



ESPN Thematic Report on Access to social protection of people working as self-employed or on non-standard contracts

Sweden

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European Social Policy Network (ESPN)

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Summary

The Swedish welfare state is universal and comprehensive with a national system of social insurance that in principle includes all groups in the Swedish labour market. Permanent, temporary and part-time employees, as well as the self-employed, are covered by the same system of social protection. However, the ways in which the social protection system plays out in reality may differ between different forms of employment – for example, due to qualification requirements and formulas for calculating entitlements. In this report, we will describe how the Swedish system of social protection is organized and explain existing differences in social protection for people with different forms of employment.

Slightly more than every fourth person in the Swedish workforce lacks a permanent job. This share has been fairly stable during the past decade, although temporary employment increased substantially in the wake of the recession in the early 1990s. The share of self-employment in Sweden is slightly lower than the EU average, while the share of temporary employment is somewhat higher. Around 10 per cent of the Swedish work force is self-employed and about 17 per cent have temporary jobs. Men are much more likely than women to be self-employed; whereas women are more likely than men to be temporarily employed, and considerably more likely to work part time. In 2015 about one-third of part-time workers reported that they worked part time because they could not find suitable full-time work.

The risks of social exclusion and poverty among the self-employed and people in atypical forms of employment (temporary or part-time, or a combination thereof) are not that well documented in Sweden. However, existing data indicate that many self-employed persons have low incomes and are in an unstable situation. Similarly, survey data show that temporary workers generally are more worried about their household finances than the permanently employed.

Since most groups in the Swedish labour market are included in the public system of social protection, problems generally do not arise due to lack of coverage. Nonetheless it is evident that the Swedish welfare state in some respects is in need of adjustments in order to more adequately protect the incomes of people who are in a vulnerable labour market position. Particular concern has been raised in relation to unemployment and sickness benefits, where in reality both the self-employed and people in atypical forms of employment sometimes are left with weaker protection than those who are permanently employed.

Occupational supplementary benefits providing top-ups to public benefits have become more prominent in Sweden, partly due to the erosion of income replacement in the public system, especially for medium-to-high income earners. Many self-employed people do not subscribe to supplementary benefits. Temporary or part-time employees are more likely to lack access to supplementary benefits than employees with permanent jobs, but the overall coverage of supplementary benefits is high even if it varies by occupational sector.

The future development of the Swedish system of social protection is clouded with uncertainty. A recent government commission on sustainable labour markets and social policy proposed a number of reforms that would substantially improve the adequacy of social protection for large groups of the self-employed and people with atypical forms of employment. Particular reforms were suggested to unemployment benefits and sickness benefits, including both relaxed and less stringent qualification criteria for unemployment benefits (either for all or for certain particularly vulnerable groups in the labour market), reforms in unemployment benefits to encourage the self-employed to re-activate their business, and changes in the calculation of entitlements for sickness benefits (which would also have consequences for related programmes such as parental leave benefits). Whether any of these reforms will be implemented is far from certain.

1 Context: self-employment and non-standard work relationships in the national economy and labour market

Six different types of employment contract are defined in Swedish employment protection legislation; permanent employment (*tillsvidareanställning*), locum tenens (*vikariat*), general fixed-term employment (*allmän visstidsanställning*), seasonal employment (*säsongsanställning*), probationary employment (*provanställning*), and temporary employment for persons aged 67 years and older (*tidsbegränsad anställning för personer som fyllt 67 år*). Locum tenens is typically used to replace employees who are absent from work, for example due to parental leave, sickness, vacation or other types of leave of absence. Except for permanent employment, which is indefinite in length, all other forms of employment are temporary. The most common form of temporary employment is general fixed-term. After 2 years, within a reference period of 5 years, general fixed-term employment and locum tenens are automatically transformed into permanent positions. In 2014, 73 per cent of all temporary employment was in general fixed-term positions (Larsson, 2014). Locum tenens amounted to about 20 per cent. Probationary employment and seasonal employment constituted the remaining 7 per cent (about 5 and 2 per cent, respectively).

The distinction between self-employed people and employees is defined in Swedish tax laws and refers to how income is taxed; either as derived from commercial activities or as resulting from contractual employment. Many small firms in Sweden are set up as companies in which the owner cannot be employed and receive a salary. Instead, profits are taxed as income from commercial activities. Based on this income, the self-employed pay municipal and state tax, as well as social security contributions (*egenavgifter*). Individuals who run a small business set up as a limited company have the option to be employed in their own firm. In terms of social security coverage, employees who work in their own limited company are not treated any differently from other employees in the Swedish labour market. Nor are they considered to be self-employed in Swedish statistics. This definition of self-employment and its relationship to social protection in Sweden probably differs from many other European countries.

Slightly more than every fourth person in the Swedish workforce lacks a permanent job. Around 10 per cent of the workforce is self-employed, while about 17 per cent have temporary jobs. The share of self-employment in Sweden is slightly below the EU average. In 2013, this share was 10.6 per cent in Sweden, compared with the EU average (EU28) of 16.5 per cent (OECD, 2015). This difference in self-employment between Sweden and many other EU Member States has declined slightly since the early 2000s. Temporary employment is somewhat higher in Sweden compared with the EU average. In 2015, the share of temporary employment in Sweden was 17.2 per cent. The EU average (EU28) was 14.2 per cent (OECD, 2016). Since 2000, temporary employment in Sweden has fluctuated between 14.7 and 17.5 per cent.

