay from the employer for the first 14

days of the illness. No payment is made for the first day, the “waiting period”.

If the person is still ill after 14 days, the employer will notify Swedish Social Insurance Agency of the illness. When the person is well again, they must provide the employer with a written assurance stating that they have been ill and specifying the extent of the absence from work.

Sickness benefit

If a person is not entitled to sick pay, they may be able to get sickness benefit from Swedish Social Insurance Agency. In this case they must notify the Swedish Social Insurance Agency that they are ill. They may also be entitled to sickness benefit when they have been ill for 14 days and are no longer receiving sick pay from the employer.

A long period of illness

If a person is ill for more than seven days, they will normally be expected to produce a sick note from the doctor in order to continue receiving sick pay or sickness benefit.

Travel allowance

In certain cases a person may qualify for a travel allowance instead of sick pay/sickness benefit. This is the case if the employer or Swedish Social Insurance Office judges that the person is able to work but is unable to go to work by normal means.

Partial incapacity for work

A person may draw one-quarter, half, three-quarters or full sickness benefit, depending on the extent to which the person is unable to work. Swedish Social Insurance Agency handles these questions and decides whether a person is able to carry out full time work or part time, despite the illness.

Insurance against sick pay costs

Small business employers can get insurance against sick pay costs. If the total wage costs for a calendar year do not exceed 130 price base amounts, the employer may get an insurance against sick pay costs. The insurance compensates the employee’s sick pay costs according to the Sick Pay Act from the fourth day of the sick pay period.

Parental benefit

In Sweden there are generous rules for parental leave and parental benefits. The idea behind this is that this will help to create economic growth.

After a child is born a parent can stay at home for 18 months. Parental benefit is payable for 480 days for children born in 2002 or later and for 450 days for children born before 2002.

The days of parental benefit are always shared equally between both parents. One parent may give up the right to parental benefit to the other parent, apart from 30 days for children born before 2002 and 60 days for children born in 2002 or later.

A mother can start drawing parental benefit 60 days before the expected birth. Both parents can draw parental benefit in connection with parental training.

Parental benefit may be drawn until the child reaches the age of eight or when the child comes to the end of his or her first year at school. You can choose to draw full, three-quarters, half, one-quarter or one-eighth parental benefit.

Temporary parental benefit

A parent is allowed to stay at home from work in order to look after a sick child under the age of twelve. The parent may be entitled to temporary parental benefit. This also applies if the person who normally looks after the child falls ill.

Parents have the right together for temporary parental benefit for sixty days per child and year. The parents can also use temporary parental benefit for visits to a doctor or child healthcare centre.

Paternity leave

A person that recently became a father, is entitled to ten days' leave on a temporary parental benefit in connection with the birth of the child. These ten days must be taken within sixty days after the child came home from the hospital. Adoptive parents get five days each, unless they have agreed to divide the days otherwise.

Benefits and tax

Benefits

By benefits is meant all forms of "compensation for work" that an employee can get, other than in cash. A benefit arises in principle as soon as the employer pays a private cost for an employee.

The general rule is that a benefit is taxable if it is not specifically regulated that it is tax free. Under normal circumstances a

benefit is valued at market value. Some benefits are instead valued in a standardized way.

If the employee pays for a taxable benefit, then the taxable amount for the benefit will be reduced by the amount paid.

Salary switch

If the employer agrees to it, an employee can switch a part of the salary to a benefit, gross salary deduction. Depending on the type of benefit, this can give a tax saving.

Working clothes and working tools

Free working clothes and working tools are, under certain conditions, tax free. They are only tax free when the employer directly pays the clothes or tools. Allowances for purchasing working clothes and working tools are taxable.

Car benefit

The benefit of using a car, which the employer pays for, is valued in a standardized way.

Housing

Free or subsidized housing is a taxable benefit.

The value of the benefit of free housing, which is not a holiday home, is different for the employer and the employee. The employer values the benefit in a standardized way. The employee values the benefit to the market value in the income tax return.

Gifts

Gifts from the employer are as a rule taxable.

Some gifts are under certain conditions tax free, for instance Christmas gifts, anniversary gifts, and memorial gifts. Tax exemption never applies to cash. Gift vouchers, which cannot be exchanged for money, are tax free.

A gift is tax free as long as the gift value, market value including VAT, does not exceed certain limits. If the value exceeds the limit, the whole amount is taxable from the first SEK.

Health care

If the employer pays for publicly funded health care this is a taxable benefit. The employer can in that case deduct the cost.

If the employer pays for private health care for an employee this

is regarded as a tax free benefit. The employer can, in this case, not deduct the cost.

Food benefit

If the employer provides food, it is regarded as a taxable benefit for the employee. It does not matter if the food is supplied at the usual workplace or at a mission or a conference. Free food is taxable even though the employee is abroad.

Food benefit is valued in a standardized way.

Free home PC

From the income year 2009 the benefit of a free home PC is valued to the market value.

Staff care benefits, exercise and fitness

Staff care benefits are benefits of smaller value, which aims to create well-being at work or are they given because of traditions. The benefit must be given to all staff. The benefit cannot be exchanged to cash. Gross salary deductions may not apply for these benefits.

Staff care benefits are tax free. Examples of tax-free staff care benefits are coffee, refreshments, fruit and other simple refreshments, which cannot be seen as a meal, in connection with work.

Employers can offer their staff exercise activities of a simpler nature. Sailing, riding, golf and down-hill skiing are not allowed. There are no exact price limits for this kind of benefit. The cost of going to a gym for one year is normally accepted.

Allowance for expenses

An employer can pay allowance for expenses to its employees when they are out on missions. The allowance for expenses is supposed to cover the increased cost of living during the mission. This means increased spending on meals and other petty expenses.

Allowance for expenses within certain limits is usually called "tax-free allowance for expenses." It is always required that the employee has at least one overnight stay in order for the employer to be able to pay out "tax-free allowance for expenses." It is also required that the employee is traveling to a place that is more than 50 kilometers from his or her normal place of work and more than 50 kilometers away from home.

The tax free amount for Sweden is 210 SEK for 2009. The amount for half a day is 105 SEK.