

**BUSINESS SWEDEN**



# **RUNNING A BUSINESS IN SWEDEN**

**BUSINESS SWEDEN 2020**

# 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. This guide is an introduction to running a business in Sweden.

### SKILLED AND OUTWARD-LOOKING WORKFORCE

As a knowledge-intensive economy investing heavily in research and development, Sweden draws on an extensive pool of highly skilled labour and is amongst the most knowledge-based economies in the world, according to World Economic Forum. Productivity levels are high and Sweden scores consistently well in international innovation studies.

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. About 640 000 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 multicultural, with around 18 per cent of total population being foreign born.

#### IN BRIEF

- One of the world's most knowledge-intensive countries
- Wage levels are cost-effective for skilled employees
- Transparent and user-friendly business frameworks
- Competitive corporate tax rate of 21.4 per cent

### WAGE LEVELS - COMPETITIVE FOR SKILLED EMPLOYEES

Salary levels for highly skilled staff are relatively low compared to OECD standards, and costs for manufacturing labour are similarly competitive. Wage differences between various 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.

### LABOUR RELATIONS - STABILITY AND COOPERATION

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

Trade unions are important partners for employers as the vast majority of workers are unionized. Employers hold discussions with the unions to agree upon collective agreements for employees. The agreements regulate pay, training and other workplace issues, and normally run for 1 to 3 years and operate under a two-tier system, with traditional centralized industry wide agreements supplemented by local, company level agreements. Some 67 per cent of wage earners and 73 per cent 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).



## 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 issu-

ing 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.

## 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.

## 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 work places are often flexible about working hours, particularly in smaller companies.

## HOLIDAYS AND TIME OFF

Employees are entitled to a minimum five week 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, Labour Day, Ascension Day, Whit Sunday, National Day, Midsummer's Day, All Saints' 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 42 per cent of the total labour 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 work life; measures against discrimination based on sexuality; and the prohibition of work place discrimination against people with disability.

The legislation also prohibits direct and indirect discrimination 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.

### SWEDISH BUSINESS CULTURE IN A NUTSHELL

- Highly international corporate environment
- High productivity
- Technology and innovation oriented
- Strong emphasis on compromise and consensus
- Non-hierarchical
- Punctuality important
- Work dress code conservative but casual



Photo by Matthew Bennett on Unsplash

## **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 per cent 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.

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 such as 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 COVERAGE BY SOCIAL INSURANCE SYSTEM**

No sickness allowance is paid for the first day off work. If an employee is absent from work due to illness the employer pays 80 per cent of salary for days 2 to 14. From day 15 and onward, the social insurance system takes over and pays a sickness allowance of 80 per cent of salary, up to a maximum annual amount (SEK 378,396 in 2020).

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/s. The parental allowance is 80 per cent 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

Companies in Sweden 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, ranked Sweden as one of the world's least corrupt society in 2018 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 per cent of their profit. The corporate tax rate is 21.4 per cent and will be lowered to 20.6 per cent after December 2020.

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 per cent. A reduced rate of 12 per cent applies primarily to food, hotel accommodation, camping, and cultural and sporting events. A reduced rate of 6 per cent 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.



Photo by Samuel Zeller on Unsplash

## 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. The cost is generally SEK 3 000–5 000/month, depending on location, service level, and 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). The services of the latter are free of charge.

# USEFUL CONTACTS

## EMPLOYERS' ASSOCIATIONS

### **The Confederation of Swedish Enterprise**

(Svenskt Näringsliv)

Storgatan 19, SE-114 82 Stockholm

+46 8 553 430 00

[www.svensktnaringsliv.se](http://www.svensktnaringsliv.se)

Sweden's largest business federation representing 49-member organizations and 60 000 member companies.

## GOVERNMENT AGENCIES

### **Swedish Work Environment Authority**

(Arbetsmiljöverket)

Lindhagensgatan 133

SE-112 79 Stockholm

+46 10 730 90 00

[www.av.se](http://www.av.se)

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



We help Swedish companies grow global sales and international companies invest and expand in Sweden.

**BUSINESS SWEDEN** Box 240, SE-101 24 Stockholm, Sweden  
World Trade Center, Klarabergsviadukten 70  
T +46 8 588 660 00 [info@business-sweden.se](mailto:info@business-sweden.se) [www.business-sweden.se](http://www.business-sweden.se)

