

Annual Report 2005

The Swedish Social Insurance Agency

(Extract)

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Summary of the year's results

The work against ill health

- The total absence as a result of ill health is falling
- The total expenditure for sickness benefit and sickness and activity compensation has started to fall
- The regional spread in the incapacity rate is falling
- The number of days of sickness benefit is falling sharply
- The flow of new cases of sickness continues to fall
- The duration of cases of sickness is falling
- The number of people with sickness or activity compensation is still increasing but at an ever slower rate
- The co-financing reform for employers has been introduced with good results

Other policy areas

- The pension system is functioning according to expectations. The right amount is paid out at the right time and to the right person
- The proportion of parental benefit days taken by men is increasing but more slowly than previously
- More parents who live apart are choosing to arrange their children's maintenance directly between themselves

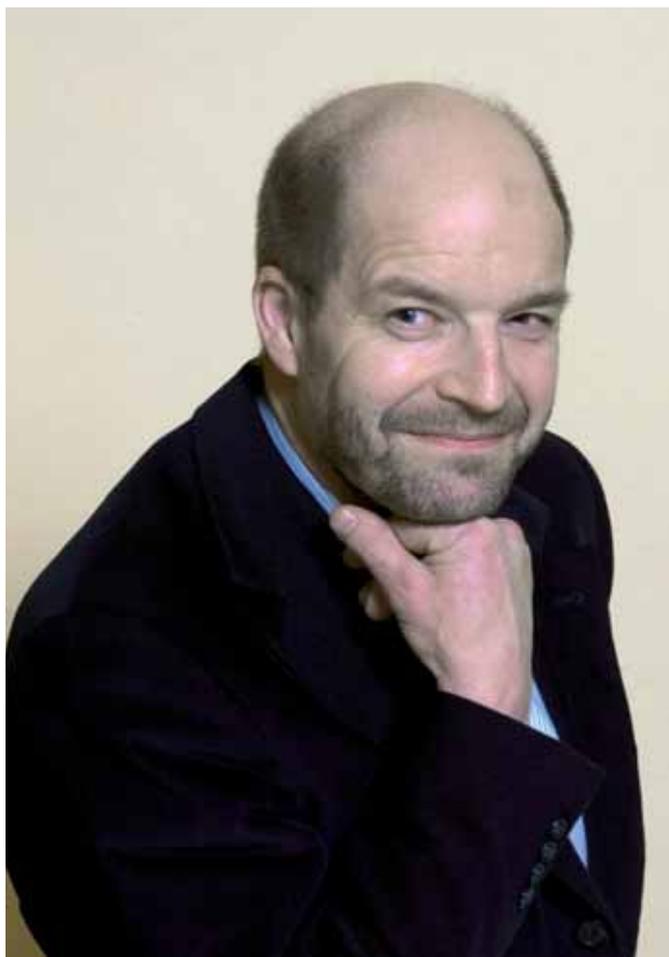
Quality and productivity

- Processing times are falling for most case types including sickness benefit, temporary parental benefit and sickness and activity compensation
- Improved ratings from The Swedish Social Insurance Agency's customers
- Still too many decisions made on inadequate basic information with some case types including sickness benefit
- Increased productivity due to more terminated cases of sickness
- The new version of the ÄHS processing support has yet to produce the expected rationalisation benefits

Operational development

- The Swedish Social Insurance Agency has drawn up a plan for change for a uniform application of the law, an effective operation and a good staff policy.

Comments of the Director-General



The Swedish Social Insurance Agency was formed on 1 January 2005. The previous 21 autonomous social insurance offices and the National Social Insurance Board were joined together to form one agency and one of the biggest agency conversions in Sweden had started. One of the motivations behind the decision to reorganise the social insurance administration was the problem of the large increase in long-term sick leave which had been going on for many years. The aim was to create clearer control of the work within the social insurance sphere, more uniform application of laws and regulations and increased public insight. The first financial year for The Swedish Social Insurance Agency as an authority can now be summarised.

The process of forming the new agency has – for obvious reasons – been the dominant feature of the first year. It will also be a central issue for the next few years. Joining organisations and uniting different cultures is a process that will take several years. A target picture has been devised for the ongoing work. This looks ahead to 2008 and determines that the Swedish Social Insurance Agency should by then be a top-class agency – good for citizens and good for the employees. One of three particular objectives is also that the Swedish Social Insurance Agency should actively help to bring about fewer people on sick leave and more people at work. The work of reducing the

amount of sick leave taken has achieved satisfyingly positive results. The opportunities for the unified organisation to unify working methods and establish a clear focus in the area is one explanation for this. The incapacity rate has fallen considerably as the increase in expenditure has been counteracted. Fewer people are now forced to take sick leave – but it may be that we have got through the “easiest stretch” and have the toughest part to come.

A sizeable proportion of those on long-term sick leave are not there as a result of problems of ill health in the true sense but directly or indirectly as an effect of today’s labour market. Many of those on long-term sick leave have in all probability both the opportunity and the will to work to some extent and it is vital for many reasons to look at this proportion. It places considerable demands on the collaboration between the Swedish Social Insurance Agency, the National Labour Market Board (AMS) and the employment offices. An action plan has been drawn up during 2005 for this work.

One of the reforms that was carried out during the year is co-financing for employers. To provide service to the employers the Swedish Social Insurance Agency set up a special customer centre during the year. According to the studies that have been carried out, this has worked well. The customer centre is also an example of the opportuni-

ties there are for concentrating the resources possessed by the new authority. The creation of uniform handling processes is another. The processing times are slowly but surely becoming shorter and more and more cases are now handled in the same way at all offices. This means that assessments are becoming more consistent throughout the whole country, something which the insured have every right to expect.

The administration of social insurance should be effective, fair and easy to understand. The insured should be able to carry out without difficulty a large proportion of the services themselves and find out about the Swedish Social Insurance Agency’s service over the Internet. Processing should take place in such a way that citizens and taxpayers can be sure that only those who are entitled to benefit and allowance will receive it. There should be zero tolerance towards cheating.

2005 was the first year for the Swedish Social Insurance Agency as an authority. There is a great deal of work still to do. The great journey of change has just begun.

Stockholm, February 2006

*Curt Malmborg
Director-General*



The board of the Swedish Social Insurance Agency.

Left to right: Curt Malmborg (Director-General) Tony Malmborg, Inger Efraimsson (chair), Ingegerd Wärnersson, Ellen Hyttsten, Rolf Andersson, Christer Edling. Not present: Ewa Björling, Ronny Olander.

Organisation

1 January 2005 saw the formation of the Swedish Social Insurance Agency, a new, unified state authority responsible for the administration of social insurance. The new authority replaces the National Social Insurance Board and the 21 social insurance offices.

The Swedish Social Insurance Agency is led by a board with full responsibility. The board is elected by the government and consists of nine members. The board includes the Director-General.

At the end of 2005 the number of employees at the Swedish Social Insurance Agency totalled 15,904.

The Swedish Social Insurance Agency consists of the Director-General, the Deputy Director-General, seven staff units, the Production Division including the county organisations, the Development Division, the Insurance Division and the Department for Common Service.

The Swedish Social Insurance Agency has a management group consisting of the Director-General, the Deputy Director-General, the managers of the Insurance, Production and Development divisions, the Human Resources Manager, the Information Manager and the Head of the Secretariat for Change.



The management group of the Swedish Social Insurance Agency.

Left to right: Agneta Jöhnk, Mikael Strömbäck, Adriana Lender (Deputy Director-General), Lars Arvidsson, Curt Malmborg (Director-General), Stig Orustfjord, Maivor Isaksson, Inger Dunér.

The 21 county organisations belong to the Production Division and their primary function is to handle individual cases within the social insurance and allowance systems and to be responsible for coordination of working life-oriented rehabilitation. The current operation is led by the county directors who are directly subordinate to the Production Manager.

In connection with the formation of the new authority insurance delegations were set up in every county. The delegations perform a supervisory role to ensure that the Swedish Social Insurance Agency's operation is being implemented effectively and

with good service in the counties. Their task includes assessing the observations made and reporting findings annually to the government. The insurance delegations also have the task, within the framework of the board's decisions, to decide on regional and local cooperation within the rehabilitation sphere.

