



Labour laws in Sweden

A summary legal guide

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A D V O K A T B Y R Å

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1. Introduction, disclaimer and copyright notice

Swedish labour law is to a large extent governed by mandatory law. It is thus not possible for an employer to apply conditions more disadvantageous to an employee than certain mandatory rules set out by written law.

The purpose of this booklet is to provide a general overview of certain relevant aspects of Swedish labour law. The idea is not to give answers to all questions related to Swedish labour laws, but something that is easily accessible and gives an answer to the most fundamental issues.

The materials in this handbook are up to date as of June 2015 (except where noted otherwise), and are designed to provide a convenient reference for clients to Nyman Rudenstam Advokatbyrå AB. It goes without saying that this booklet contains advice of a general nature only; the booklet is not legal advice or a substitute for legal advice with respect to any particular factual circumstance, and cannot be relied upon in lieu of legal advice. The reader should consult with qualified counsel in Sweden for legal advice with respect to particular situations.

2. Collective bargaining agreements

Swedish companies are often bound by a collective bargaining agreement (the “Collective Agreement”), which thus is the main instrument regulating the legal relationship between a company, its employees and the trade union. A Collective Agreement is legally binding upon the company and the trade union, as well as upon all members of the trade union.

However, it is important to note that the Collective Agreement may also have an impact on the legal relationship of the employees not being members of the trade union, as the company is obliged to provide also non-members the benefits provided for under the Collective Agreement. Furthermore, the Collective Agreement may set standards that may be or become applicable at all workplaces in that sector.

Anyone in breach of a Collective Agreement may be liable for damages (compensatory and punitive). On the employee side both the aggrieved employee and the trade union may be entitled to damages.

To a certain extent, the Collective Agreement allows the parties to make exemptions from otherwise mandatory legislation.

3. The Employment Act

3.1 General

The Employment Protection Act contains mandatory rules on the duration and the termination of an employment contract. The provisions of the Employment Protection Act are mandatory, meaning that any agreement between the employer and the employee that in any way restricts or violates any rights of the employee is invalid. Certain exemptions may, however, be done by a Collective Agreement.

The Employment Protection Act applies to employees in private as well as public companies. However, the act is not applicable to employees that are regarded as having an executive or comparable position (in respect of their work duties and terms and conditions of employment). The act will therefore generally not apply to the managing director of a company.

The main rule is that the employment duration is considered permanent (“post with conditional tenure”), however, certain types of fixed term employments are allowed for a limited period of time.

3.2 Termination

An employee can only be dismissed for cause. There are two groups of causes for dismissal; (i) dismissal for reasons relating to the employee personally and (ii) dismissal by reason of redundancy.

When there is a need to reduce the work force, employment contracts can be terminated on the ground of redundancy. However, the company is obliged to seek to engage the employee in an alternative position within the company to the extent that there are tasks within the company which the employee is able to perform. If the employer has not fulfilled the duty to try to find an alternative position, the termination can be declared void and damages can be awarded to the employee.

Swedish law contains detailed rules on the priority between the employees in situations of redundancy. The priority rating in such situations is based, primarily, on length of service and, secondarily, of age. The first employee to be dismissed is the employee last employed (“last-in-first-out”). In addition, any employee not to be dismissed must be able to perform the duties to be assigned to him or her after the downsizing. All employees working in the same production unit are to be rated. The strict priority rules under law can be set aside upon agreement with the union under a Collective Agreement.

A Collective Agreement usually contains provisions relating to redundancy and advance negotiations to take place with the trade union by reason thereof. Such rules can be summarised as follows. The local trade union and the company shall jointly evaluate the needs of the company before deciding the priority ratings. In these cases ad hoc deviations from the priority ratings pursuant to law can be agreed between the company and the trade union. The parties shall take into account the necessity of having qualified employees as well as the company’s possibility to run a competitive business in the future.