The share of self-employment has been fairly stable in Sweden during the past 10 years. Men are more likely than women to be self-employed. In 2013, the share of self-employment among men was 14.1 per cent. Among women the corresponding share was 6.2 per cent (OECD, 2015). Men are more likely to be self-employed in the agricultural sector as well as in the forestry, fishing, and construction industries. Women are more likely to be self-employed in the service sector, where female self-employment particularly has increased since 2008, partly due to tax deductions for domestic services introduced in 2007.

The number of temporary work contracts in Sweden has increased somewhat in the most recent decade, mainly as a consequence of a growing number of people of working age. Yet, as a percentage of the Swedish workforce, temporary employment has been rather stable. Women are more likely to be temporarily employed than men. In 2014, 18.7 per cent of all employed women had temporary work contracts. The corresponding figure among men was 14.6 per cent. Young people (16-24 years) are even more likely to be temporarily employed (Statistics Sweden, 2015). In 2014, 56 per cent of young people in

employment (16-24 years) were temporarily employed. About 9 per cent of all employed men in Sweden worked part time (less than 35 hours) in 2015. The corresponding percentage among women was 23 per cent. Among both women and men, about one-third reported that they worked part time because they could not find suitable full-time work (Statistics Sweden, 2016a).

Dependent self-employment, where employers engage self-employed workers instead of employees in order to increase the flexibility of their workforce, exists in Sweden, as in many other countries. Although it has become more common in Sweden that employers contract out work to their former employees in order to shift costs, risks and responsibilities to the workers, there are no official investigations detailing the prevalence or development of false or bogus self-employment. Nonetheless, there is some indication that bogus self-employment in Sweden – with the purpose of concealing an existing employment relationship so as to circumvent collective agreements, labour laws, payroll taxes and social security contributions – is mainly concentrated in the construction and road haulage industrial sectors, and strongly connected to the migration of workers from central and eastern Europe to Sweden (Thörnqvist, 2015).

A new trend in the Swedish labour market is the growth of umbrella companies that act as an employer to agency contractors who work under a fixed-term contract. The umbrella company handles all the invoices and other administration, for a fee, and undertakes employers' responsibilities. The first umbrella companies emerged in the Swedish labour market in 2008, following changes in employment protection legislation that made it easier for employers to hire workers on temporary contracts. Today, umbrella companies employ about 15,000 people. As a share of the total Swedish workforce, this number is still limited. However, the number of employees in umbrella companies has shown a steep rise, particularly in the IT and media industries, as well as in the cultural sector. Although statistical evidence is lacking, concern has been raised that the growth of umbrella companies may be misused by employers and increase problems of bogus self-employment (Uppdrag: Framtid, 2016a).

The risks of poverty and social exclusion among the self-employed or temporarily employed are not that well documented in Sweden. According to data from Statistics Sweden, the at-risk-of-poverty rate is higher among the self-employed than among employees. In 2013 (latest data available) the poverty rate among the self-employed in Sweden was 13.5 per cent, compared with a poverty rate among employees of 5.3 per cent. The poverty threshold was set at 60 per cent of median equivalized household disposable income. Poverty among the self-employed increased slightly in the wake of the global financial crisis, reaching its maximum of 17.2 per cent in 2010. In 2007, the poverty rate among the self-employed was 14.2 per cent (Statistics Sweden, 2016b). Since poverty measures based on income data tend to underestimate the actual living standard of the self-employed, the figures above should be interpreted with caution (Johansson, Sevä and Larsson, 2015).

In terms of unemployment, the self-employed are clearly underrepresented in Swedish statistics, something that may be related to how the Swedish social security system is set up. In order to receive unemployment benefits, self-employed people need to terminate their business or set it on hold. It is likely that this rule makes self-employed people less likely to register as unemployed and apply for unemployment benefits. Between the second and third quarters of 2016, only around 0.2 per cent of the self-employed transitioned into unemployment. For permanent and temporary employees, the corresponding figures were 0.5 and 5.7 per cent, respectively. About 0.5 per cent of the self-employed changed employment status to that of employee on a temporary contract, whereas around 0.7 and 1.0 per cent of the self-employed either changed their status to that of a permanent employee or exited the labour force, respectively (Statistics Sweden, 2016c).

There are no official data on poverty risks among people in temporary employment, nor of people in part-time employment. However, survey data show that temporarily employed persons generally are more worried and concerned about household finances

than persons in permanent employment (Statistics Sweden, 2014). Temporary employment is an important pathway into permanent positions and few remain in temporary employment for extended periods. Most people in Sweden who have been with their employer for more than 5 years without interruption have permanent jobs. In 2014, only about 4 per cent of the employees in this group had temporary work contracts. Between the second and third quarters of 2016, about 10 per cent of the Swedish workforce with temporary contracts transitioned into permanent positions (Statistics Sweden, 2016b).

In Sweden, as in many other European countries, the government has promoted the establishment of small enterprises in various ways. In particular, the centre-right government, which held office from September 2006 to September 2014, reinforced this strategy as a means of increasing labour supply. One example is the introduction of tax deductions for domestic services noted above. Another example is the Act on Systems for Freedom of Choice (Lagen om valfrihetssystem, LOV), which was launched in 2009 to promote customer choice and a greater diversity of providers in primary healthcare and publicly funded home care for older and disabled persons. The regulations covering being approved for corporate tax (F-skatt) and setting up a small business were also liberalized. Self-employed persons are nowadays allowed to have only one client, even if this client is their former employer (Thörnqvist, 2015).

