

## **SWEDEN 1999**

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

Sweden has an unemployment insurance consisting of a basic assistance scheme and a voluntary income related scheme for those who are members of an Unemployment Insurance Society. These are closely linked to the trade unions. It is possible to join an Insurance Society without being a member of the trade union at a slightly higher fee for extra administration. There is also a special Unemployment Insurance Society for those who do not want to be members of a trade union. Self-employed are also insured. The basic insurance is for those who are not members of an Unemployment Insurance Society or do not fulfil the employment criteria.

Those with low income from work, unemployment benefit or any other kind of transfer income can claim a means-tested housing benefit. This is intended for a family when there are dependent children but is also open for low-income households beneath the age of 29. For those with neither income nor assets, social assistance can be claimed.

The tax unit is the individual, spouses are taxed separately. The 1999 APW earnings level is SEK 220 644.

### **2. Unemployment insurance**

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

Income related unemployment insurance is voluntary and presupposes membership of an Unemployment Insurance Society. The member must be fit for work and available to work at least 17 hours per week during 4 weeks.

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

A recipient must have worked at least 6 months (with at least 70 hours per month) or 450 hours during 6 months (with at least 45 hours each month).

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

An employee or a self-employed person must have been a member of an Unemployment Insurance Society for the last 12 months. All trade union members pays a fee through the monthly collection of union fees but there is also a possibility to pay directly to one of the 38 occupational

Unemployment Insurance Societies or to a special 39<sup>th</sup> Society, which is not related to any trade union.

## **2.2 Calculation of benefit amount**

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

*Gross replacement rate is 80 per cent of previous earnings. The minimum and maximum daily benefits are SEK 240 and SEK 580 (yearly equivalent of SEK 62 400 and SEK 150 800 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. *There are no special family benefits. They are part of the housing benefit system.*

## **2.3 Tax treatment of benefit**

It is taxable.

## **2.4 Benefit duration**

Payable on a 5-day week basis, for a maximum of 300 days *or 60 weeks*, after a 5-day waiting period. *The days must not be consecutive.* However, a recipient who has reached this maximum benefit duration can qualify for a further period after meeting the employment conditions in 2.1.1. 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.

Meeting the employment conditions in 2.1.1 means that either there is a job on the labour market for enough time or some kind of labour market training program trying to make the unemployed more employable.

## **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 (*90 weeks*) for those aged between 57 and 64.

## **3. Unemployment assistance**

The basic unemployment insurance can be called assistance or minimum guarantee. It is aimed mainly at those not insured, but also at those who do not meet the Unemployment Insurance requirements or have just finished their full-time studies. It is available from the age of 20.

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

The applicant must be fit for work and must be able to take a suitable job for at least 3 hours per day and an average of 17 hours per week.

#### *3.1.1 Employment conditions*

None or the same as the income related insurance. The same insurance from 1998.

#### *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 SEK 240 (yearly equivalent of SEK 62 400).

#### *3.2.2 Income and earnings disregards*

The benefit is not paid for days worked. Benefit days must not be consecutive. Housing benefits can be paid in addition.

### **3.3 *Tax treatment of benefit***

It is taxable.

### **3.4 Benefit duration**

It is payable on a 5-day week basis, for a maximum of 300 days for those aged 20 to 56. There is a 5-day waiting period.

### **3.5 Treatment of particular groups**

#### **3.5.1 Young persons**

Not available for persons aged 18-19.

#### **3.5.2 Older workers**

The maximum duration of benefits is 450 days (90 weeks) for those aged between 57 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 usually not possible.

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

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

The National Board of Health and Welfare (NBHW) works out a national guideline norm for social assistance. The norm is calculated annually and has an individual part that depends on the age of the child and a household part that depends on the size of the household. For 1999 the norm is as shown in the table below. For children below the age of 7 attending day care institutions the rate is slightly lower.

Family type	Rates at NBHW norms (SEK per month)	Household rate based on number of family members
Single	2 320	1 person 580 2 people 670
Married couple / Cohabitants	4 200	3 people 760
Child <1 year	1 230	4 people 820

1-2 years	1 440	5 people	910
3 years	1 120	6 people	960
4-6 years	1 410	7 people	1 020
7-10 years	1 530		
11-14 years	1 830		
15-18 years	2 070		

In addition, social assistance recipients receive a supplementary element that covers any reasonable housing costs, after housing benefit from the state system has been received. Social workers may add extra payments for special purposes like medical or dental expenses and child-care costs but usually there can be an addition for local transportation expenses and union dues.