Summary of benefits

Health and medical care policy

Dental care

- Dental care

Health and medical care

- International health care
- Disease carrier's allowance

Compensations for incapacity for work

Compensation for incapacity for work

- Sickness allowance
- Voluntary sickness allowance insurance
- Closely related person's allowance
- Activity allowance
- Sickness benefit
- Work injury benefits
- Industrial injury benefits
- Disability allowance

Disability policy

Efforts to improve participation and equality

- Attendance allowance
- Car allowance for the disabled

Old-age policy

Benefit in old age

- Guarantee pension with old-age pension
- Housing supplement for pensioners
- Part-time pension
- Maintenance support for the elderly
- Special pension supplement

Old-age pension alongside national budget etc

- Income pension
- Supplementary pension
- Premium pension

Payments to survivors

- Adjustment pension
- Special survivor's pension
- Widow's pension

Other

- Voluntary pension
- Seafarer's pension

Family policy

Insurance

- Parental allowance
- Temporary parental allowance
- Pregnancy allowance
- Child's pension
- Child-rearing pension right

Needs-tested allowances

- Housing allowance
- Maintenance support
- Care allowance for handicapped child

General allowances

- General family allowance inc. large-family supplement
- Adoption expenses grant

Other payments

- Activity grant
- Daily cash benefit to conscripts
- Family allowance to conscripts
- Holiday pay expense insurance
- Insurance against cost of employee's sick pay

Social insurance expenditure and finance

Social insurance expenditure

The Social Insurance Administration is responsible for the greater part of society's financial security system. The purpose of this system is to give financial security in case of sickness, work injury, and old age, and also to families and to people with disabilities.

Swedish social insurance payments in 2005 totalled SEK 434 bn. This is equivalent to one-sixth of the gross national product (GNP) and about half of the expenditure under the expenditure ceiling set by the Riksdag. Of every SEK 100 spent on private consumption, approx. SEK 25 comes from social insurance.

Since 1980 expenditure has risen by SEK 175 bn, or 67 per cent at 2005 price levels. Relative to GNP, however, the level of expenditure is the same as throughout most of the 1980s. There was a very sharp rise in expenditure in the second half of the 1980s. After 1992 total expenditure expressed in fixed prices declined until 1998, primarily as a result of rule changes designed to reduce expenditure. These included reduced levels of benefit and the introduction of a sick pay period and waiting days in the sickness insurance scheme. The steep rise in expenditure from 1999 onwards is chiefly due to the rapidly increasing expenditure on sickness insurance and in the old age pension system and the introduction of state old-age pension charges in 1999. Several of the benefits, such as sickness allowance and parental allowance are pensionable income. In addition pension rights are given for care of young children. Since 1999 the Government pays old-age pension charges corresponding to the pension entitlement for this, totalling more than SEK 20 bn for social insurance in 2004. The introduction of the state old-pension charge thus means that a formerly latent expenditure is now visible and it does not in other words represent new commitments.

After rising almost continuously total payments of social insurance benefits reached a peak equivalent to almost 20 per cent of GNP in 1992. Social insurance expenditure then declined in the 1990s, both expressed in fixed prices and in relation to GNP. During the 1960s and 1970s social insurance expenditure in relation to GNP rose as a general trend. Since the early 1980s the pattern has been more cyclical.

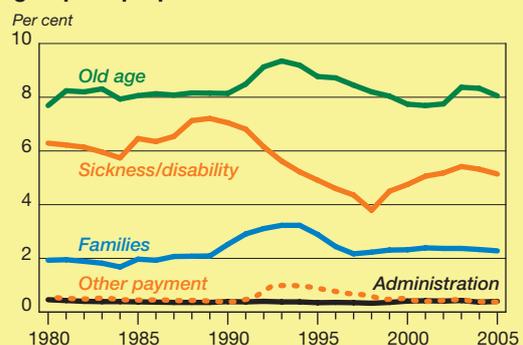
Expenditure in the field of financial support in old age is comparatively stable relative to GNP and

today accounts for around half of social insurance expenditure. Expenditure on financial support in ill health and to the disabled has varied considerably more. After a rapid rise in expenditure for both sick-listing and work injury in the second half of the 1980s, expenditure fell sharply, from the equivalent of 7.2 per cent of GNP in 1989 to 3.8 per cent in 1998. The fall was due to reduced sicklisting, introduction of a sick pay period, reduction of benefit levels and the transfer of responsibility for costs of medication to the county councils. Between 1998 and 2003 expenditure rose faster than GNP because of the rising numbers of people on sick leave and those receiving sickness benefit or activity allowance. In 2004 expenditure in the field of financial support in ill health and to the disabled fell relative to GNP. The trend in expenditure in the field of financial support to families reflects above all the increasing number of children born in the late 1980s and early 1990s.

Social insurance expenditure in fixed prices and in proportion to GNP



Payments under the main social insurance groups in proportion to GNP



Financing of social insurance

The social insurance schemes are financed principally with social security contributions by employers and the self-employed, a general pension contribution, a national old-age pension contribution, government resources and the return on funds. The provisions governing the financing of social insurance are largely laid down in the Social Security Contributions Act (2000:980) and the Social Security Contributions Distribution Act (2000:981).

Certain insurance benefits are financed entirely from government funds: these include family allowance, housing allowance and certain other benefits to families. Also certain benefits to disabled persons and housing supplement to pensioners/people with sickness benefit or activity allowance. Maintenance support is paid from taxation to the extent that the expenditure is not covered by payments received from those liable for maintenance. Attendance allowance is financed in part by the municipalities.

Five areas of insurance are financed in whole or part with general social insurance charges. These are parental insurance, sickness insurance, work injury insurance, survivor's pension and old age pension. There is a fundamental difference between the old-age pension system, which is charge-deter-

mined, and other areas of insurance, which are benefit-determined. The reformed old-age pension system is financed by a number of charges which are paid by employers, the self-employed, the state and the individual himself. These charges are fixed and the pension payments are adjusted to what is possible with available funds. For other areas of insurance the charge rates are instead adjusted if necessary to the development of expenditure. Moreover the proportion that is to be covered by charges varies between areas of insurance.

A further difference between the old-age pension system and other areas of insurance lies in the fact that the pension system is independent from the government budget, with charges which go to the AP funds and the premium pension system. For other benefits the charges go not into a fund but to the national budget, from which the social insurance benefits are paid. The financial link between charges received and the benefits which have to be financed is therefore relatively weak. Where the law prescribes that the charges are to finance particular benefits, however, the charges and benefits concerned are shown in the table below summarized as in a financially more autonomous system.

Financing of social insurance 2005, SEK million								
Policy area	Operational area	Expenditure		Income				
		Benefit/allowance	Adminis-tration ¹⁾	Soc. sec. charges	Govt. grants	Financial income	Other funds supplied	Surplus/deficit for the year
13 Health and medical care policy								
	Dental care	2 746	186	0	2 932	0	0	0
	Health and medical care	594	67	0	520	0	139	-2
	Total	3 340	253	0	3 452	0	139	-2
16 Disability policy								
	Efforts to improve participation And equality	14 603	131	0	11 747	0	2 987	0
	Total	14 603	131	0	11 747	0	2 987	0
19 Compensation for incapacity for work								
	Action against ill health	1 130	1 222	2 627	0	0	2	277
	Incapacity for work	118 401	3 140	114 461	18 877	15	59	11 871
	Total	119 531	4 362	117 088	18 877	15	61	12 148
20 Old-age policy								
	Financial support in old age	30 273	620	0	30 893	0	0	0
	Financial support to survivors	15 856	87	17 055	940	0	0	2 052
	Total	46 129	707	17 055	31 833	0	0	2 052
21 Family policy								
	Insurance	29 504	1 003	25 134	4 420	0	0	-953
	Needs-tested allowances	10 023	912	0	9 059	0	1 876	0
	General allowances	21 495	87	0	21 582	0	0	0
	Total	61 022	2 002	25 134	35 061	0	1 876	-953
Other benefits								
	Total	11 586	207	0	205	-7	11 595	0
Old-age pension alongside the government budget								
	Total	169 149	800	178 667	0	63	0	8 781
TOTAL		425 360	8 462	337 943	101 175	71	16 658	22 025

¹⁾ The total amount for administrative expenditure does not include expenditure on FMC (the Insurance Medical Centre) SEK 95 m and external orders at RFV Data SEK 3 m and export of services SEK 16 m. Total administration costs including these items become SEK 8 576 m.

The table shows in outline how the social insurance system was financed in 2005. Government grants are shown net after deduction from incoming charges. A part of the administration costs of the social insurance offices is financed with social security charges, while the administration costs of the National Social Insurance Board are largely financed from government grants and the National Pension Insurance Fund.

The following tables show income and expenditure in the years 2003–2005 for the charge-financed social insurance schemes. The Board entered the charges in all cases in the year when they were recorded with the Board, irrespective of the year to which they related. The total level of the employer's contribution was 32.82 per cent in 2003. This total also includes a labour market charge and a general salary charge. The latter was adjusted downwards in 2004 with the result that the total was 32.7 per cent of the qualifying amount.

Sickness insurance

The employer's social security charge for sickness insurance was in 2003 and 2004 11.08 per cent. For self-employed persons other percentages apply and

percentages also differ according to whether or not they have chosen to have waiting days.

