Sweden: Public policy

Author: Karin E. Anell

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This policy brief discusses employment laws in Sweden, with a particular focus on federal legislation as it relates to the dimensions of the quality-of-employment framework. Rather than discussing all employment policies, this policy brief will highlight the most significant legislation in order to provide a general introduction to current policies as they relate to quality of employment in contemporary Sweden.

This brief includes four sections:

- An in-country policy context that introduces the reader to the policy background of Sweden.
- A discussion of the dimensions of quality employment, providing an overview of the major public policies affecting each dimension.
- A contextual focus on the change in the Work Environment Act in 1974, enabling nominated safety delegates to stop any work that endangers workers.
- A brief conclusion on the implications of policy for quality of employment in Sweden.

This brief uses the Quality of Employment Framework to discuss the effect of public policies in Sweden.
IN-COUNTRY POLICY CONTEXT

The Swedish economy experienced dramatic economic growth in the years following the Second World War and leading up to the first oil crisis in 1973. Fueled by this unprecedented growth, the Social Democrats were able to put into effect one of the most extensive welfare states in the world. Coined “the Swedish model,” many have praised what seemed the perfect compromise between a socialist system and a capitalist model, where the state caters to citizens from “cradle-to-grave,” yet provides fertile ground for private investment and ownership of capital and enterprises. Diminishing economic growth has placed great pressure on state-financed services in recent decades, but most of these elements (such as tax-financed schools, child care, health care, pensions, elder care and social services) remain intact.

Like most other countries, Sweden was hit hard by the current economic crisis. In the wake of the global recession, GDP growth dropped from average rates of 2.7%-4.1% in 2005-2007, to 0.9% in 2008. Economic growth is expected to remain weak until 2010. Unemployment has increased dramatically during the recession; the current rate estimated at 9.2% (July 2009) represents a significant increase since July 2008, at 5.7%. Sweden’s unemployment rate is comparable to the EU average at 9% and the US rate at 9.4%.

With respect to the labor market, Sweden, along with many of its European neighbors, faces a challenge in an aging population. About 18% of the population is over the age of 65. In comparison, in the US, only 12.7% is in this age bracket. In the next years, a substantial portion of the generation born in the 1940s will retire, creating a labor shortage. The most worrisome aspect is that compared to other OECD countries, Sweden has a low proportion of people who are of working age (aged 20-64). Fifty-nine percent of the population were of working age in 2001, a figure that is expected to dwindle to 54% in 2030. This means that even if Sweden currently has a fairly high level of employment, at 74.3% (compared to the EU average at 65.9%), this number can be expected to dwindle in the coming years.

As a member of the European Union, Sweden is affected by labor laws as set down in the Original Treaty of the European Community. The EU supports and complements member states’ activities in the field of social policy, adopting legislation that lays out minimum requirements in this area. Member states who do not meet the minimum standard need to implement laws that guarantee similar levels of protection as laid down in the Treaty.

Equal opportunities for the sexes is a cornerstone of the social security system in Sweden and not surprisingly, this country enjoys one of the highest women labor participation rates in the world. Seventy-two percent of women of working age are employed, compared to the EU average at 58%. This is also reflected in labor laws, as many pertain to non-discrimination and equal opportunities for the sexes.

Below are some important examples of the statutory and contractual rights – and obligations – that workers have:

- Parental leave act
- Equal opportunities act
- Working environment law
- Ethnic discrimination law
- Swedish social security guide

It should be mentioned that almost 80% of the Swedish work force is unionized and many aspects of work are regulated through a specific regulation called the collective agreement, which is concluded between the trade union and the employer. Large portions of the labor law are mandatory to the benefit of the worker, in other words, if a collective agreement deviates from the law, it has to be more beneficial to the worker than the law.
POLICY OVERVIEW

DIMENSIONS OF QUALITY OF EMPLOYMENT

Symbols:

- Indicates Fair, Attractive, and Competitive Compensation & Benefits

Employees’ basic economic needs are secured, and fair and equitable distribution of compensation and benefits among employees is promoted.