#### *4.2.2 Income and earnings disregards*

Maximum assistance benefit is reduced with 100 per cent of net income. Net income is defined as earned and taxable social security income after income tax and social security contribution and including housing benefit, family allowance, maintenance advance that are not taxed.

#### **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 income-tested 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; 50 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). The benefit is calculated on a monthly basis according to the expected income during the calendar year but the benefit received during a year is provisional and will be checked against the final income assessment. Capital income is also considered.

Family composition	Housing costs (HC) (SEK per year)	Housing benefit (HB1) (before income-test)
Age < 29,	0 - 21 600	0
with no child	21 600 - 31 200	75% of (HC - 21 600)
	31 200 - 43 200	75% of (31 200 - 21 600) + 50% (HC - 31 200)
	43 200 +	75% of (31 200 - 21 600) + 50% (43 200 - 31 200)
Families:		
with 1 child	0 - 24 000	7 200
	24 000 - 36 000	7 200 + 75% of (HC - 24 000)
	36 000 - 63 600	7 200 + 75% of (36 000 - 24 000) + 50% of (HC - 36 000)
	63 600 +	7 200 + 75% of (36 000 - 24 000) + 50% of (63 600 - 36 000)
With 2 children	0 - 24 000	10 800
	24 000 - 39 600	10 800 + 75% of (HC - 24 000)
	39 600 - 70 800	10 800 + 75% of (39 600 - 24 000) + 50% (HC - 39 600)
	70 800 +	10 800 + 75% of (39 600 - 24 000) + 50% (70 800 - 39 600)
With 3 children	0 - 24 000	14 400
	24 000 - 43 200	14 400 + 75% of (HC - 24 000)
	43 200 - 79 200	14 400 + 75% of (43 200 - 24 000) + 50% of (HC - 43 200)
	79 200 +	14 400 + 75% of (43 200 - 24 000) + 50% of (79 200 - 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	Subsidy rate for the means-test	Housing benefit, including the income-test (GI = gross income)
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	(SEK per year)	(%)	
Single < 29, with no children	41 000	33%	HB1 - 33% (GI - 41 000)
Lone parents	117 000	20%	HB - 20% (GI - 117 000)
Families with no children	58 000	33%	HB1 - 33% (GI - 58 000)
Families with 1 or more children	58 500/partner*	20%	HB1 - 20% (GI - 58 000)

\* The partner with no income is not entitled to any housing benefit since 1995.

### 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 SEK 9 000 per child (SEK 750 per month), with a supplement of SEK 2 400 for the third child, SEK 7 200 for the fourth child, and SEK 9 000 for the fifth and each subsequent child.

#### 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 (approximately 17 per cent).

## **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 SEK 1 173 per child, that is SEK 14 076 yearly.

This is a separate benefit the absent parent is supposed to pay. If the parent pays directly to the lone parent, then the state is not involved. If not, the state advances the money and then demand the absent parent to pay it in full or in part. This system of repayment has been tightened and more pressure is put on absent parents to pay a larger share of the cost.

#### **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 (36 400 in 1999):
  - if gross earnings are under 1.86 times BA, the allowance is 24 per cent of BA;
  - if gross earnings are between 1.86 and 2.89 times BA, the allowance is 24 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 (24 per cent of BA raised with 25 per cent of 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.

The allowance is rounded down to a multiple of 100.

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

From 1999 there is a tax discount of SEK 1 320 for everyone with a taxable income. The discount is reduced with 1.2 per cent of taxable income above SEK 135 000 and is completely reduced at a taxable income of SEK 245 000. This is a refundable tax credit as far as its amount is less than local taxes.

#### 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 1999 tax schedule*

The income tax schedule is as follows:

Taxable income in SEK	Tax payable
0 - 219 300	SEK 0
219 300-360 000	SEK 0 + 20%
Over 360 000	SEK 28 140 +25%

The local government personal income tax is proportional and differs between municipalities. The average rate amounted to 30.59 per cent in 1999, with the maximum and minimum rates being 33.15 per cent and 26.40 per cent, respectively. Beside the proportional tax every individual also has to pay a lump sum tax of SEK 200.

