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## SWEDEN 2001

### 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 or employers organisation 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 can also be insured. The basic assistance is for those who are not members of an Unemployment Insurance Society or do not fulfil the employment criteria but have finished full time studies.

Those with low income from work, unemployment benefit or any other kind of social security transfer income can claim an income tested housing benefit. This benefit 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 as the last resort.

The tax unit is the individual, spouses are taxed separately. The 2001 AW earnings level is SEK 278 197.

### 2. Unemployment insurance

#### 2.1 *Conditions for receipt*

Income related unemployment insurance is voluntary and presupposes membership of an Unemployment Insurance Society. The recipient must be fit for work and available to work at least 3 hours per day and at least 17 hours per week.

##### 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 a continuous period of 6 months (with at least 45 hours each month). In both cases, if necessary, two months can be replaced by time with parental leave or compulsory military service.

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### 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. The trade union members pays a fee to the Unemployment Insurance Society through the monthly collection of union fees but there is also a possibility to pay directly to one of the 37 occupational Unemployment Insurance Societies or to a special 38<sup>th</sup> Society, which is not related to any trade union or employers organisation.

## 2.2 *Calculation of benefit amount*

### 2.2.1 *Calculation of gross benefit*

*Gross replacement rate is 80 per cent of previous earnings. The maximum daily benefits from 1 July 2001 are SEK 680 for the first 100 days with benefit and maximum SEK 580 during the rest of the period (yearly equivalent SEK 160 800\*). The minimum daily benefits was raised to SEK 270 from July 1<sup>st</sup> 2001.*

### 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. There is currently no restriction on the number of times the entitlements can be renewed. If the recipient does not qualify for a new period of benefit he/she can either be offered to take part in a labour market program (activity guarantee) or have his/her period of unemployment benefit prolonged with additional 300 days. If the recipient does not qualify for a new period after 600 days he / she will be offered to take part in activity guarantee.

\* the calculation is based on SEK 680 the first 100 days and SEK 580 during 160 days in spite of that the maximum SEK 680 was not in force until the middle of the year.

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

### *2.5.1*    *Young persons*

None.

### *2.5.2*    *Older workers*

None.

## **3.**        **Unemployment assistance**

The basic unemployment insurance can be called assistance. It is aimed mainly at those not insured, but who meet the employment conditions or have just finished their full-time studies (student condition). 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*

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 270 (yearly equivalent of SEK 70 200\*) after full time work or studies. Proportionally lower after part time work .

\* the calculation is based on SEK 270 in spite of that the minimum SEK 270 was not in force until the middle of the year.

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### 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. There is a 5-day waiting period when based on employment condition, 90 days when based on student condition.

### 3.5 *Treatment of particular groups*

#### 3.5.1 *Young persons*

Not available for persons aged 18-19.

#### 3.5.2 *Older workers*

None.

## 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) is responsible for a national guideline norm for social assistance. The norm is calculated annually and has an individual part that depends on

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the age of the child and a household part that depends on the size of the household. For 2001 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	2400	1 person	600
		2 people	680
Married couple / Cohabitants	4370	3 people	770
Child <1 year	1220	4 people	840
1-2 years	1470	5 people	930
3 years	1160	6 people	980
4-6 years	1440	7 people	1040
7-10 years	1600		
11-14 years	1890		
15-18 years	2140		

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.

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## 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, 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 - 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)

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### 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 (SEK 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)
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 11 400 per child (SEK 950 per month), with a supplement of SEK 3 048 for the third child, SEK 9 120 for the fourth child, and SEK 11 400 for the fifth and each subsequent child.

#### 6.2.2 *Income and earnings disregards*

Child benefit is not subject to any means test.

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### **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 of total costs). Description of the fee for 2001 and before is not possible in a simple way.

From 2002 the cost is much more easy to explain. For the first pre-school child the fee is 3 per cent of the income (defined in a special way), for the second the price is 2 per cent and 3 per cent for the third child. There is a monthly cap of SEK 1140, 760 and 380 for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> child respectively. With a yearly household income above SEK 456 000 there is no marginal effect and no extra fee. For school-children the percentages are 2, 1 and 1 respectively. The order of the child is according to the need of day-care – mostly the youngest are number one.

The difference between these fees and the former ones in each municipality is subsidised by state grants. There is also a guarantee for children with parents on Unemployment Insurance or home with new-born babies of at least 3 hours of day-care.

## **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.

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### 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: an allowance of 50 per cent of the social security contribution paid by the employee (and by the unemployed on the unemployment benefits) is granted. This allowance is calculated as total social security contributions minus the tax credit on those contributions (see below).
- earned income allowances. These are related to the Base Allowance (36 900 in 2001):
  - if gross earnings are under 1.86 times BA, the allowance is 27 per cent of BA;
  - if gross earnings are between 1.86 and 2.89 times BA, the allowance is 27 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 (27 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 up to a multiple of 100.

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

There is a tax credit 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.

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50 per cent of the social security contribution (truncated to the nearest lower multiple of 100) is returned through a tax credit. This is a refundable tax credit.

#### *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 2001 tax schedule*

The income tax schedule is as follows:

Taxable income in SEK	Tax payable
0 - 252000	SEK 0
252000 – 390400	SEK 0 + 20%
Over 390400	SEK 27680 + 25%

The local government personal income tax is proportional and differs between municipalities. The average rate amounted to 30.53 per cent in 2001, with the maximum and minimum rates being 33.17 per cent and 27.15 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*

– 7 per cent of earnings (and unemployment benefits) for the general pension;

Contributions are paid up to 8.07 of the entitlement base amount (8.07\*37700), and rounded 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.

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### **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**

- *A labour market program ( activity guarantee ) was introduced August 1<sup>st</sup> 2000.*
- *Unemployment insurance maximum was raised to SEK 680 for 100 days (then SEK 580) and minimum was raised to SEK 270 from July 1<sup>st</sup> 2001.*
- *Child allowance was raised to SEK 850 per month and child in 2000 and with another SEK 100 to SEK 950 in 2001.*
- *The social assistance norm was adapted to price differentials.*
- *From 2000 a part of the general pension fee can be deducted from the income tax. This part was set to 25 per cent and was raised to 50 per cent in 2001.*

### **12.2 Policy changes announced**

- *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.*
- *For 2002 the part of the general pension fee that can be deducted from the income tax is set at 75 per cent. 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.*
- *The maximum daily Unemployment Insurance benefit will raise from July 1<sup>st</sup> 2002 to SEK 730 the first 100 days and to SEK 680 the rest of the period. Unemployment assistance will raise from SEK 270 to SEK 320 per day.*
- *The minimum parental allowance for parents with very low income will increase from SEK 60 to SEK 120 in 2002.*
- *From 2002 there is a tax deduction of 25 per cent of the trade union due and 40 per cent of the Unemployment Insurance fee.*

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