



EMPLOYING STAFF - CONTRACTS AND CONDITIONS

OPERATING GUIDE

A range of different employment forms, including contracts for trial periods, offer flexibility to employers. Clear and transparent rules in areas like termination also add a strong measure of certainty.

EMPLOYING STAFF - THE BASICS

Swedish standard employment contracts are normally valid until further notice, 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.

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 working life; measures against discrimination based on sexuality; and the prohibition of workplace discrimination against people with disability. The legislation also prohibits direct and indirect discrimination against employees and job applicants.

This operating guide outlines different forms of employment contract and highlights specific terms and conditions of which employers and employees should be aware.

The Employment Protection Act (*LAS*) is the main legislation in this area and specifies the valid forms of employment.



FLEXIBILITY THROUGH DIFFERENT CONTRACT TYPES

Standard contracts

Employment contracts are valid until further notice unless otherwise agreed. However, there is considerable scope for fixed term employment. The rules outlined below apply according to law, unless there is a collective agreement in place stating otherwise.

Trial period

An employment contract can include an initial trial period – a so-called probationary period. The maximum probationary period is six months. Probationary employment can be terminated by either party at the expiry of the probationary period, or at any time during the probationary period, unless otherwise agreed.

In the event of termination, the terminating party must inform the other party of the termination, though no particular reason need be given. If it is the employer who is terminating the contract, the employer must give the employee at least two weeks' notice. If the employee is a member of a trade union the employer must also notify the trade union at the same time.

The employment contract automatically converts into an indefinite-term contract if due notification is not provided at latest at the expiry of the probationary employment.

IN BRIEF

- ▶ Trial period commonly used in standard contracts
- ▶ Clear rules for redundancy and termination
- ▶ Short standardized employment contracts often used

General fixed term contract

Employers are free to offer general fixed term contracts. No special conditions need to be met, except that an employee can only be employed for a maximum of 24 months over a five-year period under a general fixed term contract. Beyond this time limit, the contract automatically converts into an indefinite-term contract.

An employer that does not wish to retain an employee beyond the end of a fixed term contract must notify the individual in writing at least one month before the contract expires, provided that the employee has been employed for more than 12 months in the previous three years.

If the employee is a member of a trade union the employer is also under an obligation to notify the trade union at the same time.

Substitute contract

Employers may hire a substitute to deputize while the ordinary holder of the job is on leave. The substitute can be employed for an aggregate maximum period of 24 months over a five-year period, after which the employment contract automatically converts into an indefinite-term contract. For termination and notification regarding substitute employees, please see above under "General fixed term contract".

Seasonal work contract

A seasonal employment contract is for a fixed term or season, provided that the underlying reason is the special nature of the work involved (for example, summer restaurants, ski resorts and suchlike). Where a seasonal contract is terminated and the employer does not intend to offer a new contract for the next season, the employer must inform the employee of this fact if the employee has worked for the employer for more than six months during the previous two years. Such notification must be given at least one month before the new season starts.

Information to employees

The employer has to inform the employee in writing of certain work-related conditions within one month of the employee starting work. For practical reasons, this type of information is generally included in the employment contract, which is signed by both parties. However, the employer does not need to provide this information for employment periods of less than three weeks.

TERMINATION BASED ON CLEAR PROCEDURES

Termination of an employment contract until further notice must be based on "just cause". This can be established either for reasons of redundancy or on "personal grounds". Personal grounds are reasons that refer to the individual. "Redundancy" comprises reasons not specific to the individual, and includes financial considerations, business restructuring or the closing of a position.

Redundancy grounds

Because grounds for redundancy refer to the employer's discretionary decision on how to run the business, it is difficult for the employee or trade union to contest whether such grounds exist. Rules are in place to protect the employee from unfair dismissal in such circumstances.

Order of priority in connection with redundancy

The rules state that any vacant position within the company should be offered to the employee who is being made redundant, subject to that individual being sufficiently qualified for the job (meaning basic skills for the position, including education and relevant experience). The employer must accept a training period.

If there are no vacancies, the last-in-first-out (*LIFO*) principle applies. In essence, this requires the newest employees to be the first to leave in the event of redundancies. An employer that makes an employee redundant must consider whether the individual is qualified to take over another job held by a colleague who joined the company more recently. If so, the employer must offer that job to the longest-serving employee, but only if the employee has sufficient qualifications for the position.

When deciding the order of priority between staff, a priority list is made for all employees working in the same operating unit and working under the same collective agreement. If the employer is not bound by any collective agreement a priority list is made for all employees working in the same operating unit. However, employers with a maximum of ten employees can exempt two employees from the order of priority.

Order of priority for reemployment

An employee made redundant has priority for reemployment if he/she has been employed for a total of more than 12 months during the last three years. The right to priority for reemployment applies if the company reemploys during the notice period and within nine months after the expiry of the notice period. However, the employee must still possess sufficient qualifications for the job in question.