In terms of social policy measures aimed at promoting self-employment, jobseekers enrolled at the Employment Office may receive an activity grant (aktivitetsersättning) for setting up their own business. Activity grants for setting up a small business are decided by the Employment Office and paid by the Social Insurance Agency for a maximum duration of 6 months. The activity grant is paid at the levels of the unemployment benefit. During enrolment in this programme, the unemployed are exempt from activation requirements that are normally attached to the receipt of unemployment benefits. The Employment Office also provides a range of courses as well as guidance on how to start a new business. There is also regional investment support for those who want to start their own business but lack financial means. Regional investment support is also available for those who already have a small business but want to expand their corporate activity. The investment support offers partially financial support for investments or salary costs. In addition, there are so-called Almi company loans. Almi is a state-owned enterprise offering financing and business development support to small and medium-sized enterprises.

In a recent government-commissioned investigation into responses to the future challenges facing Swedish society, some extensions to Swedish social protection were suggested as a means of extending the coverage and adequacy of benefits for the self-employed and workers on temporary contracts, or those in part-time employment. These suggestions are discussed in section 2.2, below.

2 Description and assessment of social protection provision for the self-employed and people employed on non-standard contracts

2.1 Description of social protection provision for the self-employed and people employed on non-standard contracts

Social security contributions for the self-employed differ depending on age, in a similar way to employer social security contributions (see below). Self-employed people born between 1951 and 1990 pay the full rate of social security contributions, 28.97 per cent, divided into the following categories; old-age pensions (10.21), survivors' pension (1.17), sickness insurance (4.94), parental leave insurance (2.60), work accident insurance (0.30), labour market contribution (0.10), and general wage fee (9.65). The general wage fee includes a general pension fee of 7 per cent, which is deductible in the calculation of income tax. The overall rate of social security contributions for self-employed people below 25 years is 23.69 per cent. The rate is 16.36 per cent for self-employed persons between 65-78 years. For those 79 years and older, the rate is 6.15 per cent.

Employer social security contributions do not differentiate between temporary or permanent positions. Similarly, no distinction is made between full- or part-time work. As with social security contributions by the self-employed above, employer social security contributions vary somewhat depending on the age of the employee. The full rate is 31.42 per cent of the sum of gross salaries and benefits, divided into the following categories; old-age pensions (10.21), survivors' pension (1.17), sickness insurance (4.85), parental leave insurance (2.60), work accident insurance (0.30), labour market contribution (2.64), and general wage fee (9.65). Also here the general wage fee includes a general pension fee of 7 per cent, which is deductible in the calculation of income tax. For young persons, employers pay 25.46 per cent of gross salaries and benefits in social security contributions. For old persons, the rates are the same as for the self-employed above.

In terms of social protection, basically the same rules apply for all groups in the Swedish labour market, irrespective of forms of employment (see Table 1 and Table 2 in annex). Self-employed persons cannot opt out of the public system for social protection, but they need to make their own assessment of whether or not they need extended private insurance for themselves and the employees they may have (if the private firm is not covered by collective agreements). There are no differences in social protection coverage for self-employed people with and without employees.

Within the Swedish social protection system, there are no specific arrangements in place to encourage transitions between employee statuses. However, it should be noted that the Swedish welfare state for a long time has had a clear focus on social investment, providing both cash and care, with an emphasis on education and life-long learning. In terms of facilitating transitions to self-employment, there are some specific arrangements in place, as described above. Similarly, we should recapitulate that unemployment among the self-employed is comparatively low, something that most likely has to do with the way in which unemployment benefits apply to the self-employed (as further described below).

Besides the public system of social protection, there is also supplementary compensation in case of loss of income provided through collective agreements between the social partners (Inspektionen för socialförsäkringen, 2015). There are four major agreements (among a total number of about 680) covering privately employed white-collar workers, privately employed blue-collar workers, municipality employees and central state employees. All employees in the public sector are covered by collective agreements, whereas in the private sector the corresponding share is about 86 per cent. In total about 9 out of every 10 employees are covered by collective agreements (Medlingsinstitutet, 2016). The self-employed are not covered by collective agreements.

Supplementary benefits provided through collective agreements are often closely tied to compensation under the public system of social protection, providing benefits above the earnings ceilings for benefit purposes, increasing the formal rates of income replacement, and extending the duration of benefits in the public programmes (Sjögren Lindqvist and Wadensjö, 2006). In addition to the supplementary benefits provided through collective agreements, there are also various forms of member insurance policies provided through the trade unions. Collective agreements on defined benefits in the area of supplementary pensions have in particular been portrayed as an obstacle to labour mobility, as costs for hiring an older employee from another sector might be very high for individual employers (Hallberg, 2011). However, the general move towards defined-contribution schemes in all sectors has improved the situation considerably.

Below we will mainly concentrate on the public system of social protection and how it applies to people in permanent, temporary, and part-time employment, as well as to the self-employed.