If the employee has been employed for more than twelve months during the last three years he/she will enjoy a right of priority to re-employment within the company if the company later on would need to increase the work force. Such right is valid during nine months.

3.3 Termination period

When terminating the employment contract the company must comply with the minimum notice periods set forth in the Employment Protection Act and the Collective Agreement. The minimum length of the notice period is one month from both the company’s and the employee’s side.

If a Collective Agreement does not include any provision regarding the notice period and/or if the individual employment contract does not grant the employee a longer notice period, the following will apply according to law:

Length of employment	Notice period
< two years	one month
> two years	two months
> four years	three months
> six years	four months
> eight years	five months
> ten years	six months

During the notice period the employees are entitled to salary as well as all other benefits. The employees are also bound by their general duty of loyalty towards the employer during the notice period. For employees on parental leave the notice period starts when the employee is back at work (or should have been back to work).

There are no rules about severance payment and such a benefit has to be agreed with each employee. The employees being dismissed have an obligation to continue their employment with the company during the notice period (provided, of course, that the company may always relieve the employee of any duties during the notice period).

3.4 Business transfers

In the event of a business transfer, whereby a company acquires all, or virtually all of a business and/or a business sector, the employees of the transferred entity are entitled – at their own discretion – to either remain with the selling entity or transfer its employment (on un-changed, or better, terms) to the buying entity.

4. The Co-Determination Act

Under the Swedish Co-determination Act, the company is obliged to enter into negotiations with the local union/unions before taking any measures which might substantially change the operations. Primarily the company must negotiate with the trade union with which it is bound by a Collective Agreement. However, if there are employees who are members of other unions and such employees are also affected by the actions contemplated, the company also has to negotiate with such other union. The obligation to negotiate may also apply with respect to changes of work conditions or employment terms relating to individual employees.

It should be noted that the term “negotiations” may be somewhat misleading as there is no obligation for the company to sign a contract or to compromise or even to show willingness to compromise. If the parties fail to reach an agreement, the company is at liberty to make its own decision, subject though to any other applicable law including the rules on priority discussed above. Irrespective hereof, the obligation to negotiate is strict and failure to do so may result in substantial damages.

5. Damages

In the event of a breach of the rules in the Employment Protection Act, the Co-determination Act or a Collective Agreement, compensatory and punitive damages can be awarded to the employee and/or the trade union.

The compensatory damages to the employee shall compensate the loss of income but if the employee finds new employment the amount of damages will be reduced. Even if the employee does not find new employment the damages awarded to the employee cannot exceed the amounts listed below.

In the event of a breach of the rules regarding alternative work or if the employment has been terminated without cause a court can declare the termination void. If court has declared the termination void the employee is entitled to damages depending on seniority and age. The damages range as follows.

Length of employment	Damages
< five years	16 months' salary
five - ten years	24 months' salary
> ten years.....	32 months' salary

If the company does not comply with the Co-determination Act the trade unions may initiate proceedings and claim damages including punitive damages. The damages awarded can be substantial in individual cases. The trade union is also entitled to damages if the company has not complied with a Collective Agreement.

6. Miscellaneous

6.1 Employee representatives

When a privately owned company has employed more than 25 employees during the last financial year, the employees have a right to elect two members of the board of directors. If the total number of employees exceeds 1,000, the employees are to elect three representatives. Such employee representatives shall enjoy the same rights and obligations in their capacity as board members, as any “ordinary” elected board member.

6.2 Vacation

All employees have a right to 25 days of paid vacation each year. The employer and the trade union or (as applicable) the employee shall discuss the planning of the vacation jointly, but if the parties cannot agree it is the employer that has the final decision. It is important to note though, that the employee is always entitled to plan four weeks of vacation during June - August.

Unless agreed otherwise in a Collective Agreement, the employee is as a general rule entitled to save up to five (5) vacation days per year. Any saved vacation days should be used within five years from the year it relates to. This means that, as a general rule, an employee can save up to 25 vacation days.

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