Overview

Sweden has numerous polices that regulate annual leave, pensions and allowances for families. Wages are generally set by collective bargaining. Similar to other European countries, Sweden has an extensive social welfare system that provides public health care and social insurance for all citizens. The law on social insurance therefore contains a number of regulations to ensure benefits to all citizens, whether they are capable to work or not.

Minimum wage

Sweden has no legislation on minimum wage and wages are largely set by collective bargaining. Through such bargaining minimum rates for specific work are agreed on (lägsta lön or pay minima) and any employer who pays salaries below the established level will be held liable for breaching the collective agreement.

Annual leave

Annual leave is regulated by the Annual Leave Act (1977:480). Section four stipulates that employees should be entitled to 25 days of paid annual leave. If a person changes jobs mid-year, he will be entitled to annual leave in the next position, unless he has already consumed all his vacation. Most people who work full time in Sweden have more than 25 days of paid vacation. According to a recent report by Eurofound, the average number of collectively agreed annual leave averaged 33 days in 2008, significantly higher than the average for EU 15 and Norway (26.5 days).

Social insurance

In Sweden, social insurance is individually based, and ensures an individual compensation if he or she is unable to work due to an illness or family obligations. Financial provisions for families with children consist of the following: parental insurance, child allowance (1,050 SEK per month, approximately $143), adoption allowance, housing allowance, care allowance for sick and disabled children and child pension. Social insurance also provides coverage for sickness where work capacity is reduced by at least one quarter. The first day of sickness, the employee receives no pay (waiting period or “karensdag”). The employer then pays for the first 14 days of sick leave, after which the Swedish Social Insurance Agency takes over.

Sick benefits are paid as full, three quarters, half, or one quarter, depending on the extent to which work capacity is reduced. Such sickness compensation is for individuals aged 30-64 years with a permanent, or long-term (at least one year) inability to work, due to illness or other physical or mental impairment. These can be granted for an unlimited or definite time period. This type of compensation can also be granted individuals under the age of 30, but such grants are always time limited.

Parental leave act

The Parental Leave Act in Sweden (“Föräldraledighetslagen”) applies to all parents, including adoptive parents. People who have a child under the age of 18 months have a legal right to take leave from their work. Adoptive parents have a right to take leave for 15 months from the time the baby/child is in their care.

Mothers are given maternity leave for a period of seven weeks leading up to the birth and seven weeks following the birth of a child. The Parental Leave Act also includes specific provisions to prevent discrimination against parents who take advantage of parental leave. Both parents are included under the parental leave act and fathers do take advantage of it, although not to the extent hoped for. Employees are covered by the Parental Leave Act from the first day of employment.

Retirement

There is no set retirement age in Sweden, but individuals cannot receive a pension before the month of their 61st birthday. There is a guaranteed pension for people who have turned 65 and expect to receive little or no income-based pension and a public pension which is based on a person’s life income. The guaranteed pension is regulated in Act 1998:702, respecting public pensions.
Job skill development and advancement are promoted for employees of as many industrial sectors, employment statuses and life/career stages as possible.

Overview

In Sweden, education is available to a broad segment of the society, due to a higher education system free of charge and readily available sources to finance such studies, through grants and loans. The social partners emphasize the importance of life-long learning and through collective agreements, many opportunities for skill development are offered. Many learning initiatives can be funded via the Structural Funds of the European Union, and social partners in Sweden encourage employees to make use of such funding.

Initiatives by Public Employment Service

The Public Employment Service in Sweden, commissioned by the Parliament and the Government, works to improve the functioning of the labor market. As such, it coordinates a number of training programs to support people who seek to get back into the labor force and it organizes vocational training programs, education about the labor market, and other educational efforts to bolster people who need to get back to work.