2.1.1 Healthcare and sickness: cash benefits and benefits in kind

Healthcare in Sweden is universal and almost free of charge. Out-of-pocket expenses are comparatively modest with limited regional variation, and they are the same for all groups in the labour market. In Stockholm, the fee for visits to primary care physicians amounts to 200 SEK (20.1 EUR). The fee for visits to specialists is at most 350 SEK (35.13 EUR).

Income replacement in cases of sickness includes sick pay and sickness benefit. During the first 14 days of sickness, employers pay sick pay instead of the regular salary for their employees and one waiting day applies. After this period, the employee can apply for sickness benefit from the Social Insurance Office. In order to qualify for sickness benefit, employment income should be expected to last for at least 6 months or be considered regular on a yearly basis. Some employers do not pay sick pay, and in those cases the employee can instead apply for a sickness benefit. For example, this sometimes applies to employees who work per hour and to zero-hour workers for whom employers may have special agreements. The sickness benefit is approximately 80 per cent of expected annual income (sjukpenninggrundande inkomst, SGI), with a maximum of SEK 706 per day (74.24 EUR). The maximum duration of the sickness benefit is normally one year.

Self-employed workers are not entitled to sick pay but can apply for sickness benefit, which is the same system that applies to regular employees from the 15th day of sickness absence. Self-employed persons can apply for sickness benefit if they cannot work at least one-fourth of their normal hours due to sickness. The rate of compensation is the same as for employed persons. For workers who have been self-employed for less than 24 months, the sickness benefit is based on what an employee with the same work, education and experience is likely to earn. For workers who have been self-employed for a period of more than 24 months, the sickness benefit is usually based on business income in the last 3 years. However, the income base (sjukpenninggrundande inkomst, SGI) for sickness benefits for self-employed workers can normally not exceed the average income base of a regular employee with similar education, experience and work tasks. The self-employed may choose between different waiting days (1, 14, 30, 60 or 90 days). More waiting days reduce the rate of social security contributions. In the absence of an active choice, the waiting period is automatically set to 7 days. The possibility of choosing only one waiting day is not available for self-employed persons above 55 years of age.

2.1.2 Maternity/paternity cash benefits and benefits in kind

For those who are about to become parents, the same rules apply to all groups of the Swedish labour market, irrespective of forms of employment. If a woman has a job requiring physical exertion, which she is unable to perform due to her pregnancy, employers have to offer less strenuous duties. If this is not possible and pregnancy reduces work capacity by at least 25 per cent, pregnant women can apply for a

pregnancy benefit (*graviditetspenning*). Pregnant women in jobs demanding physical exertion may qualify for benefits for a total duration of 50 days (in some special cases duration is unlimited). Maternity benefits are paid until 11 days before the estimated time of birth. The pregnancy benefit is paid at the level of the sickness benefit. During the last 10 days of pregnancy, expectant mothers may apply for parental leave benefits (see more below). Services for pregnant women (including antenatal and postnatal care) are the same for employed and self-employed women.

Also in terms of parental leave benefits, the same rules apply for employed (permanent, temporary, and part-time) and self-employed persons. Parents have the right to parental leave benefits when a child is born or adopted. Parental leave benefits are paid at three different levels; earnings-related compensation, flat-rate basic benefit, and minimum benefit. Earnings-related compensation is the same as for the sickness benefit above, although the maximum benefit is increased to 942 SEK (96.45 EUR) per day. In order to be eligible for earnings-related compensation, yearly income must have been at least 82,100 SEK (8,634 EUR) for a continuous period of 240 days prior to the birth of the child. Employees on temporary work contracts and people in part-time employment may in some cases find it difficult to reach this threshold. The basic benefit is 250 SEK per day (26.29 EUR). The minimum benefit is 180 SEK (25.60 EUR) for children born 1 July 2006 and after, and 60 SEK (6.14 EUR) per day for children born before 1 July 2006). The basic benefit is for parents with low or no work income.

Parents receive 480 days of parental leave per child (390 days of earnings-related compensation and 90 days of the minimum benefit). Parents with joint custody have the right to half of these days each. Parents can transfer days to each other, but 90 days with earnings-related compensation are reserved for each of the parents and cannot be transferred. If the child was born before 1 January 2016, 60 days are reserved for each parent and cannot be transferred. The days can be taken out whole or partial days until the child turns 8 years of age, or the child has finished the first year of schooling, at the latest.

At the birth of a child, fathers are automatically entitled to 10 days of compensated leave, so-called temporary paternity leave. The levels of compensation are the same as for the parental leave benefit. Parents can also apply for temporary parental leave benefits in caring for a sick child below 12 years.

2.1.3 Old-age and survivors' pensions

The Swedish public pension consists of an earnings-related income pension, a premium pension and a guaranteed pension. Rules governing coverage, eligibility and benefit entitlement apply equally to people in all types of employment. People born between 1938 and 1953 may also be entitled to a supplementary pension. The ceiling for pensionable income is 7.5 times the (index-regulated) income base amount, approximately 332,250 SEK (33,333 EUR) in 2016. Pensionable income is the same as taxable income (including taxable income from commercial activities), with a deduction for the public pension fee noted above. All years of taxable income count towards the pension income. The premium pension is the part of the national pension that individuals can themselves influence through investment choices. Part of the fees paid on pensionable income (2.5 per cent, the total being 18.5 per cent) is allocated to the premium pension. The size of the premium pension is dependent on the investment performance results. Citizens who have a low pension or no earnings-related pension will receive the guaranteed pension. This may also apply to persons who are resident in an EU member state or in any country belonging to the European Economic Area (EEA). The Swedish survivors' pension (*omställningspension*) is paid for 12 months and corresponds to 55 per cent of the pension income of the deceased spouse.