The sickness insurance charge is intended to finance sickness allowance, rehabilitation allowance and other rehabilitation benefits, closely related person's allowance and pregnancy allowance and government old-age pension charges for the daily benefits. As from 2003 the charge is also intended to finance income-based sickness benefit and activity allowance. Formerly disability and temporary disability pension were partially financed by the charge. The sickness insurance charge has also to finance government old-age pension charges for sickness benefit and activity allowance to the extent that the charge can be attributed to a benefit paid out. The charge has also financed the administration

costs of the social insurance offices for those benefits financed by the charge.

The charge income has been considerably higher than expenditure since 2003 as a result of the increase in charges and several rule changes concerning the schemes. Under Section 19 of the National Insurance Act a government grant may be given to cover a certain proportion of the cost of sickness insurance benefits. It cannot therefore be claimed that the insurance was underfinanced in those years when the charges were insufficient to cover the expenditure.

Social insurance income and expenditure, SEK million			
	2003	2004	2005
Expenditure			
Sickness allowance	40 523	35 944	32 479
Rehabilitation	3 181	3 377	2 751
Closely related person's allowance	65	69	72
Old-age pension charges for the daily benefits	4 783	4 716	3 739
Sickness benefit and activity allowance	40 589	44 474	47 118
Part of Old-age pension charges for sickness benefit	5 827	6 916	8 836
Pregnancy allowance	381	398	397
Old-age pension charges for Pregnancy allowance	38	42	42
Administration costs	3 196	3 371	3 634
Total expenditure	98 583	99 307	99 068
Income			
Charge in	108 278	113 083	110 342
Charges/expenditure	+9 695	+13 776	+11 273

Work injury insurance

The work injury charge is 0.68 per cent since 2003. The charge finances benefits under the Industrial Injuries Compensation Act and corresponding earlier provisions, e.g. the Industrial Injuries Insurance Act. However some benefits are paid from elsewhere, for example public service companies and former public service companies restructured on a commercial basis. Mention may also be made in this context of the Personal Injury Protection Act which provides for compensation to individuals injured while doing national service. These benefits are financed by the state.

The benefits which can be paid from the work injury insurance are disability annuities, survivors' annuities, funeral assistance, work injury allowance in certain cases, medical care abroad, dental care and technical aids for the disabled and also, as from 2003, special work injury benefits.

The work injury charge also finances government old-age pension charges for disability annuities under the work injury insurance scheme and

work injury allowance and also administration costs for the same benefits as are financed by the charge.

In 2002 charge income was considerably higher than expenditure, which is why the charge was lowered sharply in 2003. During the period 2003–2005, too, however, the charge income was higher than the expenditure.

Work injury insurance income and expenditure, SEK million			
	2003	2004	2005
Expenditure			
Benefits	6 230	6 352	6 218
Administration costs	339	357	392
Total expenditure	6 569	6 709	6 610
Income	7 665	7 246	7 266
Surplus on charges	+1 096	+537	+656
"Fund" 31/12	15 157	15 694	16 350

Old age insurance

The contributions for the old-age pension scheme are set at 18.5 per cent of the income base and are levied in three different ways. The contribution on income is divided between a social contribution of 10.21 per cent, known as the old-age pension contribution, which is paid by employers and the self-employed, and a general pension contribution, which is paid by all persons in gainful employment. The general pension contribution is 7.0 per cent. Income-based transfers carry a national old-age pension contribution which is paid from the government budget to the old-age pension scheme. In general the national old-age pension contribution for transfers is 10.21 per cent. For "pensionable" amounts the contribution is 18.5 per cent.

The old-age pension contribution paid by employers and the self-employed is distributed between the National Pension Insurance Fund, the premium pension system and the national budget. The general pension contribution goes in full to the National Pension Insurance Fund. The national old-age pension contributions are distributed between the National Pension Insurance Fund and the premium pension system.

Income pension and supplementary pension are financed from the National Pension Insurance Fund. In 2002 the National Pension Insurance Funds also financed the old-age pension in the former supplementary pension (ATP) system and the national basic pension of pensioners with ATP. The National Pension Insurance Funds also make payments to the Government for administrative costs associated with the income-based old-age pension.

The value of pension rights of employees of the European communities can be transferred from the

National Insurance Pension Fund and the premium pension system to the EU's occupational pension system or vice versa.

In 2003 and 2004 the value of the Funds rose appreciably thanks to the large increase in value of the shareholding. Contribution income has exceeded pension payments and administrative expenses throughout the period. In 2004 the National Pension Insurance Fund was debited with SEK 1.6 bn as a retroactive adjustment for the period 1999–2002.

The contributions for the premium pension, which is also considered as income-based old-age pension, are funded in personal accounts for future outpayments. The pension premium system, which is administered by the Premium Pension Authority, has not been included in the table below. The table below shows the income and expenditure of the National Pension Insurance Funds. The Seventh National Pension Insurance Fund belongs to the premium pension system and has therefore not been included. Figures for 2004 are provisional. The table refers to market values.

National Pension Insurance Fund income and expenditure, SEK million			
	2003	2004	2005
Expenditure			
Pension payments	155 410	162 783	169 071
Transfers to the EU and special adjustments	0	1 600	
Transfers to the EU	0	383	58
Administration costs	2 359	2 737	2 032
Total expenditure	157 769	167 503	171 161
Income			
Contributions	165 107	171 600	179 552
Interest, exchange differences etc. (net)	82 059	65 162	114 598
Total income	247 165	236 762	294 150
Change in funds	+89 397	+69 259	+122 990
Fund balance 31/12	576 937	646 200	769 190

Survivor's pension

The survivor's pension contribution is 1.7 per cent. In 2003 the rules for survivor's pension were changed. As from this year only income-based survivor's pensions are financed from the contribution. Guarantee pension and survivor support to children are financed from taxation. The child's pension and survivor support to children are shown as their own appropriation in the national budget, while the other benefits are shown together under the appropriation "survivor's pension for adults". During the years 2002–2005 the income from contributions was considerably higher than the expenditure.

Income and expenditure, SEK million			
	2003	2004	2005
Expenditure			
Survivor's pension for adults	14 610	14 904	14 917
Child's pension	965	964	942
Administration costs	41	36	112
Total expenditure	15 616	15 904	15 971
Income			
Charges	17 115	17 577	18 164
Difference charges/expenditure	+1 499	+1 673	+2 193

Parental insurance

The contribution for parental insurance is 2.2 per cent. The contribution finances parental allowance and temporary parental allowance including national old-age pension contributions and administrative charges on these benefits. Pregnancy allowance on the other hand is financed from the sickness insurance contribution. Contribution income was lower than expenditure in 2003. In 2004 expenditure was just over SEK 1 bn higher than the contribution income. In 2005 expenditure was over SEK 2 bn higher.

Parental insurance income and expenditure, SEK million			
	2003	2004	2005
Expenditure			
Parental allowance	15 690	17 240	17 738
Temporary parental allowance	3 915	3 671	3 742
National old-age pension contributions	1 946	2 118	2 207
Administration costs	728	709	945
Total expenditure	22 279	23 738	24 632
Income			
Expenditure	22 148	22 742	23 504
Difference in contributions/expenditure	+131	–996	–1 128

Summary

To summarize the difference between contribution income and expenditure on sickness insurance, work injury insurance, survivor's pension and parental insurance in 2005, there is a surplus of SEK 9 bn. In 2003 and 2004, too, the contribution income was higher than the expenditure. The surplus is not funded but is used other than as prescribed in the Act. These contribution revenues are in effect taxes. In years when the contribution income is insufficient, money is contributed from the government budget.

It is not appropriate to include the old-age pension scheme in the same argument, because any surplus there is funded. However a part of the old-age pension contribution also goes to the govern-

ment budget, namely that part which is charged on income above the ceiling for earning of pension rights (7.5 times the income base amount under the

National Insurance Act). The old-age pension contributions transferred to the government budget in 2005 totalled SEK 11.4 bn.

Financing the operation

The operation is mainly financed through central government appropriations but also through contribution revenues relating to its own result areas:

- administration of income-based old age pension
- administration of family benefit
- administration of small business insurance
- administration of the Insurance Medical Centre (FMC)
- administration of the Stress Institute (Stressinstitutet).

The table below aims to provide an overall picture of the Swedish Social Insurance Agency's financial position by also showing the results for the grant and the appropriation-financed operation.

To finance its own result areas contribution revenues are utilised. The administration of income-based old age pension is a separate result area financed through remuneration from the Swedish Pension Insurance Fund and the Premium Pension Authority. At the start of the year The Swedish Social Insurance Agency had a surplus for this result area of SEK 16 million.