The Study Leave Act

The Study Leave Act was implemented to enable working people to take part in adult education or participate in trade union activities. The main rule is that no one should be refused a study leave. In order to be eligible for leave, however, an employee has to have worked for six continuous months, or for twelve months in the past two years. The right to leave applies to all kinds of study, but excludes anything that can be considered a hobby (horseback riding or a sculpture class). The length of leave is not stipulated in the Act, but should not be longer than what is required to fulfill the object of the study. The employer reserves the right to postpone study leave, to account for the fact that the sudden absences can create problems for the organization.
Indicators of Wellness, Health & Safety Protections

Protection of employees’ safety and health at their worksite is mandated, and their physical and mental well-being is promoted. In the case of job-related injury or illness, compensation or other forms of social protection are offered.

Overview

Sweden has an extensive public health care system that covers all citizens. In addition, there are specific regulations which pertain to the safety of workers. This is regulated in the Work Environment Act. The law includes provisions to protect the physical and mental health of employees, for example by restricting workplace hazards and preventing accidents.

Public health coverage

Sweden’s has a public health care system which guarantees access to health care for all individuals. Unlike the United States, health coverage is not connected to employment and one does not risk losing access to care due to loss of employment.

Swedish Work Environment Authority

The Swedish Work Environment Authority is the administrative body that ensures compliance with stipulations laid down in the Work Environment Act. Formed in 2001, its objective is to reduce ill health at the work place and improve the work environment from a physical, social, environmental and organizational perspective. The authority is also required to specify some regulations within the broader framework of the Work Environment Act. Such regulations may, for example, refer to mental and physical strain at work, hazards or dangerous machinery.

Protection of minors

The Work Environment Act provides protection for children and young people. Persons aged 16 or under may not be employed, unless the work constitutes non-hazardous tasks (for example, office work). Further, children age 13 are only allowed to be employed for tasks that do not require physical or mental strain (for example, handing out leaflets or selling magazines).

Working time

Working time is regulated by law in Sweden, The Swedish Working Hours Act (Arbetstidslagen SFS 1982:673). The law stipulates, for example, a 40-hour working week, a maximum annual overtime of 200 hours and a general prohibition on night work. The law is fairly flexible, however, and is often partly or fully replaced by collective agreement at the industry or plant level. Since the 1950s, social partners have had considerably flexibility in drawing up industry wide agreements on working hours, but the law still has the obvious advantage of protecting those not covered by collective agreements.

In most European countries, working time is regulated by collective agreements. A recent study by Eurofound showed that there are significant differences in working time across Europe. The average collectively agreed working time in 2008 in Europe was 38.6 hours.
Indicators of Opportunities for Meaningful Work

Opportunities for meaningful and fulfilling work are available.

This section is omitted since it is not a particular focus of Swedish legislation.

Indicators of Provisions for Employment Security & Predictability

Stable provision of employment opportunities for job seekers is promoted, clear communication of terms of employment is facilitated, and protecting job security of the employed is a policy objective.

Overview

Safety of employment is highly valued in Sweden and people who lose their jobs are typically protected by unemployment insurance. The long-term goal for the Swedish government is to achieve full employment. In 2003, Sweden presented its Action Plan for Employment. This springs from the EU-initiative in the same year, laying down the 2003 Employment Guidelines for the union as a whole. The three cornerstones of the guidelines are:

- Full employment
- Quality and productivity at work
- Social cohesion and inclusion

Employment Protection Act

The main rule in Sweden is that employment is until further notice, which is often referred to as permanent employment. There are exceptions to the main rule, for example, seasonal employment, substitute jobs or probationary employment. Employment for a limited time may also be admitted in times of exceptional workload, but only for a maximum of six months during a two-year period.