2.1.4 Unemployment benefits and social assistance benefits

In terms of unemployment benefits, basically the same rules apply to people in all forms of employment. Sweden has a two-tiered unemployment insurance system: a universal flat-rate benefit, combined with voluntary state-subsidised earnings-related

compensation. Membership of an unemployment insurance fund (for at least a continuous period of 12 months) is a precondition for entitlement to earnings-related unemployment insurance benefits, paid at 80% of previous earnings (up to a ceiling of 25,025 SEK per month, 2,547.30 EUR) during the first 200 regular working days (5 days a week) of unemployment; thereafter the benefit is reduced to 70 per cent. Earnings-related compensation of employees is based on earnings from the last 12 months. For self-employed people, the compensation above is based on the average income according to the most recent tax statement, or on average income from the last two tax statements, depending on which is more favourable. For those who have been self-employed for less than 24 months, special rules apply whereby compensation can be based on earnings before start-up of the business.

The universal flat-rate unemployment benefit is for unemployed people who are ineligible for earnings-related compensation. The flat-rate benefit is 365 SEK per day (5 days per week), or 37.20 EUR. Unemployed persons above the age of 20 (even those who are not members of an unemployment insurance fund) receive this basic unemployment insurance benefit if they have worked for at least 80 hours per month for a period of 6 months in the reference period (the reference period is the 12 months preceding unemployment), or alternatively worked for at least 480 hours for a continuous period of 6 months, and 50 hours of work in each of these months. These work conditions also apply to earnings-related compensation. People in all types of employment are subject to the same work conditions. Thus, even temporary workers and part-time workers need to comply with these work conditions. Unemployment benefits are subject to 7 waiting days (this applies both to earnings-related compensation and to the universal flat-rate unemployment benefit, and the same number of waiting days apply to both employees and the self-employed). Benefits are paid for a maximum of 300 days of unemployment. Parents with children below 18 years have a maximum of 450 days.

Part-time employees receive benefits for the days (or hours) they are defined as unemployed. As a baseline, the average work-hours during the last 12 months preceding unemployment are used. Part-time employees who are partially unemployed receive benefits for a maximum of 75 days during weeks in which they are engaged in gainful employment. The remaining 225 days of benefits can only be received for weeks when the claimant is fully unemployed.

Besides the requirements above, there are some further conditions that need to be met by the self-employed. In order to receive unemployment benefits, the corporate activity needs to be terminated or put on hold. If the corporate activity is re-activated, the self-employed person is barred from unemployment benefits for a period of 5 years to reduce fraud. Unlike employees, self-employed persons cannot be partially unemployed and receive benefits.

People enrolled in an active labour market programme receive an activity grant (*aktivitetsstöd*), instead of unemployment benefits. For those qualifying for unemployment benefits, the activity grant is paid at the levels of the earnings-related or flat-rate basic unemployment benefit. People without eligibility for unemployment benefits receive 223 SEK per day (23.41 EUR). People may participate in an active labour market programme and receive an activity grant after they have exhausted their right to unemployment benefits. There is no pre-defined duration of the activity grant or participation in active labour market policy. Young people below 25 years who are ineligible for unemployment benefits may instead receive a development allowance (*utvecklingsersättning*). The development allowance is tax-free and corresponds to 142 SEK (17.01 EUR) per day.

Social assistance is the final safety net for those with income difficulties. The means-test is based on income and assets of the household. Basically, all other means of support needs to be exhausted before social assistance is paid. All Swedish citizens are eligible for social assistance, once they pass the means test.

2.1.5 Long-term care benefits

The Swedish system of long-term care benefits applies equally to people in different forms of employment. People aged 30-65, who most likely never will be able to work again due to sickness, injury or disability, and who are insured in Sweden (by working here or living here) can receive sickness compensation (*sjukersättning*). The compensation covers 64.7 per cent of average income during the last years. The maximum compensation is 17,914 SEK (1,799 EUR) before taxes per month. The minimum guaranteed compensation is 8,860 SEK (890 EUR) before taxes per month.

Activity compensation (*aktivitetsersättning*) is for people aged 18-30, who cannot work full time due to sickness, injury or disability lasting at least one year. The maximum replacement level is equal to sickness compensation (*sjukersättning*) above, while the minimum guaranteed compensation is slightly lower, at 7,753 SEK (779 EUR) before taxes per month. Activity compensation can be received for 1-3 years.

Long-term carer's benefits (*vårdbidrag*) are available for parents with disabled children or children with a long-term illness (see 2.1.7 below).

2.1.6 Invalidity, accidents at work and occupational injuries benefits

The Swedish work accident insurance covers all groups in the labour market, including the self-employed. Benefits are paid in the form of an annuity (*livränta*). In order to be eligible for an annuity, work capacity should be reduced by at least 1/15. Loss of income needs to be at least 11,075 SEK (1,112 EUR) per year. The rate of compensation is 100 per cent, with a maximum of 332,250 SEK (33,361 EUR) per year. With a few minor exceptions, income for benefit purposes is defined on a similar basis to the sickness benefit above. At most, an annuity is paid until the person turns 65 years of age.