EXEMPTIONS FROM EMPLOYMENT PROTECTION ACT

Certain categories of employee are exempt from the Employment Protection Act:

- ▶ Employees in a senior managerial position (e.g. chief executive officer, managing director)
- ▶ Employees who are members of the employer's or majority owner's family
- ▶ Employees employed for work in the employer's household
- ▶ Employees employed for work with special employment support or in sheltered employment

Termination settlement

In cases where the company feels the statutory process runs counter to its business needs, it may agree on a termination settlement with the employee. Such agreements often involve payment of severance money.

Procedure of redundancy

There is a requirement for the employer to consult with affected trade unions if the employer is bound by a collective agreement, or any employee belongs to a trade union. The consultations must take place before the decision regarding redundancy is made. Termination notices may be issued when the consultations are complete. In a situation where the employer is bound by a collective bargaining agreement, it is also possible to deviate from the LIFO principle by means of a special purpose agreement stipulating the redundancy criteria for the specific situation.

For layoffs affecting 5–25 employees, a minimum two months’ notice must also be given to the Swedish Public Employment Service (*Arbetsförmedlingen*). A four-month notice period applies for layoffs affecting 26–100 employees and six months for layoffs involving more than 100 employees. These periods run concurrently with the notice periods issued to the employees.

Personal grounds

Personal grounds must be objective and specific. They include repeated negligence, poor performance and cooperation difficulties. However, the employer is required to make an active effort to resolve the problem, for instance by issuing warnings or transferring the employee within the company.

Prior to any decision to dismiss an employee on personal grounds, the employer must give the employee two weeks’ written notice. If the employee belongs to a trade union, two weeks’ written notice must also be given to the trade union. The employee and his or her trade union may then request a consultation. A dismissal cannot be effective until the consultation process has been concluded.

Summary dismissal

An employer is entitled to terminate an employee’s contract with immediate effect only if the employee seriously neglects his or her work.

The employer must give the employee one week’s notice. If the employee belongs to a trade union, one week’s notice must also be given to the trade union. The employee and his or her trade union may then request a consultation. Dismissal cannot be effective until the consultation process has been concluded.

Notice of termination

The length of the notice period depends primarily on employment duration. According to law, the notice period for the employer ranges from 1 to 6 months.

Employment period	Notice period
0–2 years	1 month
2–4 years	2 months
4–6 years	3 months
6–8 years	4 months
8–10 years	5 months
> 10 years	6 months

The notice period for the employee is one month. Collective agreements may stipulate other notice periods.

Notice should be in writing, given personally to the employee and contain certain formalities, in particular the reason for termination and how the employee should proceed if he or she wishes to challenge the termination. Notice can be sent by registered mail if the employee cannot be reached. The employee is entitled to salary and all benefits during the notice period. As an alternative to formal termination, an employer may reach a mutual agreement directly with the employee to terminate the employee’s contract.

SWEDEN’S MAIN LABOR LAWS

- ▶ Employment Protection Act – employment protection, etc.
- ▶ Discrimination Act
- ▶ Work Environment Act – health, safety and environmental standards in the workplace
- ▶ Working Hours Act
- ▶ Holidays Act
- ▶ Promotion of Employment Act – obliges employer to notify the Swedish Public Employment Service of redundancies
- ▶ Labor Disputes and (Judicial Procedure) Act – stipulates judicial procedures to be followed in employment-related disputes
- ▶ Co-Determination at Work Act – union consultations, collective bargaining, industrial actions, etc.
- ▶ Employee Board Representation Act – employee board representation in companies bound by collective bargaining agreement

Severance pay

Sweden has no statutory severance pay requirements. However, if an employer wants to deviate from the LIFO principle when making redundancies or wishes to terminate an employment contract for personal reasons without being able to prove just cause, a settlement is often required and usually presupposes some kind of severance pay.

USEFUL CONTACTS

**The Confederation of Swedish Enterprise
(Svenskt Näringsliv)**

Storgatan 19, SE-114 82 Stockholm
+46 8 553 430 00
www.svensktnaringsliv.se

Sweden's largest business federation representing 49 member organizations and more than 60,000 member companies.

**The Swedish Employment Service
(Arbetsförmedlingen)**

Hälsingegatan 38, SE-113 99 Stockholm
+46 771 60 00 00
www.arbetsformedlingen.se

The Swedish Public Employment Service is a public authority. Their task is to get employers together with people looking for work, in the most efficient manner possible.

FURTHER INFORMATION

At www.business-sweden.se

- ▶ [Running a business in Sweden - an introduction](#)
- ▶ [Social security and pensions](#)
- ▶ [Tax relief for key foreign employees](#)