

## SWEDEN

### **1. Overview of the system**

Sweden has a voluntary unemployment insurance system which more than 80 per cent of workers join, together with a cash assistance scheme (KAS) for those who are not members of a voluntary fund (self-employed can also be insured). For those with no income, social assistance can be claimed. Under either the voluntary unemployment benefit or the cash assistance scheme, a means-tested housing benefit can be claimed, as well as a family benefit for where there are dependent children. The tax unit is the individual, spouses are taxed separately. The 1995 APW earnings level is Skz 190 260.

### **2. Unemployment insurance**

#### **2.1 *Conditions for receipt***

Unemployment insurance is voluntary. The member must be fit for work and must be available to work at least 17 hours per week.

##### **2.1.1 *Employment conditions***

A recipient must have worked at least 80 days (with at least 3 hours per day) in the last 5 months.

##### **2.1.2 *Contribution conditions***

A worker must have been a member of an unemployment fund for the last 12 months.

### **2.2 *Calculation of benefit amount***

#### **2.2.1 *Calculation of gross benefit***

80 per cent of previous earnings. The minimum and maximum daily benefits are Skz 245 and Skz 564 (yearly equivalent of Skz 63 700 and Skz 146 640 respectively).

### **2.2.2** *Income and earnings disregards*

The benefit is reduced in proportion of the number of days worked. Family and housing benefits can be paid in addition.

### **2.3** *Tax treatment of benefit*

Taxable.

### **2.4** *Benefit duration*

Payable on a 5-day week basis, for a maximum of 300 days, after a 5-day waiting period. However, a recipient who has reached this maximum benefit duration can qualify for a further period after 80 days in employment. It is also possible to renew the benefit period by claiming a “job-offer” before the initial period expires, which ensures frequent periods of job training during long-term unemployment. There is currently no restriction on the number of times the entitlements can be renewed.

### **2.5** *Treatment of particular groups*

#### **2.5.1** *Young persons*

None.

#### **2.5.2** *Older workers*

The maximum duration of benefits is 450 days for those aged between 55 and 64.

## **3. Unemployment assistance**

The cash labour market assistance (KAS) is aimed mainly at those not insured, but also at those who do not meet the unemployment benefit requirements.

### **3.1** *Conditions for receipt*

The applicant must be fit for work and must be able to take suitable job of at least 17 hours per week.

#### **3.1.1** *Employment conditions*

A recipient must have worked at least 75 hours in each of the last five months.

### *3.1.2 Contribution conditions*

None.

## **3.2 Calculation of benefit amount**

### *3.2.1 Calculation of gross benefit*

It is a daily flat rate of Skz 245 (yearly equivalent of Skz 63 700).

### *3.2.2 Income and earnings disregards*

The benefit is reduced in proportion of the number of days worked. It is not means-tested. Family and housing benefits can be paid in addition.

## **3.3 Tax treatment of benefit**

It is taxable and social security contributions are deducted from the benefit.

## **3.4 Benefit duration**

It is payable on a 5-day week basis, for a maximum of 150 days for those aged 20 to 54. There is a 5-day waiting period for claimants who do not qualify for UI-benefits.

## **3.5 Treatment of particular groups**

### *3.5.1 Young persons*

None.

### *3.5.2 Older workers*

The maximum duration of benefits is 300 days for those aged 55 to 59, and 450 days for those aged between 60 and 64.

## **4. Social assistance**

The cash social assistance programme is the Social Welfare Allowance, which is municipally administered.

#### **4.1 Conditions for receipt**

It is an income and assets-tested benefit, based on the obligation to exhaust all other means of support, and to be actively seeking employment. Social assistance is, according to the legislation, a right to a certain standard of living if no other means of income can be obtained; topping-up net incomes that fall below this standard is not usually possible.

#### **4.2 Calculation of benefit amount**

##### **4.2.1 Calculation of gross benefit**

The National Board of Health and Welfare (NBHW) worked out in 1985 a guideline norm for social assistance. The norm is calculated annually following the change in the basic amount (BA) geared to the price index. For 1995, the basic amount is Skz 2 975 per month. The actual payment amounts heavily depend on the discretion of local social workers.

Family type	Rates at NBHW norms (Skz per month)	NBHW Equivalencies As ratio of basic amount
Single	3 451	1.16
Married couple / Cohabitants	5 712	1.92
Child 0-3 years	1 666	0.56
4-10 years	1 964	0.66
11-20 years	2 261	0.76
Lone parents	full child-care costs	-

In addition, social assistance recipients receive a supplementary element that covers any reasonable housing costs, after housing allowance has been received.

##### **4.2.2 Income and earnings disregards**

Maximum assistance benefits are reduced with 100 per cent of net income. Net income is defined as earned and benefit income after income and social security taxes and all social security benefits, including family benefits.

#### **4.3 Tax treatment of benefit**

Not taxable.

#### **4.4 Benefit duration**

Indefinite, as long as the conditions for receipt are met.