2.1.7 Family benefits

Sweden has a universal tax-free child benefit of 1,050 SEK (106.90 EUR) per month per child up to the age of 16. In addition, there is a universal large family supplement, which is paid for the second and any subsequent children. Parental leave benefits are covered in 2.1.2 above.

Parents who are employed, self-employed or studying are entitled to receive childcare, either full-time or part-time depending on family circumstances. All municipalities in Sweden are obliged to offer childcare (pre-school and after-school daycare) from the day the child turns one year, until the day the child turns 13 years. The maximum fee is 1,362 SEK (137 EUR) per month for pre-school, and 908 SEK (91 EUR) for after-school, daycare. The maximum fee is reduced for the second and third child in pre-school. Municipalities are only required to provide childcare during normal office hours. The municipal home care allowance, which was introduced in 2008, was abolished for new applicants in January 2016.

Caregivers of a child with a disability or a long-term illness can receive a care allowance (*vårdbidrag*) of up to 9,229 SEK (926 EUR) per month. This allowance is available to all groups in the labour market and is exempt from income taxation. The child must be in need of special supervision and care for at least 6 months. Substantial expenses incurred as a result of the child's disability or illness are also covered until the child turns 19 years.

2.2 Assessment of the existing social provisions and of the impact of possible extension of their coverage

In a recent government-commissioned investigation into the future challenges facing Swedish society, one of the background reports included an assessment of the Swedish social protection system for self-employed people and people in atypical forms of employment (temporary or part-time, or a combination thereof) (Wingborg, 2016). Although the actual differences between social protection legislation for self-employed workers and that for employees (permanent, temporary, and part-time) are probably less

significant in Sweden than in many other European countries, the background report nonetheless identified a number of problems or shortcomings in existing legislation. Most issues were raised in connection with the situation of self-employed workers, although a few shortcomings in existing legislation also concerned people in temporary or part-time employment. Concerns were mostly raised in relation to sickness and unemployment benefits, where existing legislation may restrict access to adequate social protection for both self-employed people and people in atypical forms of employment. Below we will first address the concerns raised in connection with social protection coverage of the self-employed, and then move to the situation of temporary or part-time employees.

Considering sickness benefits for self-employed workers, perhaps the most problematic issue concerns lack of transparency in determining the income base used in calculating the size of benefits. Particularly in occupations where income from self-employment fluctuates substantially, the income base for sickness benefits is often considered unpredictable and difficult to understand. In some situations, the income base for sickness benefits is also believed to be unfair, particularly for some workers who combine self-employment and contractual employment. Workers who combine self-employment and contractual employment themselves pay social security contributions on their business income, while their employer pays social security contributions on their salary. However, in assessing the income base for sickness benefits, earnings from temporary employment with a duration of less than 6 months are excluded from calculations. In these situations, only income from self-employment is included in assessing the income base, thus resulting in a lower sickness benefit vis à vis the total income of the self-employed worker. Another potential problem in connection with sickness benefits for self-employed workers concerns the number of waiting days, where in particular self-employed workers with low business income may be tempted to choose more waiting days in order to reduce social security contributions, thus weakening the extent to which the sickness benefit provides adequate protection.

In terms of unemployment benefits for self-employed workers, the most pressing issue concerns the rules stating that business activity needs to be permanently terminated or at least put on hold before eligibility for benefits can be established. For reasons of fair market competition, current legislation does not allow self-employed workers to take on more limited assignments while keeping parts of the unemployment benefit. By comparison, employees may be part-time unemployed and receive benefits. In order to be eligible for unemployment benefits, self-employed workers are not allowed to do any activity whatsoever in their business. It does not matter whether this activity generates an income or not. Thus, self-employed workers who receive unemployment benefits are not allowed to purchase goods for their firm, attract customers, or engage in marketing (even internet homepages need to be closed down). In effect, many self-employed workers keep their business running for as long as possible, even if it means that they have very low incomes (thus increasing poverty risks). The so-called 'five-year rule', according to which self-employed workers are excluded from unemployment benefits for five years after re-activating their business, reduces the adequacy of unemployment benefits for the self-employed even further. By comparison, employees may qualify for a new period of unemployment benefits once they meet the work conditions outlined above. Although the five-year rule is intended to reduce fraud, it substantially restricts protection against unemployment for the self-employed.

Another problem, which often is experienced as most problematic among the self-employed themselves, relates to both unemployment and sickness benefits. Neither benefit provides compensation for the fixed costs associated with running a business. This problem is of course aggravated the higher the fixed costs are. Even though the corporate activity of the self-employed needs to be terminated or put on hold (in the case of unemployment benefits), many fixed costs are difficult to avoid in the short term (e.g. rents for office space and storing of stocks, instalments on expensive equipment). In terms of access to childcare, the lack of legal entitlement to care during inconvenient work hours may also be a more significant obstacle for self-employed persons; and possibly also for some people in atypical forms of employment such as zero-hour

workers, who are more likely than permanent employees to work irregular hours, including night shifts and over weekends (Anxo & Ericson 2015).

