

SWEDEN 1997

1. Overview of the system

Sweden has a voluntary unemployment insurance system which more than 80 per cent of employees 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 neither income nor assets, 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 when there are dependent children. The tax unit is the individual, spouses are taxed separately. The 1997 APW earnings level is Skr 209 214.

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 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 must have been a member of an unemployment fund for the last 12 months. A self-employed person must have been a member of an unemployment fund for the last 24 months.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

75 per cent of previous earnings. The minimum and maximum daily benefits are Skr 230 and Skr 564 (yearly equivalent of Skr 59 800 and Skr 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 meeting the employment conditions in 2.1.2. 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 57 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 a suitable job for at least 3 hours per day and an average of 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 Skr 230 (yearly equivalent of Skr 59 800).

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. For 1997, the basic amount is Skr 3 025 per month. The actual payment amounts heavily depend on the discretion of local social workers.

Family type	Rates at NBHW norms (Skr per month)	Household rate based on number of family members
Single without children	2 296	1 person 762
Single with children	2 196	2 people 923
Married couple / Cohabitants	4 162	3 people 1 062
Child <1 year	1 325	4 people 1 174
1-2 years	1 464	5 people 1 313
3 years	1 092	6 people 1 404
4-6 years	1 373	7 people 1 516
7-10 years	1 664	
11-14 years	1 924	

In addition, social assistance recipients receive a supplementary element that covers any reasonable housing costs, after housing allowance has been received. To calculate the monthly social assistance payments, it is assumed that households are living in medium sized cities. The basic social

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 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).

Family composition	Housing costs (HC) (Skr per year)	Housing benefit (HB1) (before income-test)
Age < 29, with no child	0 - 21 600	0
	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 - 31200)
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 (Skr per year)	Subsidy rate for the means- test (%)	Housing benefit, including the income-test (GI = gross income)
Single < 29, with no children	41 000	33%	HB1 - 33% (GI - 41 000)
Couples <29 with no children	58 000	33%	HB1 - 33% (GI - 58 000)
Families with 1 or more children	117 000 58 500/partner	20%	HB1 - 20% (GI - 117000)

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 Skr 7 680 per child (Skr 640 per month), with a supplement of Skr 2 400 for the third child, Skr 7 200 for the fourth child, and Skr 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 (approximately 15 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 Skr 1 173 per child, that is Skr 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, Skr 36 300 in 1997):
 - 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.

(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 1997 tax schedule

The income tax schedule is as follows:

Taxable income in Skr	Tax payable
0 - 209 100	Skr 200
Over 209 100	Skr 200 + 25%

The average local tax is 31.66 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;
- 4.95 per cent of earnings for the general health insurance.

Contributions are paid up to 7.5 the entitlement of the basic amount ($7.5 * 37\ 000$), 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 health insurance fee increased from 2.95 per cent in 1995 to 4.95 per cent in 1997.
- The basic amount is not indexed with full inflation in 1997.
- The minimum government tax increased from Skr 100 to Skr 200.
- Lone parent benefit. The contributor will pay more of the cost.

12.2 Policy changes announced

- From October 1997, the payment rate of unemployment benefit will be 80 per cent of previous earnings (75 per cent in 1996 and 1997).
- Unemployment minimum and maximum will be 240 and 580/day respectively.
- KAS will be cancelled.
- A Parliamentary Commission has recommended a revised set of social assistance rates.
- Child benefits will increase from Skr 640 to Skr 750 per month per child.
- The general health insurance fee will be cancelled in 1998.
- The general pension fee will be 6.95 per cent in 1998, and the compensation rate in sickness and parental insurance will be raised from 75 to 80 per cent.

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**The annual tax/benefit position of an unemployed single person, 1997
(Kronor)**

	Unemployment insurance: 60 weeks	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Unemployment insurance	146 640	
Cash labour market assistance		
Total taxable benefits	146 640	0
B. Income tax and social security contributions		
Income tax allowances	14 400	
Taxable income	123 400	
Income tax	200	
Local tax	39 068	
Social security contributions	8 800	
Total income tax and social security contributions	48 068	0
C. Non-taxable benefits		
Means-tested benefits		
Social assistance		36 684
Housing benefits	0	42 480
Non-means tested benefits		
Family benefits		
Lone parent benefits		
Total non-taxable benefits	0	
D. Net income out of work (A-B+C)	98 572	79 164
E. Net income in work	136 994	136 994
F. Net replacement rate (D/E) (per cent)	72	58

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**The annual tax/benefit position of an unemployed married couple with two children, 1997
(Kronor)**

	Unemployment insurance: 60 weeks	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Unemployment insurance	146 640	
Cash labour market assistance		
Total taxable benefits	146 640	0
B. Income tax and social security contributions		
Income tax allowances	14 400	
Taxable income	123 400	
Income tax	200	
Local tax	39 068	
Social security contributions	8 800	
Total income tax and social security contributions	48 068	0
C. Non-taxable benefits		
Means-tested benefits		
Social assistance		108 894
Housing benefits	17 622	35 250
Non-means tested benefits		
Family benefits	15 360	15 360
Lone parent benefits		
Total non-taxable benefits	32 982	159 504
D. Net income out of work (A-B+C)	131 554	159 504
E. Net income in work	157 461	157 461
F. Net replacement rate (D/E) (per cent)	84	101

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**The annual tax/benefit position of a lone parent with two children, 1997
(Kronor)**

	Unemployment insurance: 60 weeks	Social assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Unemployment insurance	146 640	
Cash labour market assistance		
Total taxable benefits	146 640	0
B. Income tax and social security contributions		
Income tax allowances	14 400	
Taxable income	123 400	
Income tax	200	
Local tax	39 068	
Social security contributions	8 800	
Total income tax and social security contributions	48 068	0
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	55 830
Housing benefits	29 322	35 250
Non-means tested benefits		
Family benefits	15 360	15 360
Lone parent benefits	28 152	28 152
Total non-taxable benefits	72 834	134 592
D. Net income out of work (A-B+C)	171 406	134 592
E. Net income in work	180 494	180 494
F. Net replacement rate (D/E) (per cent)	95	75