The Swedish Social Insurance Agency's financial position 2005, SEK thousand						
	Appropriation finance	Own result areas				
		Old age-pension	Family benefit	Small business insurance	Insurance Medical Centre	Stress Institute
Opening surplus or deficit ¹⁾	-19 111	16 354	192	-590	-24 266	7 093
Revenue						
Income from appropriations	7 503 477					
Income from charges		909 790	5 600	3 090	91 362	16 743
Other income	51 975	0	0	0	127	374
Total	7 555 452	909 790	5 600	3 090	91 489	17 117
Expenses	-7 671 750	-786 826	-3 957	-2 082	-95 075	-15 722
Change for the year	-116 298	122 964	1 643	1 008	-3 586	1 395
Correction accrued expenses	319 135				37 756	
Closing surplus or deficit	183 726	139 318	1 835	418	9 904	8 488

¹⁾ Refers to opening appropriation saving and opening change in capital brought forward for result areas.

During 2005 the surplus increased by SEK 123 million to SEK 139 million.

The operation within Family Benefit and Small Business Insurance etc are result areas only at the county organisation level. The Insurance Medical Centre (FMC), which is a special result area within the county organisation in Östergötland, reported a surplus of SEK 10 million at the end of the year. The Stress Institute, which is a special result area in the county organisation in Västra Götaland, reported a surplus of SEK 8 million at the end of the year.

To finance the main part of the operation The Swedish Social Insurance Agency utilises budget appropriation 19:6 appropriation item 1. The development of appropriation saving is shown in the diagram below. For the years 2001–2004 the total

appropriation saving is reported for the then National Social Insurance Board and the 21 social insurance offices.

The main reason for the large appropriation saving in 2005 is that The Swedish Social Insurance Agency had no appropriation credit this year. Where no appropriation credit is used, the agency must create a safety margin in order to avoid the risk of exceeding available funds.

In addition to the administration appropriation 19:6 appropriation item 1 use was also made of a portion of the sickness benefit appropriation 19:1 appropriation item 21 for certain administrative costs relating to collaboration within the rehabilitation area. In 2005 SEK 452 million of The Swedish Social Insurance Agency's administrative costs were financed by these funds.

Cost development of social insurance

The Swedish Social Insurance Agency is responsible for the operation of social insurance. Issues relating to the premium pension, however, are the responsibility of the Premium Pension Authority. The information given in the annual report only relates to the Swedish Social Insurance Agency.

All allowances and benefits administered by the Swedish Social Insurance Agency can be attributed to one of the different policy areas included in the social insurance's area of responsibility. The summary below shows how the cost, broken down according to insurance costs and administrative costs in SEK million, has been developed over a three-year period for each policy area. The total costs of the social insurance in 2005 came to SEK 433 billion, which is an increase of just over two per cent from the previous year.

Insurance costs

The insurance costs in 2005 totalled just over SEK 425 billion. Based on each policy area's development of insurance costs *Compensation for incapacity for work* shows a somewhat larger increase in insurance costs while the development of the insurance costs within *Old-age policy* has levelled out. The change in both policy areas is largely due to the fact that the reporting routine of Housing Supplement for Pensioners for persons receiving sickness or activity compensation during the year was transferred from *Old-age policy* to *Compensation for incapacity for work*, a total of around SEK 4 billion. The cost of the income pension system has continued to increase due to the positive indexing and the

good income development in the community. The insurance cost for the *Health and Medical Care Policy* has decreased, mostly due to reduced costs within Dental Care. The reduction is a result of the increased balances within the high-cost protection which meant that lower dental care benefits were paid out than previously. The insurance cost within the *Disability Policy* has increased comparatively strongly, mostly as a result of increased costs in the assistance allowance.

Administration costs

The administration costs in 2005 came to just over SEK 8 billion. The total amount does not include costs for export of services and external orders of around SEK 3 million. The increase in the total administration cost between 2004 and 2005 is partly due to increased premises costs for the county organisation. This is because the premises, which were previously owned by the Swedish Social Insurance Agency, were taken over by the National Property Board when the authorities were merged. The attributable cost was SEK 96 million. On the whole most policy areas show relatively stable cost changes. For the policy area *Family policy*, however, the administration cost has increased to a fairly large extent during the year. The increase can be traced to rising costs within the case types parental benefit and temporary parental benefit. The reason is increased resources within the case handling system. The policy area *Old-age policy* shows reduced costs resulting from decreased administration costs within the old age pension.

Social insurance cost development, SEK million ¹⁾

	2003		2004		2005	
	Insurance	Administration	Insurance	Administration	Insurance	Administration
Compensation for incapacity for work	113 224	2 920	114 206	3 050	118 401	3 140
Action against ill health ²⁾	1 052	1 199	1 265	1 281	1 130	1 222
Health and medical care policy	2 980	256	3 560	256	3 340	253
Family policy	57 745	1 846	59 505	1 835	61 022	2 001
Disability policy	11 405	131	12 995	133	14 603	131
Old-age policy ³⁾	207 501	1 576	214 471	1 586	215 278	1 507
Other payments	9 622	196	9 858	204	11 586	207
Total ⁴⁾	403 529	8 126	415 860	8 346	425 360	8 462

¹⁾ The administration costs are counted exclusive of change in pension liability.

²⁾ The costs for the Insurance Medical Centre (FMC) are not included in the insurance expenditure for action against ill health. The insurance expenditure for FMC in 2005 is SEK 89 million, SEK 116 million in 2004 and SEK 77 million in 2003.

³⁾ Including old-age pension outside the central government budget.

⁴⁾ The total amount does not include costs for FMC and the stress institute nor for external orders and export of services. Costs for external orders and export of services totalled SEK 3 billion in 2005, SEK 12 million in 2004 and SEK 11 million in 2003.

Summary of results

Results for 2005 – overall assessment

A satisfactory first year for the Swedish Social Insurance Agency

The Swedish Social Insurance Agency believes that the overall result for the authority's first financial year is acceptable, especially bearing in mind that a great deal of effort was devoted to the work of conversion to a new organisation.

The results are mainly good, partly due to the opportunities offered by the new agency structure. Notable among these good results is the area of ill health where most of the trends are positive and where there is every reason to believe that the government's objective of halving absence due to sickness by 2008 will be achievable. Another gratifying result is that production has become more effective. Both productivity and quality are judged to have improved. There are still certain problems in assessing quality development, however: see the section on the Swedish Social Insurance Agency's operation. The improvement in productivity is largely due to the fact that more cases of sickness have been terminated. The quality improvements include a faster processing of most case types.

One of the reasons why the overall result is not considered better than satisfactory is because, in spite of the positive development, there are still far too many people who are absent from work due to ill health. Other results that lower rating are the fact that certain processing times, especially for occupational injury cases, are still too long, that there are sometimes discrepancies in basic information, for among other things, sickness benefit cases and that the new version of the processing support has not initially produced the expected rationalisation effects.

Plan for change for increased effectiveness and uniform application

The good result development during 2005 is partly an effect of earlier development measures but the benefits of the new agency structure have already become apparent in the results. This can be seen particularly in the increased effectiveness within case production where a faster, clearer and more uniform control is one of the explanations for an improved productivity and quality.

Utilising the benefits of the new agency structure creates the potential to improve the results further.

The development work that is needed in order, with the help of the new agency structure, to achieve the long-term objectives that have been set for the operation are contained in the Swedish Social Insurance Agency's plan for change. The plan for change focuses specifically on development measures within those areas emphasised by the government: a uniform application of the law, an effective operation and a good staff policy. The work of change is recorded in a special report that is submitted to the government together with the annual report.

Costs for ill health have started to fall

Within the area of ill health the result development as a whole has been positive during 2005. A break in the trend occurred when the overall expenditure for sickness benefit and sickness and activity compensation started to fall. In addition to this, the incapacity rate, i.e. the number of days of benefit due to work incapacity, has continued to fall. There is every reason to believe that the government's long-term objective of halved sickness absence by 2008 will be achievable. It is also gratifying to see that the regional spread in the incapacity rate is falling.

As before, a reduced incoming flow to health insurance is the most important explanation for the positive development, but during the year there has also been an increased outgoing flow at an early stage in the sickness case. This is probably an effect of the Swedish Social Insurance Agency's strategy of prioritising early measures in cases of sickness.

However, long-term cases of sickness are also decreasing. The government's objective of reducing the number of one-year cases has been achieved. At the same time the number of people receiving sickness or activity compensation continues to increase, though fortunately at a slower rate than previously.

1 January 2005 saw the introduction of the so-called co-financing reform, which means that employers are responsible for 15 per cent of the sickness benefit throughout the whole sickness case. So far this has been successful. Employers are satisfied with the service and the reception from The Swedish Social Insurance Agency's customer centres and the incentives created by the reform have probably contributed to the reduction in the number of days of sickness benefit taken.

On the whole the results within the area of ill health have improved throughout the year. The

Swedish Social Insurance Agency has contributed to this partly through the implementation of early measures in cases of sickness and a developed collaboration with the players on the labour market and in health and medical care.

Another satisfying trend within the area of ill health is the fact that The Swedish Social Insurance Agency's internal absences through sickness have continued to fall.