A number of labor laws are in place to protect employment rights and prevent unjustifiable dismissals without proper notice. The Employment Protection Act prohibits dismissal without proper notice, a period of between one and three months is usually required. Typically, it is hard for an employer to dismiss a permanent employee, unless there is a shortage.
of work. Even in the latter case, an employee who has been dismissed would be guaranteed priority for re-employment for up to nine months after dismissal.\(^{27}\)

**Unemployment benefits**

In order to meet the criteria for unemployment benefit a person must meet some basic criteria such as being registered as unemployed and actively seeking work. A person must also have been a member of an Unemployment Insurance Fund and meet the work condition. The latter criterion implies that a person must have worked for at least six months for at least 80 hours per month (or have worked 480 hours or more during six months, for at least 50 hours each of those months).\(^{28}\)

Unemployment compensation is taxable income and a person can benefit from it for a maximum of 300 days.\(^{28}\)

**Job creation**

In 2007, the EU approved a Swedish program aimed at strengthening the labor market in Sweden. The purpose of the initiative is to bring people currently outside the labor market into work, focusing on particularly vulnerable groups such as young people, immigrants and people who have been on long-term sick leave. It also aims to build a more adaptable workforce, ensuring that people at work have the necessary skill set. The program is set to run until till run until 2014.\(^{29}\)

**Indicators of Workplace Flexibility**

Availability and utilization of flexible work options are promoted for employees of various life stages through increasing their control over work hours, locations, and other work conditions.

**Overview**

The Working Hours Act ensures that an employer does not misuse his rights to control working hours. This act is discretionary, however, which means it can be replaced by collective agreements. In Sweden, for just under half of all employees there are agreements to institute a shortened workday by allocations to a ‘working-hours account’ or a comparable arrangement.\(^{30}\)

**Part-time and shortened workday**

A considerable proportion of Swedes work part-time (27.3% in July 2009).\(^{30}\) Parents of young children often choose to shorten their workday. Under the Parental Leave Act, parents who have a child under the age of eight have a right to shorten their workday up to 25%. For example, parents may opt to work six hours per day, instead of eight.\(^{16}\) It has been a subject of debate whether the generous rules on flexibility contributes to inequality between the sexes, as women are far more likely than men to take advantage of the flexible work hours. By doing so, women not only compromise their own careers, they may also take on more than their share of the household chores.

**Flexitime**

Many workplaces in Sweden apply flexible working hours, also called “flexitime.” This means that an employee can start work any time between 7 a.m. and 9 a.m. and go home after the fixed amount of working hours has been accomplished, sometime between 3 p.m. and 5 p.m.\(^{31}\) The use of flexitime facilitates life for families with two working parents; often one partner will start work early while the other brings the children to childcare. The parent who started his or her day early will then be responsible for pick up in the late afternoon.
Diversity in the workforce and inclusion of less advantageous populations are promoted, and equity in work conditions is pursued.

Overview

Gender equality is one of the foundations of the welfare system in Sweden. It provides considerable support to working families, a basic principle being that women and men should be able to participate in the labor force on equal terms.

Gender equality

While Sweden has a number of government ministers and bodies charged with making sure men and women have the same rights and opportunities, gender equality is seen as a process that should be incorporated into the work of government agencies at all levels (mainstreaming). Sweden scored number 4 in the World Economic Forum Global Gender Gap Report in 2009, following its Nordic neighbors Iceland, Finland and Norway. The Discrimination Act was put in place to ensure that men and women are treated equally at the workplace. Two main sections deal with gender equality: First, all employers must actively promote and achieve certain goals with respect to equality between the sexes. Second, discrimination is prohibited at the workplace (with regards to pay, promotion, employment conditions and opportunities) and employers are obliged to investigate and take action against harassment. Further, employers are required by law to ensure that they do not treat people who have taken parental leave unfairly (whether they are employees or job applicants).

Employers with nine employees or more are required to create annual plans for how to ensure equal opportunities at the workplace.

Ministry of integration and gender equality

Sweden’s dedication to equality and anti-discrimination is perhaps best illustrated by the fact that it has a Ministry of Integration and Gender Equality, with a minister responsible for these issues. While Sweden has made great strides in this area, the Swedish government still sees room for improvement, as seen for example in pay differentials between the sexes, unequal career opportunities and an unequal division of parental insurance and an underrepresentation of women in executive positions. In June 2009 the Swedish Government presented a strategy for gender equality in the labour market and the business sector. The government is planning a number of initiatives in order to improve the following four areas:

- Combat gender divisions in the labor market and business sector
- Promote gender-equal conditions for entrepreneurship
- Gender equal participation in working life
- Gender equality in working life conditions