## **4.5**     *Treatment of particular groups*

### **4.5.1**    *Young persons*

No specific minimum age.

### **4.5.2**    *Older workers*

None.

## **5.**        **Housing benefits**

### **5.1**        *Conditions for receipt*

Housing assistance exists in three main forms:

- the housing allowance, it varies according to age, the income, the housing cost, and the number of children;
- rent is fully covered for social assistance claimants, with a supplement to the housing allowance;
- an income-tested housing supplement (BTP) also exists for pensioners (outside the scope of this study).

### **5.2**        *Calculation of benefit amount*

#### **5.2.1**     *Calculation of gross benefit*

Total housing costs are divided in brackets; 30 to 75 per cent per bracket is added to a flat benefit. The size of each bracket and the flat benefit rate depend on age and family situation (see table).

Family composition	Housing costs (HC) (Skz per year)	Housing benefit (HB1) (before income-test)
Age < 29, with no child	0 - 20 400	0
	20400 - 31 200	75% of (HC - 20 400)
	31 200 - 43 200	75% of (31 200 - 20 400) + 50% (HC - 31 200)
	43 200 +	75% of (31 200 - 20 400) + 50% (43 200 - 31200)
Age 29 or over, with no child	0 - 20 400	0
	20 400 - 44 400	30% of (HC - 20 400)
	44 400 +	30% of (44 400 - 20 400)
with 1 child	0 - 22 800	7 200
	22 800 - 36 000	7 200 + 75% of (HC - 22 800)
	36 000 - 62 400	7 200 + 75% of (36 000 - 22 800) + 50% of (HC - 36 000)
	62 400 +	7 200 + 75% of (36 000 - 22 800) + 50% of (62 400 - 36 000)
With 2 children	0 - 22 800	10 800
	22 800 - 39 600	10 800 + 75% of (HC - 22 800)
	39 600 - 69 600	10 800 + 75% of (39 600 - 22 800) + 50% (HC - 39 600)
	69 600 +	10 800 + 75% of (39 600 - 22 800) + 50% (69 600 - 39600)
With 3 or more children	0 - 22 800	14 400
	22 800 - 43 200	14 400 + 75% of (HC - 22 800)
	43 200 - 78 000	14 400 + 75% of (43 200 - 22 800) + 50% of (HC - 43 200)
	78 000 +	14 400 + 75% of (43 200 - 22 800) + 50% of (78 000 - 43 200)

### 5.2.2 *Income and earnings disregards*

The housing benefit is income-tested. Reduction rates and disregards depend on age and family situation:

Family composition	Gross income limit for the means-test (Skz per year)	Subsidy rate for the means- test (%)	Housing benefit, including the income-test (GI = gross income)
Age < 29, with no children	40 000	33%	HB1 - 33% (GI - 40 000)
Age 29 or over, with no children	83 000	10%	HB1 - 10% (GI - 83 000)
With 1 or more children	115 000	20%	HB1 - 20% (GI - 115 000)

### 5.3 *Tax treatment of benefit*

It is not taxable.

### 5.4 *Treatment of particular groups*

None.

## **6. Family benefits**

### **6.1 *Conditions for receipt***

Each child aged 16 or under (or until 20 if still at school) qualifies the family for child benefit.

### **6.2 *Calculation of benefit amount***

#### **6.2.1 *Calculation of gross benefit***

The annual amount is Skz 9 000 per child (Skz 750 per month), with a supplement of Skz 2 400 for the third child, Skz 7200 for the fourth child, and Skz 9 000 for the fifth and subsequent children

#### **6.2.2 *Income and earnings disregards***

Child benefit is not subject to any means test.

### **6.3 *Tax treatment of benefit***

It is not taxable.

## **7. Child-care benefits**

Child-care is heavily subsidised by state and local governments. Parents pay a certain share in child-care fees varying by municipality.

## **8. Employment-conditional benefits**

None.

## **9. Lone-parent benefits**

### **9.1 *Conditions of receipt***

Each child aged 16 or under (or until 20 if still at school) from a lone-parent family qualifies.

## **9.2 Calculation of benefit amount**

### **9.2.1 Calculation of gross benefit**

The monthly amount is Skz 1 173 per child, that is Skz 14 076 yearly.

### **9.2.2 Income and earnings disregards**

Not subject to any means test.

## **9.3 Tax treatment of benefit**

Not taxable.

## **10. Tax system**

There is a central government and a local government personal income tax, based on the same taxable income.

### **10.1 Income tax rate schedule**

#### **10.1.1 Tax allowances and credits**

The tax allowances are as follows:

- social security contribution (see 10.3 below);
- earned income allowances. These are related to the Base Allowance (BA, Skz 35 700 in 1995):
  - if gross earnings are under 1.86 times BA, the allowance is 25 per cent of BA;
  - if gross earnings are between 1.86 and 2.89 times BA, the allowance is 25 per cent of BA raised with 25 per cent of earnings above 1.86 times BA;
  - if gross earnings are between 2.89 and 3.04 times BA, the allowance has its maximum value (25 per cent of 2.89 times BA);
  - if gross earnings are exceeding 3.04 times BA, the maximum value of the allowance is decreased with 10 per cent of the earnings above 3.04 times BA.