A well-functioning pension administration

The new pension system which came into operation in 2003 is working well. The benefits are paid out regularly with the right amounts at the right time and the information to pensioners and others has been improved. The Internet-based portal "Min Pension" ("My Pension" in Swedish) which opened in December 2004 is working well and more and more insurance companies are choosing to log on.

Important targets within family policy achieved

The Swedish Social Insurance Agency's information measures, both written and verbal, geared to both larger groups and individuals, have contributed to the achievement of important targets within the family policy. One of these is that more parents who live apart are choosing to arrange their children's maintenance directly without using The Swedish Social Insurance Agency as an intermediary; another is that the proportion of days of parental leave taken by men is increasing, although the rate of increase is slightly slower than previously.

Shorter processing times

Processing times have also fallen this year for most case types where figures exist. Examples include sickness benefit, temporary parental benefit and SFN cases, i.e. cases decided by social insurance boards, e.g. sickness and activity compensation. A powerful contributory reason for the faster handling of sickness benefit cases is the so-called three-point programme, a programme of measures introduced during the spring and an example of the more effective control that can be achieved with the new authority structure.

Discrepancies in basic information on which certain decisions are made

Developments in terms of how correctly the insurance is being applied are hard to assess. An overall judgement is that no major changes have occurred compared with the previous year. There are still, however, far too many decisions made on inadequate

basic information when it comes to certain benefits, including sickness benefit cases.

Increased productivity in spite of teething problems with the new processing support

Productivity is increasing, mostly as a result of a powerful increase in the number of terminated cases of sickness.

However, although productivity has increased, it is disappointing to see that the technical measures that have been implemented have not yet produced the rationalisation benefits desired. This is mostly due to the new version of the case officer support, ÅHS. This has led to around seven per cent of cases of temporary parental benefit now being processed entirely automatically, but productivity for the cases still being handled manually has initially deteriorated so dramatically that the total time per case for temporary parental benefit cases has increased. Powerful measures have now been implemented to correct these problems. As more and more customers take advantage of the opportunities to use e-identification when requesting temporary parental benefit, the proportion of automatically handled cases will increase, which should help unit times gradually to fall.

More using e-identification

E-identification has been a success area during the year. For temporary parental benefit the proportion of cases where e-identification has been used has increased from four per cent last year to nine per cent this year. For parental benefit no corresponding figures are available but the number of applications with e-identification has increased by 142 per cent compared with 2004. The powerful increase has helped parental benefit this year to achieve the lowest unit time noted since records started in 2001. The Swedish Social Insurance Agency's information campaigns are one reason why the use of e-identification has increased.

More positive customers

Customers' graded assessment of The Swedish Social Insurance Agency has improved for the second year in a row. The improvement is apparent in all four main variables: service, reception, correctness and accuracy, and effectiveness. Even those who have not had contact with The Swedish Social Insurance Agency recently give improved ratings for all the above variables. Some poorer ratings have, however, been noted from citizens in response to general questions about the "image" of The Swedish Social Insurance Agency and social insurance.

Compensation for incapacity for work

Benefits according to area of operation

Measures against ill health: Rehabilitation allowance, contribution towards occupational aids.

Compensation for incapacity for work: Sickness benefit, voluntary sickness benefit insurance, kindred allowance, activity compensation, sickness compensation, occupational injury benefit, and occupational injury annuities, etc.

Cost development for policy area by area of activity, SEK million

	2003	2004	2005
Measures against ill health	1 053	1 265	1 130
Compensation for incapacity for work	113 224	114 206	118 401
Total insurance costs	114 276	115 471	119 532
Total administration costs	4 119	4 331	4 363
Total costs for the area	118 395	119 802	123 895

Description of benefits

Sickness allowance is payable when there is illness that reduces the work capacity of the insured by at least a quarter. The sickness allowance can be paid to the amount of 100 %, 75 %, 50 % or 25 % sickness allowance according to the degree of impairment of working capacity. In the assessment of whether there is sickness, labour-market, financial, and social considerations etc are to be disregarded. A state of reduced capacity for work which has been caused by sickness for which sickness allowance has been paid and which continues after the sickness has ceased is treated as equivalent to sickness.

Work injury benefit in the form of annuity can be paid out for loss of income arising on account of work injury. The capacity to earn income from gainful employment must be permanently reduced or assumed to continue for at least a year and annuity is paid out until the person insured reaches the age of 65. Payment can also be made for medical care outside Sweden, for dental care or for special aids if the need has arisen as a result of a work injury. When a person has been granted compensation for loss of income, primarily in the form of annuity, compensation is also paid for two waiting days. If a person insured has died because of a work injury, funeral assistance and an annuity are paid to the survivor.

Sickness benefit and activity allowance are benefits for reduced work capacity on the grounds of sickness or other reduction of physical or mental capacity if the reduction can be expected to be by at least a quarter and persist for at least a year. There are four levels of sickness benefit and activity allowance: 100 %, 75 %, 50 % and 25 %.

Sickness benefit can be paid to persons aged between 30 and 64 years. If the work capacity is not permanently impaired, temporary sickness benefit is paid. Persons aged between 19 and 29 can obtain activity allowance for a maximum of three years at a time. Persons who because of their disability have not yet concluded their education at compulsory school or upper secondary school level may receive activity allowance for the time it takes to complete their studies.

Overall assessment

The Government's long-term target is to halve absence from work due to ill health by 2008, based on the figure for 2002. At the same time the number of new cases of sickness benefit and activity allowance should decline. The Swedish Social Insurance Agency has been successful in the work of reducing sickness absence and the performance has improved. However, there are still too many people absent from work on the grounds of ill health.

The development of sickness benefit days has been favourable and there is every reason to believe that the government's long-term objective of increased health at work by 2008 will be achievable. The reduced incoming flow to health insurance has so far been the main reason for the positive result development. During the year, however, there has also been an increased outgoing flow in cases of sickness.

The number of people in sickness or activity compensation is still increasing, but at a slower rate. An observation that gives cause for concern is the increase with regard to women and especially the incoming flow of young women to sickness or activity compensation.

The result development for occupational injury insurance is unsatisfactory. The Swedish Social Insurance Agency has not achieved its target of consistency in decision making on annuities and the processing time in the country as a whole is unacceptably long. The work of change has been going on throughout the year under the management of the new collective authority. The work is a continuation of earlier initiatives concerning common work processes, method development and renewal in the organisation.

A reform of employers' co-financing responsibility for sickness absence came into effect on 1 January 2005. The reform means that after the expiry of the period of sick pay, i.e. after 14 days, the employer must pay for the employee who is on full-time sick leave. The cost is 15 per cent of full sickness benefit and is called special health insurance contribution. The purpose of the reform is to increase employers' commitment through financial incentives to take measures that will increase the

conditions for employees on sick leave to be able to work. The reform was carried out with good results. The incentives created by the co-financing reform are probably part of the reason behind the decrease in the number of sickness benefit days. The employers have been compensated for the reform through reduced employer contributions. So far the employers have made a profit in as much as the increases in expenditure have been less than the compensatory reduction in the employer contribution.

In addition to the internal development work, further preparations have been made during the year to develop external collaboration with health and medical care and the social partners. Through the initiative of the Swedish Social Insurance Agency the government has commissioned the Swedish Social Insurance Agency – together with the National Board of Health and Welfare – to design a more quality-assured and uniform sick leave process that safeguards legal rights. The Swedish Social Insurance Agency's preparatory work has also resulted in a government commission in which the Swedish Social Insurance Agency and the National Labour Market Board will work together to reduce the number of people on long-term sick leave.

The policy area in society

All must take responsibility

Health insurance is a part of the social insurance measures which cannot work in isolation from society as a whole. Clear and correct handling of health insurance is a necessary but inadequate measure for achieving good social effects in the form of reduced absence through sickness. What is needed is for all actors involved – the private individual, the employer, the labour market authorities, health and medical care, and the Swedish Social Insurance Agency – to take an active responsibility. It also needs a higher level of cooperation between the parties involved in order to find alternatives to sick leave that make it possible for the individual to continue working.

It is important to maintain good cooperation with the labour market authorities so that active support measures can be implemented to help people back to work.

Health insurance and health and medical care are cornerstones in society's security system for those

affected by sickness or injury. The level of collaboration could, however, be stronger. Healthcare's commitment to the sick leave process, critical reviewing of how sick leave is currently used as a treatment method and increased expertise in assessing work capacity are necessary conditions for the continuing work of reducing sickness absence while preserving confidence in the social insurance.

The effects of the Swedish Social Insurance Agency's work can be considerable for insured individuals. The Swedish Social Insurance Agency wishes to emphasise that there must be constant readiness for this development. It requires measures in many different areas, including labour market policy measures.