General discrimination issues

The Swedish anti-discrimination legislation is based on several international legal instruments originating in the UN and European Union (for example the UN International Convention on the Elimination of All Forms of Racial Discrimination and the Directive implementing the principle of equal treatment of persons irrespective of racial or ethnic origin (Directive 2000/43/EC). In January 2009, a new Discrimination Act was put into effect (SFS 2008:567). Compliance with this act will be monitored by a new agency, the Equality Ombudsman. Additionally, the National Board for Youth Affairs is working to support activities to prevent discrimination, racism, homophobia and similar forms of intolerance.
Indicators of Promotion of Constructive Relationships at Work

Employer-employee frictions are mitigated, and constructive workplace relations are facilitated

Overview

Sweden has a strong tradition of labor unions and collective bargaining. Membership in unions remains high at 71%, although it has fallen slightly from its peak at 86% in 1995. It is interesting to note that membership fell less in 2008 than in 2007, perhaps a sign that people seek security in union membership during times of economic hardship.

Main confederations in Sweden

There are three main union confederations in Sweden:

The largest union, LO, organizes manual workers and has 1,610,000 members. Traditionally, this union has strong ties to the Social Democratic Party. The second largest is TCO, which organizes mostly non-manual workers. It has 1,175,000 members. The smallest federation, SACO organises graduate employees and has 588,000 members.

History of collective bargaining in Sweden

The strong tradition of trade unions originated with the Saltsjöbaden Agreement, where SAF (Association of Employers) and LO (Labor Union) undertook responsibility for industrial peace and pay-setting at the national level. From 1956 to the late 1980s, the key bargaining level was national and deals covered the whole economy. As this era has come to an end, the power of the confederations has been reduced, leaving greater influence for individual unions.

Collective agreements and labor law

There is a specific form of regulation called the collective agreement, which is concluded between the trade union and the employer. Many important rules of labor law are mandatory to the benefit of the worker. This means that any collective agreement needs to provide more benefit to the individual employee compared to the original law. One example of a mandatory rule is the requirement that an employer has to have objective grounds in order to terminate the contract of any permanent employee. Other rules in labor law are optional, which means that it is possible to deviate from the law to the advantage of the individual worker through a collective agreement. One example is the Act on Security of Employment (LAS) concerning forms of employment that have a time limit.

The collective agreements have a wide scope, covering all aspects of the employee/employer relationship. The collective agreements therefore encompass, in addition to provisions concerning pay, conditions of work and a number of insurance solutions that supplement the statutory insurance protection in case of sickness etc.
**CONTEXTUAL FOCUS:**

**WORK ENVIRONMENT ACT - THE RIGHT OF SAFETY DELEGATES (OMBUDSMAN) TO STOP DANGEROUS WORK**

*Overview*

Safety at work has long been a priority for the Swedish Trade Union Confederation. Due to a long tradition of trade unions in Sweden, cooperation between employers and employees has been institutionalized at many workplaces, particularly in the area of health and safety at work.

*The Work Environment Act and safety at work*

The Work Environment Act does not contain specific regulations, but specifies a general framework (framework law). More specific regulations are issued in the form of directives by the Swedish Work Environment Authority. Health and safety issues at the workplace are to be ensured by the employer and employees in conjunction, but the main responsibility is with the employer. Employers must take all necessary action to ensure that employees are not exposed to health hazards or risks of accidents. The employer is obliged to plan, direct and control the work environment systematically, as well as ensure that there are organized work adaptation and rehabilitation services available.

All work places with a minimum of five workers are obliged to have a safety delegate. This person is appointed by the local trade union and represents workers in matters related to safety at work. He or she will ensure that the employer lives up to the expectations stipulated by the Work Environment Act. At workplaces with at least 50 employees, a safety committee is required. This committee is made up of representatives from both the employer and employees. Its task is similar to that of the safety delegate; it supervises health and safety issues at work and works to prevent accidents and ill-health. The Work Environment Act, with its stipulation that safety delegates and safety committees be appointed, has significantly contributed to a good cooperation between employers and employees in matters related to safety at work. In general, conflicts in this area can be resolved at an early stage.