(In this study we apply the average tax rate)

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**

- 6.95 per cent of earnings for the general pension;

Contributions are paid up to 8.06 of the entitlement base amount ( $8.06 * 37\,200$ ), and rounded to the nearest multiple of 100. The general pension contribution is deducted from the taxable income when accruing pension rights up to a maximum of 7.5 entitlement base amount. ( $0.56 * 37\,200 = 20\,832$  rounded to 20 800 is the maximum pension contribution).

## **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 health insurance fee was abolished and the general pension fee was set to 6.95 per cent in 1998.*
- *A tax deduction of SEK 1 320 was introduced in 1999.*
- *The compensation rate in sickness, parental and unemployment systems was raised to 80 per cent in 1998.*
- *Unemployment minimum and maximum was SEK 240 and 580 per day respectively in 1998.*
- *KAS was cancelled and there is only one unemployment system in 1998.*
- *The temporarily increased state tax is reset from 25 per cent to 20 per cent but a new state tax interval of 25 per cent is introduced at a higher taxable income level.*

- *Child allowance is reset at SEK 750 per month and child.*
- *The social assistance norm was changed and harmonized as a national norm in 1998.*

## **12.2 Policy changes announced**

- *Child allowance will increase with SEK 100 per month per child in 2000 and with another SEK 100 in 2001.*
- *The state tax brackets will be raised with inflation plus 2 per cent and some additional to reduce the number of persons paying state tax.*
- *From 2000 a part of the general pension fee can be deducted from the income tax. This part is set to 25 per cent and is intended to be raised to 50 per cent in 2001.*
- *The state is separated from the church in 2000. Church tax will be treated as a household consumption.*
- *The amount absent parents have to pay will be different due to some changed rules.*
- *The day-care cost for the first child will be expressed as a three percentage cost per child up to a maximum of SEK 1 140. For second and third child the cost will be lower. This will reduce marginal effects and lower the cost for many families and will be introduced in 2002.*
- *New reforms in the unemployment insurance will be implemented to reduce long term unemployment.*

**SWEDEN**

**The annual tax/benefit position of an unemployed single person  
1999**

(in Swedish kronor)

	Unemployment insurance: 60 weeks	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	150 800	
Cash labour market assistance		
<b>Total taxable benefits</b>	<b>150 800</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	14 000	
Taxable income	126 300	
Income tax	- 1 130	
Local tax	38 835	
Social security contributions	10 500	
<b>Total income tax and social security contributions</b>	<b>48 205</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		78 929
Housing benefits	0	0
<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>102 595</b>	<b>78 929</b>
<b>E. Net income in work</b>	<b>145 283</b>	<b>145 283</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>71</b>	<b>54</b>

**SWEDEN**

**The annual tax/benefit position of an unemployed married couple  
with two children (6 and 4 years old)  
1999  
(in Swedish kronor)**

	Unemployment insurance: 60 weeks	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	150 800	
Cash labour market assistance		
<b>Total taxable benefits</b>	<b>150 800</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	14 000	
Taxable income	126 300	
Income tax	- 1 130	
Local tax	38 835	
Social security contributions	10 500	
<b>Total income tax and social security contributions</b>	<b>48 205</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		95 444
Housing benefits	6 304	24 764
<b>Non-means tested benefits</b>		
Family benefits	18 000	18 000
Lone parent benefits		
<b>Total non-taxable benefits</b>	<b>24 304</b>	<b>138 208</b>
<b>D. Net income out of work (A-B+C)</b>	<b>126 900</b>	<b>138 208</b>
<b>E. Net income in work</b>	<b>163 283</b>	<b>163 283</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>78</b>	<b>85</b>

**SWEDEN**

**The annual tax/benefit position of a lone parent  
with two children (6 and 4 years old)  
1999**

(in Swedish kronor)

	Unemployment insurance: 60 weeks	Social assistance
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	150 800	
Cash labour market assistance		
<b>Total taxable benefits</b>	<b>150 800</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	14 000	
Taxable income	126 300	
Income tax	- 1 130	
Local tax	38 835	
Social security contributions	10 500	
<b>Total income tax and social security contributions</b>	<b>48 205</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	44 012
Housing benefits	18 004	24 764
<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>64 156</b>	<b>114 929</b>
<b>D. Net income out of work (A-B+C)</b>	<b>166 752</b>	<b>114 929</b>
<b>E. Net income in work</b>	<b>195 470</b>	<b>195 470</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>85</b>	<b>59</b>