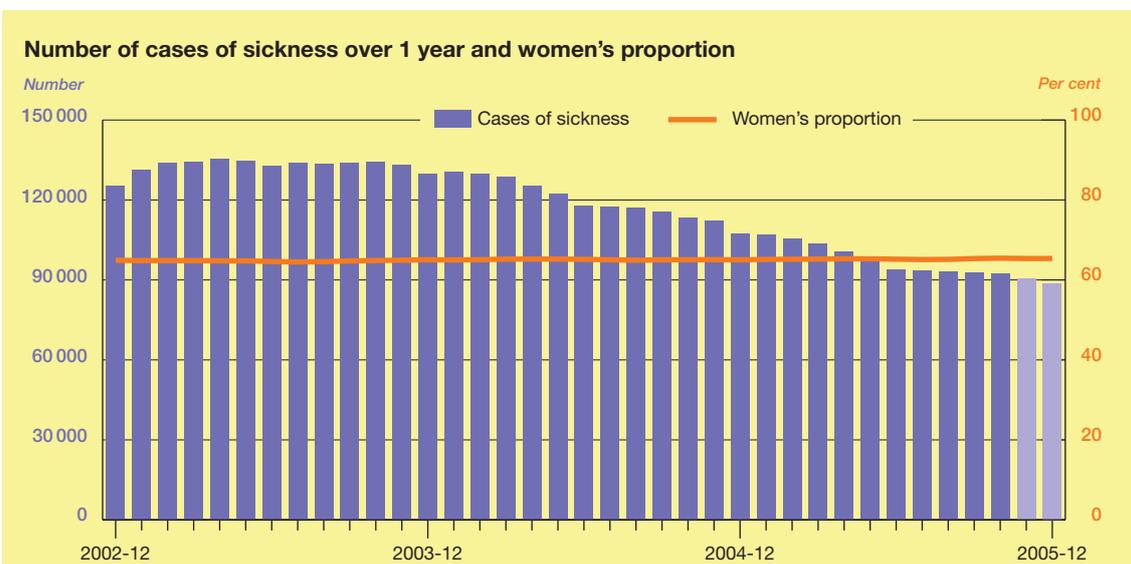
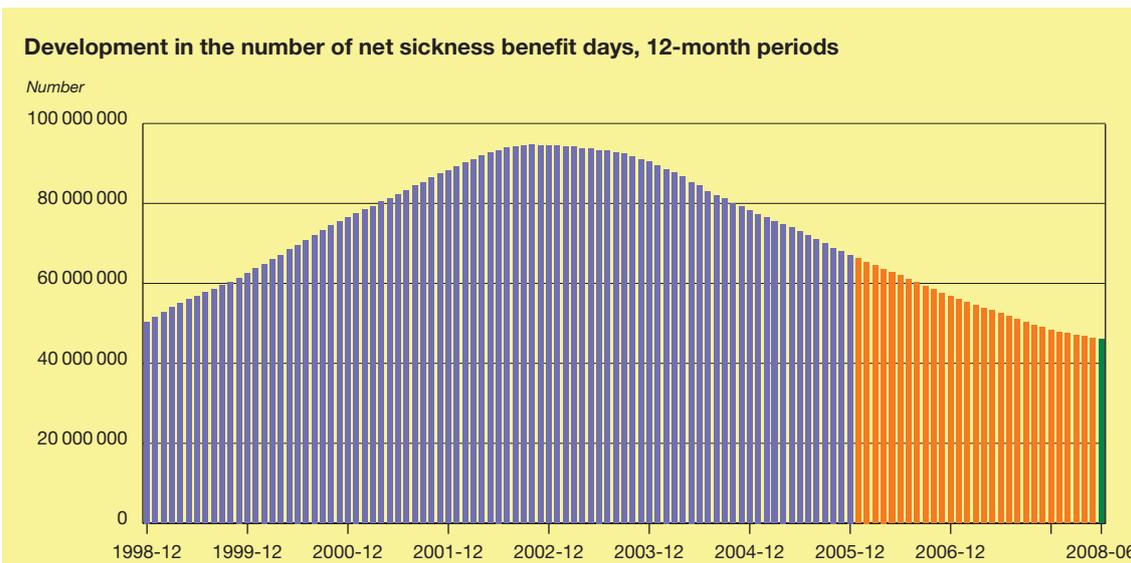
The labour market's demand for manpower is an important factor governing the opportunity to enter working life after sickness. The labour market policy must lead to jobs being offered to people who are leaving social insurance.

The number of sickness benefit days is falling ...

The Swedish Social Insurance Agency’s operationalisation of the government’s long-term objective of halved sick leave is that the number of net days of sickness benefit paid out should not exceed 46 million in June 2008 (12-month figure). Developments during 2005 have been favourable. The diagram shows how the number of net days has fallen from 78.3 million in December 2004 to 67.1 million in December 2005, which means that the year’s interim target of 67.4 million has been achieved with a fair margin. It also means that there is a good chance of achieving the government’s long-term objective.

Long-term cases of sickness continue to decrease – but more cases of sickness started for women ...

There have been tangible reductions during the year in terms of the number of long-term cases of sickness. Between October 2004 and October 2005 the number of people receiving sickness benefit for a period longer than one year fell from 113,451 to 92,202, which is a reduction of 19 per cent. The government’s target has therefore been achieved. Primarily, there is a reduction in the incoming flow of cases of sickness leading to a reduced flow of long-term cases of sickness. The proportion of women sick for periods longer than one year has remained constant at around 65 per cent for many years. The reason why the women’s proportion is higher is due to the fact that they have more cases of sickness started although the cases of sickness have not developed differently compared with the men.

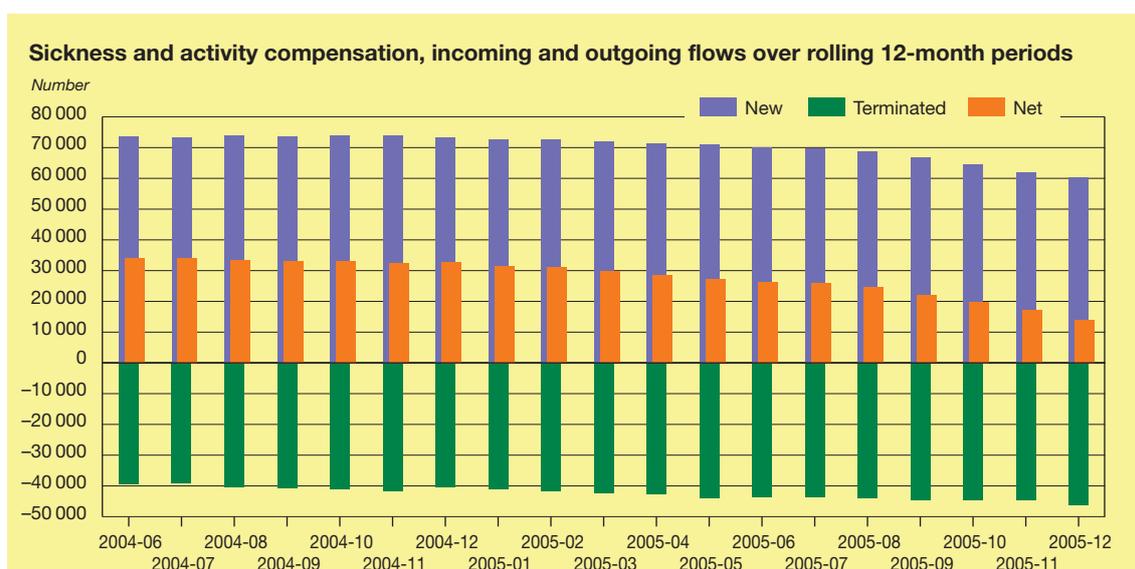


Development of sickness and activity compensation

The reduction in the long-term cases of sickness has influenced the incoming flow to sickness and activity compensation. The connection between these two measures is both tangible and double-edged. In the short term the reduction in long-term cases of sickness has meant an increase in the level of sickness and activity compensation. Since many long-term cases of sickness are terminated through a transition to sickness or activity compensation, the number has increased. In the longer term, however, the reduction in the number of long-term cases of sickness will mean a reduced incoming flow to sickness and activity compensation. The proportion of long-term cases of sickness terminated in ways other than through sickness or activity compensation is largely unchanged compared with the previous year.

The incoming flow to sickness and activity compensation is still greater than the outgoing flow, which is why the number is increasing. The rate of increase has, however, fallen noticeably during the year. The outgoing flow is mostly demographically-related, i.e. exit from sickness or activity compensation usually takes place in connection with taking an old age pension or through death. The outgoing flow to the labour market, however, shows signs of increasing.

The balance between incoming and outgoing flow during the years 2002–2008, which is an important condition for success in terms of the government's objective of increased health at work, must be achieved through a combination of reduced incoming flow and increased outgoing flow. The reduced incoming flow, which will be a natural result of the reduced number of long-term cases of sickness, will not be sufficient.