Concerning the social protection coverage of temporary and part-time workers, Wingborg (2016) also raised some problems and shortcomings with existing legislation on sickness and unemployment benefits, particularly in relation to eligibility criteria and the work conditions that need to be fulfilled. As noted above, in order to qualify for unemployment benefits, 80 hours of work per month for a period of 6 months in the reference period of 12 months preceding unemployment is required, or alternatively at least 480 hours of work for a continuous period of 6 months, and 50 hours of work in each of these months. People with temporary employment contracts may in some cases have difficulties in fulfilling these work conditions, likewise zero-hour workers or employees working part time. In this context it should be noted that the share of the unemployed eligible for unemployment benefits or activity grants has declined substantially in Sweden, from 80 per cent at the beginning of the 2000s to about 40 per cent in the mid-2010s (Uppdrag: Framtid, 2016b).

Similar problems of access to social protection for temporary or part-time employees may arise in relation to sickness benefits and earnings-related parental leave benefits. In order to qualify for sickness benefits, contractual employment at the time of sickness needs to have an expected continued duration of 6 months, or be considered regular on a yearly basis. Workers who previously have been employed for a duration of 6 months or more may in some special circumstance keep their eligibility for sickness benefits (for example if they have been registered with the unemployment office or if they have been in education and receiving study loan or study allowances). However, if these criteria are not fulfilled, the temporary worker may be ineligible for sickness benefit. As noted above, in order to be eligible for earnings-related parental leave benefits, yearly income must have been at least 82,100 SEK (8,634 EUR) for a continuous period of 240 days prior to the birth of the child. Temporary and part-time workers may in some cases have difficulties in fulfilling these criteria.

Concerns can also be raised in relation to employees of umbrella companies and their access to unemployment benefits, where existing legislation is unclear. Some unemployment insurance funds equate employment in umbrella companies with self-employment, and thus enforce the special rules for unemployment benefits for self-employed workers noted above. Access to unemployment benefits for employees in umbrella companies has attracted some public attention in Sweden and it has been discussed in the Swedish parliament on a number of occasions. Although there seems to be broad political agreement that the issue needs to be resolved, it is still pending (SOU 2015:21). In 2015, the administrative court of appeal in Gothenburg settled that people hired by umbrella companies should be considered to be temporary employees in determining eligibility for earnings-related unemployment insurance benefits. However, the issue has not been tried in the Supreme Court. Thus, from a legal point of view, the rights to unemployment insurance of employees in umbrella companies are still unclear.

Another issue that was noted above and deserves to be repeated is that self-employed workers are not covered by collective agreements and thus often lack access to occupational supplementary benefits, which is of particular importance in the area of old-age pensions. Along with the erosion of income security in the public system of social protection (Ferrarini et al., 2012), in part due to an insufficient updating of earnings ceilings for benefit purposes, supplementary compensation outside the public system has in fact become more important for many employees on the Swedish labour market (Hedborg, 2016). Although the self-employed are covered by the Swedish public pension scheme, unlike most employees they are not entitled to an occupational pension supplement. The self-employed may thus need to compensate for the loss of occupational pensions through independent savings or purchase of private insurance. Usually 4.5 per cent of the surplus is comparable to what an employee is eligible for in occupational pensions. Self-employed people are allowed to deduct parts of private pension savings from their commercial activities, amounting to 35 per cent of the

generated surplus with a maximum of 440,000 SEK (44,143 EUR). However, it should be noted that this deduction reduces the surplus of the firm and thus lowers contributions to the public pension scheme. It will also affect the taxable income of the self-employed, which is used to determine entitlements under other programmes, including sickness and parental leave benefits.

Although most employees are covered by collective agreements, it should be noted that some workers still lack access to occupational supplementary benefits. Sometimes there are age limits stipulated in the agreements between the social partners that exclude young people in particular, most prominently for benefits related to the giving of notice. To some extent this problem also applies to persons working part time on temporary contracts, although agreements between the social partners have become less restrictive in this regard (Sjögren Lindqvist and Wadensjö, 2006).

Due to the issues raised above, the final report of the commission on the future challenges facing Swedish society recommended that the Swedish government should initiate an investigation into possible reforms to increase the coverage and adequacy of social protection for self-employed workers, persons with temporary work contracts and part-time employees (Uppdrag: Framtid, 2016b). A few suggestions on possible reforms were also raised, particularly in connection with sickness and unemployment benefits. One possibility that was discussed concerned changes in the income base for sickness benefits, for example by using historical rather than expected incomes. This would most likely increase access to sickness benefits for some groups in temporary employment. The possibility of relaxing the work conditions attached to unemployment benefits for people in temporary or part-time employment was also suggested. For the self-employed, the most pressing issue also concerned access to unemployment benefits. One issue that was discussed concerned the possibility of self-employed people being able to re-activate their business without exhausting their right to unemployment benefits. There are no official investigations concerning the financial costs of the proposed reforms, nor concerning their potential impact on the functioning of the Swedish labour market (e.g. in terms of raising labour costs in affected sectors).

To this date it is unclear whether or not the Swedish government will launch an investigation into possible reforms of social protection designed to increase access to, and the adequacy of, social protection for self-employed persons and workers on temporary contracts, or those in part-time employment.

3 Conclusions and recommendations

The basic foundations of the Swedish welfare state are largely a consequence of developments in social policy that took place decades ago when temporary employment was less frequent and fewer people were dependent on self-employment income. Although the increase in temporary jobs and self-employment seems to have stagnated, it is evident that a large share of the Swedish workforce lacks a permanent job, something that creates challenges for the existing system of social protection.