(Note: this allowance is also valid on transfer income, but not social assistance)

### *10.1.2 The definition of taxable income*

It is the gross earnings minus the two above tax allowances, rounded down to the nearest multiple of 100.

### *10.1.3 The 1995 tax schedule*

The income tax schedule is as follows:

Taxable income in Skz	Tax payable
0 - 203 900	Skz 100
Over 203 900	Skz 100 + 25%

The average local tax is 31.50 per cent of the taxable income (rounded down to the nearest 100). There is no earnings limit.

## **10.2 Treatment of family income**

The tax unit is the individual. Spouses are taxed separately

## **10.3 Social security contribution schedule**

There are two main contributions:

- 1 per cent of earnings for the general pension;
- 2.95 per cent of earnings for the general health insurance.

Contributions are paid up to 7.5 the basic amount ( $7.5 * 36\,000$ ), and rounded down to the nearest multiple of 100.

## **11. Part-time work**

### **11.1 Special benefit rules for part-time work**

Persons working less than 17 hours per week do not qualify for unemployment insurance.

### **11.2 Special tax and social security contribution rules for part-time work**

None.

## **12. Policy developments**

### ***12.1 Policy changes introduced in the last year***

- The general unemployment insurance fee of 1 per cent was abolished in 1995.
- The general health insurance fee increased from 0.95 per cent in 1994 to 2.95 per cent in 1995.
- The tax rate of taxable income over Skz 203 900 increased from 20 per cent in 1994 to 25 per cent in 1995.
- The basic amount is not indexed with full inflation from 1995.

### ***12.2 Policy changes announced***

- From January 1996, the payment rate of unemployment benefit will be 75 per cent of previous earnings (80 per cent in 1995).
- KAS will decrease from Skz 245 to Skz 230.
- A Parliamentary Commission has recommended a revised set of social assistance rates.
- The housing benefit for low income earners without children will be abolished.
- Child benefits will decrease from Skz 750 to Skz 640 per month per child.
- The general health insurance fee will increase from 2.95 per cent to 3.95 per cent in 1996.

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**The annual tax/benefit position of an unemployed single person, 1995  
(Kroner)**

	Unemployment insurance: 60 weeks	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	146 640	
Cash labour market assistance		
<b>Total taxable benefits</b>	<b>146 640</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	5 800	
Taxable income	140 840	
Income tax	100	
Local tax	44 300	
Social security contributions	5 800	
<b>Total income tax and social security contributions</b>	<b>50 200</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		74 168
Housing benefits	0	5 296
<b>Non-means tested benefits</b>		
Family benefits		
Lone parent benefits		
<b>Total non-taxable benefits</b>	<b>0</b>	
<b>D. Net income out of work (A-B+C)</b>	<b>96 440</b>	<b>79 464</b>
<b>E. Net income in work</b>	<b>128 228</b>	<b>128 228</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>75</b>	<b>62</b>

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**The annual tax/benefit position of an unemployed married couple with two children, 1995  
(Kroner)**

	Unemployment insurance: 60 weeks	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	146 640	
Cash labour market assistance		
<b>Total taxable benefits</b>	<b>146 640</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	5 800	
Taxable income	140 840	
Income tax	100	
Local tax	44 300	
Social security contributions	5 800	
<b>Total income tax and social security contributions</b>	<b>50 200</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		113 481
Housing benefits	15 911	22 239
<b>Non-means tested benefits</b>		
Family benefits	18 000	18 000
Lone parent benefits		
<b>Total non-taxable benefits</b>	<b>33 911</b>	<b>153 720</b>
<b>D. Net income out of work (A-B+C)</b>	<b>130 351</b>	<b>153 720</b>
<b>E. Net income in work</b>	<b>153 447</b>	<b>153 447</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>85</b>	<b>100</b>

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**The annual tax/benefit position of a lone parent with two children, 1995  
(Kroner)**

	Unemployment insurance: 60 weeks	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	146 640	
Cash labour market assistance		
<b>Total taxable benefits</b>	<b>146 640</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	5 800	
Taxable income	140 840	
Income tax	100	
Local tax	44 300	
Social security contributions	5 800	
<b>Total income tax and social security contributions</b>	<b>50 200</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		58 197
Housing benefits	15 911	22 239
<b>Non-means tested benefits</b>		
Family benefits	18 000	18 000
Lone parent benefits	28 152	28 152
<b>Total non-taxable benefits</b>	<b>62 063</b>	<b>126 588</b>
<b>D. Net income out of work (A-B+C)</b>	<b>158 503</b>	<b>126 588</b>
<b>E. Net income in work</b>	<b>181 567</b>	<b>181 567</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>87</b>	<b>70</b>