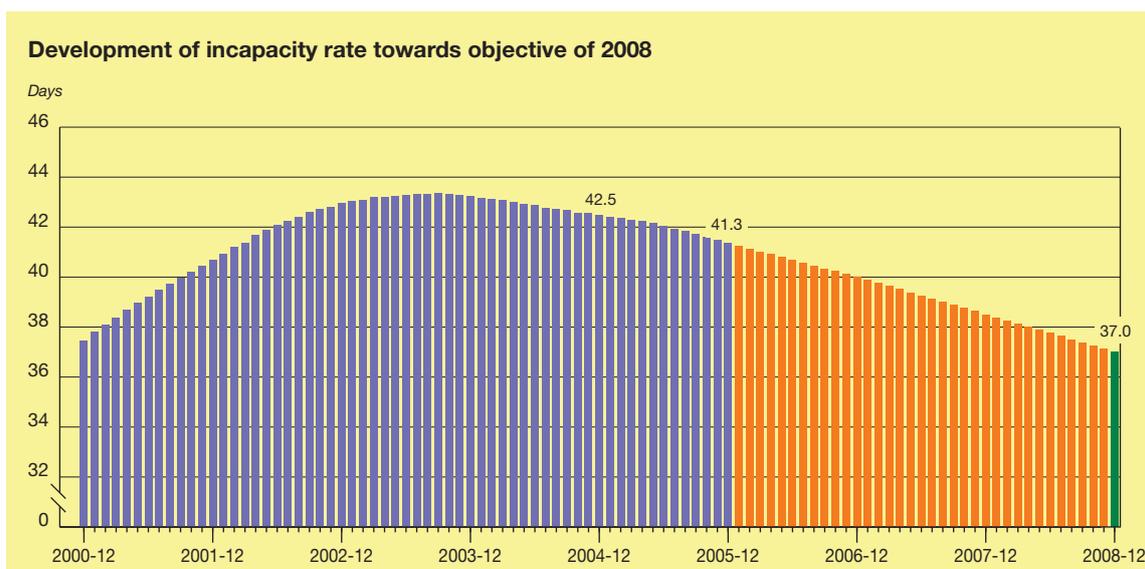
Incapacity rate captures the whole concept

During 2005 the Swedish Social Insurance Agency formulated an objective which captures the whole concept in the task of reducing absence from work on the basis of ill health. The new formulation reads: The incapacity for 2008 must not exceed 37.0. The incapacity rate shows the number of days during a twelve-month period for which benefit is paid either through sickness benefit (including rehabilitation allowance) or sickness or activity compensation, per inhabitant aged 16–64.

The incapacity rate captures the whole concept. A reduction in the incapacity rate cannot be achieved by moving people between the different benefits available in social insurance. One way of achieving an incapacity rate of 37.0 is to halve the sick leave

cases and at the same time make sure that the number of people in sickness and activity compensation in December 2008 is not greater than the corresponding number in December 2004. This links the objective formulated in terms of the incapacity rate to the formulations in the government's long-term objective.

The incapacity rate during the year has fallen from 42.5 days in December 2004 to 41.3 days in December 2005. This means that the year's stage target of 41.5 days has been achieved and that there is a good chance of achieving the objective set for 2008. Sickness and activity compensation accounts for the major portion of the incapacity rate, 28.9 days, while sickness benefit and rehabilitation allowance account for the lesser portion, 12.4 days between them.



Higher incapacity rate for women ...

In December 2005 the women's incapacity rate was 49.9 and the men's 33.0. The generally higher rate for women mostly reflects the fact that the women have more started cases of sickness than men. It is therefore not generally due to the fact that the development of the sickness case is more unfavourable for women than for men. One observation that gives cause for concern is the increase in sickness and activity compensation for women and especially the incoming flow of younger women. When it comes to young women's health problems, it is also possible to show that their long-term cases of sickness are not falling as in the other groups.

The regional spread is decreasing

There is still far too great a regional spread when it comes to the incapacity rate. The spread has, however, decreased during the year. The incapacity rate is falling throughout the country but the improvements are greatest in the northern parts of the country which have a higher proportion of the population absent from work on the grounds of ill health. The decrease in the spread may be a sign that the development measures implemented by the Swedish Social Insurance Agency for a more uniform application of the insurance have started to bear fruit.

Insurance payments have also started to decrease ...

2005 saw a breakthrough when the total outgoing payments for sickness benefit and sickness and activity compensation started to fall. The reduced volumes of net days paid as reflected in the falling

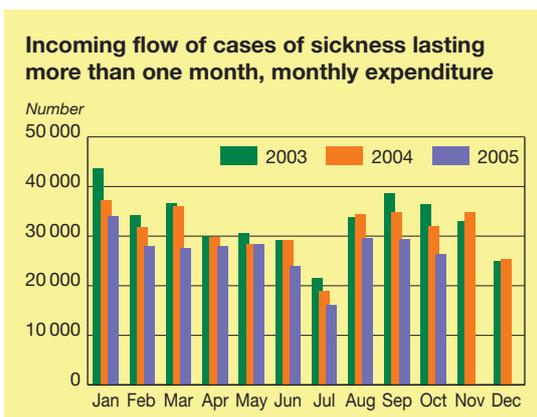
incapacity rate have not immediately led to reduced insurance expenditure. The reason is that the cost for a day rose at the same time. It is still a question of comparatively small changes in terms of the total outgoings. A month's expenditure in 2005 involves around SEK 8.8 billion. The reduction from the previous year comes to a total of SEK 856 or SEK 21 million per month. There are therefore large amounts involved. Due to the enormous size of the expenditure, however, the reduction is only 0.8 per cent compared with the previous year.

Reasons for the successes – prevention, shortening and return ...

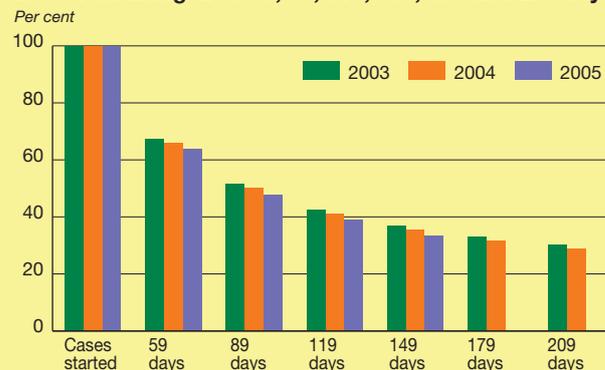
The main reason for the reduced number of sick leave cases is a combination of reduced incoming flow and increased outgoing flow. The incoming flow corresponds to the number of new cases of sickness and the outgoing flow represents the cases leaving health insurance. As can be seen from the diagram below, the decrease between the years is tangible.

The reduced incoming flow is mostly due to the fact that fewer people are applying for benefit from health insurance and not a result of changes in the Swedish Social Insurance Agency's rejection frequency. The rejections are still fairly few and represent less than one per cent of the cases of sickness. The interesting aspect of the improved outgoing flow is the early exits in the cases of sickness. A study has been made of cases of sickness lasting a minimum of 30 days. The outgoing flow has gradually speeded up year by year. One explanation for the reduction in sick leave is that the Swedish Social Insurance Agency's increased activities in cases and initiatives to shorten cases of sickness are now starting to show results.

Other reasons for the changes include the attitudes, values and actions of many of the actors involved. The Swedish Social Insurance Agency's collaboration with health and medical care and the social partners, various information measures and the supply of basic data to the media and increased participation in the debate have helped to increase awareness of the purpose of health insurance.



Cases of sickness that started first half-year for respective years and lasting minimum 30 days and proportion of these remaining after 59, 89, 119, 149, 179 and 209 days



Measures taken by the Swedish Social Insurance Agency

By the end of 2005 half of the time for achieving the government's long-term objective for increased health at work has elapsed. The Swedish Social Insurance Agency has worked further during the year to re-organise its operation to function as a unified authority and has also striven to achieve the government's objective for 2008. During 2005 the Swedish Social Insurance Agency has continued to focus on early measures. Sustainability has been the key word with regard to continued development of the administration and result focusing. The Swedish Social Insurance Agency has also worked actively with long-term sickness cases and sickness and activity compensation.

Development of the policy area

The Swedish Social Insurance Agency has emphasised the importance of not seeing health insurance as an isolated phenomenon in society. Health insurance has strong links to health and medical care and the labour market. For good effects in society as a whole there needs to be collaboration and common goals for key players. The Swedish Social Insurance Agency has therefore worked for a long time in a number of areas to bring about closer cooperation between agencies with regard to the sick leave process by recommending that authorities be given common assignments and operational objectives.

Through The Swedish Social Insurance Agency's initiative the government has commissioned the Swedish Social Insurance Agency – together with the National Board of Health and Welfare – to design a more quality-assured and uniform sick leave process with legal safeguards. The work is to be carried out in consultation with the Swedish Association of Local Authorities and Regions as well as the Swedish Medical Association. In addition to this, the Swedish Social Insurance Agency's preparatory work has resulted in the government commissioning The Swedish Social Insurance Agency and the National Labour Market Board to work together in a joint pilot project to reduce the number of people on long-term sickness.