Although the Swedish welfare state in principle includes all employees and self-employed persons, some groups with more precarious positions in the Swedish labour market are left with weaker protection. However, it is important to point out that these groups are only in exceptional cases formally excluded. Rather, the problems and insufficiencies in current legislation noted above arise due to the difficulties that some precarious groups in the labour market have in fulfilling qualification requirements. In some cases, particularly for the self-employed whose incomes may show large temporary fluctuations, the benefit formulas used in some programmes (notably sickness benefit) may also result in weaker protection against income losses. However, cross-country comparisons show that the qualifying conditions for sickness and unemployment benefits in Sweden are less demanding than in almost any other EU Member State (Esser et al., 2013; Ferrarini et al, 2012).

A tendency in Sweden is for an increasing share of employees to have incomes that are above the earnings ceilings for benefit purposes, and as a consequence occupational supplementary benefits of various kinds have become an important complement to the public system of income replacement. The pooling of risks and resources that has traditionally characterized the Swedish welfare state is therefore gradually eroding. We believe that this development, over time, may create new challenges for the Swedish welfare state to adequately integrate all groups in the labour market and provide sufficient levels of social protection that effectively reduce risks of social exclusion and poverty. Instead of supporting interest mediation between different groups in society, eroded public systems for income replacement, in combination with the expansion of occupational supplementary benefits, are likely to introduce competing interests in social policymaking and increase social inequalities. Groups in society that carry greater social risks for income losses probably are the ones that are treated less favourably by voluntary agreements between the social partners. In addition, greater responsibilities are placed on the self-employed to top up benefits from the public system. Since many self-employed people are struggling to get by on the low incomes generated by their business, concerns can be raised that they will not prioritize purchasing private insurance for themselves (and possibly also for their workers if not covered by collective agreements).

It is difficult at this stage to recommend changes to the Swedish system of social protection to better reflect diverse forms of employment. From an international perspective, the universal character of the Swedish welfare state has been quite successful in including all groups in the labour market within an integrated system of social protection. Nonetheless, some tweaking is probably necessary in order to adjust the social protection system to more adequately respond to needs that arise from reorganizations of the Swedish labour market. Although social inequalities are lower in Sweden than in many other European countries, relative income poverty has increased substantially since the mid-1990s. Rising income inequalities, albeit from low levels, threaten social cohesion and create tensions in society. The causes driving changes in the Swedish income distribution are multifaceted, including not only access to social protection but also possibilities for gainful participation on labour markets. Both aspects go together and a range of reforms are probably necessary to break trends toward a more unequal Swedish society.

We subscribe to the recommendations above that unemployment and sickness benefits in particular need an overhaul. However, relaxed and less stringent qualification requirements and changes in benefit formulas should be evaluated after careful consideration of possible unintended and negative effects on labour supply and financial sustainability, as well as taking future labour market developments into consideration. Although good-quality social protection may increase work commitment and gainful employment, contributing to a skilled workforce, the potentially pervasive effects of liberalized qualification criteria on major programmes for income replacement, particularly in the areas of unemployment and sickness, should be taken seriously. A combination of active labour market policies and rehabilitation, coupled with high levels of income replacement for all irrespective of forms of employment, may be a viable way forward – one where Sweden, with its strong focus on retraining and life-long learning, is well positioned to make progress.

TABLE 1. SUMMARY TABLE ACCESS TO SOCIAL PROTECTION: SELF-EMPLOYED

	On her/his own account	With employees (self-employed employer)	Dependent on single client	Dependent on contractual relationship with client	Liberal professions (e.g. doctor, notary, lawyer)
Healthcare - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Sickness - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Maternity/paternity - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Old age pensions (preretirement benefits and pensions)	Full	Full	Full	Full	Full
Survivors pensions and death grants	Full	Full	Full	Full	Full
Unemployment benefits	Partial ¹	Partial ¹	Partial ¹	Partial ¹	Partial ¹
Social assistance benefits	Full	Full	Full	Full	Full
Long-term care benefits	Full	Full	Full	Full	Full
Invalidity benefits	Full	Full	Full	Full	Full
Accidents at work and occupational injuries benefits	Full	Full	Full	Full	Full
Family benefits	Full	Full	Full	Full	Full

Note: 1 = If the corporate activity is re-activated, the self-employed person is barred from unemployment benefits for a period of five years.

TABLE 2. SUMMARY TABLE ACCESS TO SOCIAL PROTECTION: CONTRACTUAL EMPLOYMENT

	<i>Full-time employee</i>	<i>Part-time employee</i>	<i>Fixed-term employee</i>	<i>Temporary agency worker</i>	<i>Casual and seasonal workers</i>	<i>On-call workers</i>	<i>Zero-hour workers</i>	<i>Apprentices</i>	<i>Paid trainees</i>	<i>(Other) persons in vocational/professional training</i>
Healthcare - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Sickness - cash benefits and benefits in kind	Full	Full ¹	Full ¹	Full ¹	Full ¹	Full ¹	Full ¹	Full ¹	Full ¹	Full ¹
Maternity/paternity - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Old age pensions (preretirement benefits and pensions)	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Survivors pensions and death grants	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Unemployment benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Social assistance benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Long-term care benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Invalidity benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Accidents at work and occupational injuries benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Family benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full

Employment income should be expected to last for at least six months or be considered regular on a yearly basis.

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