The most significant changes to Sweden’s legislation pertaining to work safety issues occurred during the 1970s. One of the more significant legislative changes in the Work Environment Act occurred in 1974 and concerns the right of safety delegates to stop any work that endangers workers (Work Environment Act, 6, article 7).

*Practical implications of legislation*

When a safety delegate has stopped work due to a potential hazard, the employer cannot start work again. An inspector appointed by the Work Environment Authority has to make a risk assessment. He or she will then either ask that work be resumed or order work to be discontinued until the employer has taken necessary action.

In practice, it is rare that safety delegates call for work to discontinue, but the awareness that such enforcements can take place creates an incentive for employers and employees to work towards common solutions. As stipulated in the Work Environment Act (6: paragraph 6a), a safety delegate can order an investigation to inspect conditions at the workplace. This request is often made before he or she resorts to article 7 of the Act and orders work to discontinue. Overall, however, the change in legislation has forced employers to take issues related to work safety more seriously.
IMPLICATIONS FOR QUALITY OF EMPLOYMENT:

Although diminishing economic growth in recent decades has put pressure on Sweden’s welfare system, most elements remain intact. Overall, the policy framework in Sweden provides a high quality of employment for its citizens, particularly in the areas of work safety, ergonomics, flexibility and work-life balance, including generous parental leave and liberal vacation policies.

Despite the fact that the Social Democrats lost to the Conservative Party in the most recent elections (2006), Swedish society is likely to continue to build on the notion that the State caters for its citizens from cradle to grave. Since labor laws regulate employment security and all social and medical insurance is detached from employment, citizens are provided with a great sense of security. Strict laws on employment security, however, means a more rigid labor market, which can create problems for smaller, entrepreneurial companies. Further, generous provisions for sick and disabled people have led to substantial abuse of the system. Authorities have discovered many cases of people who carry out unregistered work and continue to lift unemployment or sick benefits. Sweden has also battled with high sick leave numbers in general, and one of the measures of the current government has been to track down abuse of the current system.

With respect to the cornerstone of the Swedish welfare policy - equality between the sexes- both women and men should participate in the labor market on equal conditions. Indeed, in Sweden, most families consist of two working adults, and many families require two incomes to sustain their standard of living. Interestingly, however, some of the provisions that aim to create more work-life balance for families with children, can have a disadvantageous effect on working women from a career perspective. In the majority of cases, women will take advantage of parental benefits, for example, the extended parental leave, or the opportunity to work at a reduced pace (75%, for example). Even if discrimination never occurs on paper, the real effect can be that women are held back in their careers. Whether or not they desire this is an interesting subject for debate, albeit beyond the scope of this paper.

On a macroeconomic level, Sweden faces a number of challenges in the common years, including:

- Rising unemployment among youths, immigrants and people who have been on long-term sick leave.
- An aging population and imminent retirement of the baby boom generation, reducing the proportion of people who are of working age.

The development of the labor market will to a great extent be determined by how well the government responds to these challenges, and the extent to which Sweden can sustain its generous welfare system in the wake of the retirement of the baby boomers. Of interest is also whether or not the Conservative Party will retain power in the upcoming elections in September 2010. If they do, it will be interesting to see if any changes will be made to current provisions in the labor market. The Conservative party has long advocated for lower taxes and a more liberal labor market to encourage entrepreneurship. However, it is hard to foresee any radical changes to provisions on social insurance, maternity leave, parental leave and annual vacations that promote quality employment in Sweden.
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ABOUT THE AUTHORS:

Karin Anell

Karin Anell is an adjunct faculty member at Bunker Hill College. She has worked as a Project Manager at the Center for Work and Family and the Center on Aging at Boston College, most recently on the Generations of Talents study. Karin was born in Sweden and holds an MBA from the Stockholm School of Economics as well as a Masters degree in Psychology from San Diego State University.