Attitudes and values

The Swedish Social Insurance Agency's information initiatives aim to reduce the number of new sickness cases and short ongoing sickness cases by increasing understanding of health insurance and its purpose. During 2005 health insurance has been the focus of media attention. The Swedish Social Insurance Agency's information initiatives and opinion-forming activities during the year have mainly been geared towards employers and representatives from health and medical care through advertising, seminars, conferences, trade fairs and debates. The

Swedish Social Insurance Agency has contributed to the debate in society on ill health by, among other things, providing key players with basic information. The Swedish Social Insurance Agency believes that the public debate which has been going for some considerable time has increased understanding of health insurance and has probably been a contributory factor in the reduced incoming flow of new sickness cases. Confirmation that the understanding of health insurance has increased is not, however, to be found in the study reported in the section entitled Information.

Early measures

Statistics show that the longer a sickness case continues, the greater the risk that the person on sick leave will not return to work. After three to four months' sickness absence the risk of remaining on sick leave a further month is over 80 per cent. The Swedish Social Insurance Agency has therefore increased its activity in the cases, especially early in the sickness case. Most counties have been able to convert their organisation or redistribute resources to or within the area of ill health in order to work according to the methods and shorten handling times. The Swedish Social Insurance Agency believes that these measures are effective and stimulate early outgoing flow in the sickness cases. A record of the fact that the early outgoing flow in the sickness case has increased and that processing times have improved can be found in target fulfilment for the policy area and case production.

Increased uniformity and correct handling of health insurance

In order to increase uniformity in the insurance application, common processes, working methods and application supports have been developed. Both the common handling processes and the application supports aim to contribute to increased uniformity and correct handling within the health insurance. During 2005 work has continued by starting the introduction of common working processes throughout the whole county organisation. Other measures that have been taken to increase uniformity and ensure correct handling are regular result follow-ups at all levels and continued training measures.

Collaboration with health and medical care

During the year the collaboration measures with health and medical care have been developed. The commitment of health and medical care in the sick leave process is vital in achieving greater precision with sick leave. Training measures in insurance medicine for the medical profession and other groups within health care have continued throughout the year. Measures to achieve improved communication with health and medical care with regard to sick leave and work capacity assessment have been carried out.

Collaboration with the labour market participants, the social partners

The Swedish Social Insurance Agency's strategy is to deepen and develop the collaboration with the social partners in order to achieve a working chain from sick leave through to return to work.

The social partners and authorities such as the National Labour Market Agency help with active measures within their areas of activity to develop this collaboration further.

Collaboration with the National Labour Market Agency

The collaboration with the National Labour Market Agency has continued to be developed with the annual common action plan as a basis for the work of supporting unemployed people on sick leave. From and including 2005 the group of unemployed people receiving sickness and activity compensation has also been included in the collaboration. In December 2005 just over 26,000 people had received support from the authorities and 8,800 of these had been able to terminate their sick leave and begin work or train since the start in April 2003.

Health and medical care policy

Benefits by area of activity

Dental care: Dental care.

Health and medical care: International health care, disease carrier's allowance.

Development of costs of policy area by area of activity, SEK million

	2003	2004	2005
Dental care	2 597	3 129	2 746
Health and medical care	383	431	595
Total insurance costs	2 980	3 560	3 340
Total administration costs	256	256	253
Total costs for the area	3 236	3 816	3 593

Explanation of benefits

Dental care insurance means that you do not have to pay the whole cost of dental care yourself. You are covered by dental insurance from the year you attain the age of 20.

Health care when abroad gives the insured the right to health care or retrospective compensation for treatment received abroad in various situations.

Dental care

The quality of processing of the dental care insurance is predominantly good. During the year, The Swedish Social Insurance Agency has carried out measures intended to increase competition in the dental care market and to increase awareness of variations in the pricing of dental treatments. Among other things, the Swedish Social Insurance Agency has provided clear information about the

possibility of compensation for dental treatment abroad, carried out a nationwide price campaign and updated price comparisons of various treatments on the agency's website. A report published by the Swedish Social Insurance Agency in October 2005 shows that price increases in dental care have diminished. Public awareness of price variations is still low.

Health and medical care

The costs of health care abroad are associated with Swedish membership of the European Union and with health care agreements between Sweden and other countries. The costs in the area of activity can be broken down into a number of sub-categories – tourist care, pensioner care, convention care, and health care services.

Costs in the area have increased in line with increased European cooperation, an expanded union and increased knowledge about rights and opportunities in an integrated Europe. Several judgments in the EU Court have in recent years confirmed the right of EU citizens to compensation for health and

medical care received in another member state. The judgments have challenged the national health care systems and initiated an ongoing discussion about how cross-border care should be developed in Europe.

Compensation for planned treatment in another EU/EEA country or Switzerland

There has been a sharp increase in 2005 in the number of persons applying for compensation for planned treatment in another EU, EEA country or

Switzerland. In 2005, 954 applications were granted for compensation for planned treatment, which can be compared with 2004 when 147 were granted. Dental care is the most common form of treatment and Finland, Estonia and Spain are the countries most visited by Swedes to obtain dental care. Finland and Germany are the most visited countries for planned medical treatment. The Swedish Social Insurance Agency has noted a sharp increase in cross-border treatment in Norrbotten, near the border with Finland.

Being able to buy treatment on the international market is a new situation for most people. However, with increasing European integration where patient mobility is a natural part of everyday life, patients also demand to have increased information about their rights. The Swedish Social Insurance Agency has produced guidelines, information material, application forms etc. to facilitate the spread of information about the possibility of obtaining treatment abroad. Interest in treatment abroad has increased markedly since then and there is nothing to indicate that this trend is going to slacken. In the absence of national legislation that corresponds to the requirements of community law, a number of problems of application that are difficult to resolve have arisen. Priority must be given to adopting national legislation that clarifies the requirements and criteria for treatment for which compensation can be obtained and protection for the individual patient

in order to guarantee uniform application of EC law which safeguards legal rights at the national level.

In addition to subsequent compensation for planned treatment abroad, the Swedish Social Insurance Agency can also grant advance permission for treatment within the EU/EEA or Switzerland. However, this takes place to a rather small extent, the Swedish Social Insurance Agency grants about 100 advance permits a year.

The European Social Insurance Card (EU card)

The European social insurance card (EU card) was introduced on 1 June 2004. This card entitles to essential treatment during a temporary stay in the EU/EEA or Switzerland. Since June 2004, approximately 2.8 million cards have been ordered in Sweden. The popularity of the card has increased knowledge about the insurance, although the Swedish Social Insurance Agency's credibility has been called into question in many cases since the card has not worked satisfactorily in all European countries. Every member state is responsible, however, for the card working properly at the national care providers. Continuous discussion is taking place on these problems at EU level and they are hopefully of a temporary nature.

Family policy

Benefits by area of activity

Insurance: Parental allowance, temporary parental allowance, pregnancy benefit, child's pension and child-rearing pension rights.

Needs-tested allowances: Housing allowance, maintenance support, care allowance for handicapped child.

General allowances: General family allowance including large family supplement and extended child allowance, adoption expenses grant.

Cost development by area of activity, SEK million

	2003	2004	2005
Insurance	26 846	28 580	29 504
Needs-tested allowances	9 901	10 017	10 024
General allowances	20 998	20 907	21 495
Total insurance costs	57 745	59 505	61 022
Total administration costs	1 846	1 835	2 001
Total costs for the area	59 591	61 340	63 023

Description of benefits

Parental allowance should help to enable both parents to combine parenthood and gainful employment. When a child is born or adopted, parental allowance is paid to the parents for a total of 480 days. For 390 days the parental allowance is a minimum of SEK 180 per day (basic level) or 80 per cent of the qualifying income. For the other 90 days the benefit is SEK 60 per day. The days may be drawn until the child reaches the age of 8 years.

Temporary parental allowance can be paid when the parent needs to stay away from work because the child is ill or carrying an infection. In the normal case the payment is made when the child is under 12. For children covered by the Disabled Persons' (Support and Service) Act, there are special rules. The temporary parental allowance also covers the ten days to which a father is entitled in connection with the birth of a child. Persons who have just become adoptive parents are entitled to five of these days each.

Maintenance support can be paid to children whose parents do not live together. A parent who does not live with their child shall pay child support to the parent with whom the child lives. If the parent does not pay child support or pays a low amount, The Swedish Social Insurance Agency can pay maintenance support. The parent with whom the child lives receives the support and the other parent shall wholly or partly reimburse the Swedish Social Insurance Agency for the maintenance support paid.

Housing allowance should give financially disadvantaged households the ability to provide themselves with satisfactory accommodation of adequate size. Families and young childless couples can obtain housing allowance. The amount of the allowance is determined by the composition of the household, the size of the income and the cost and size of the accommodation.

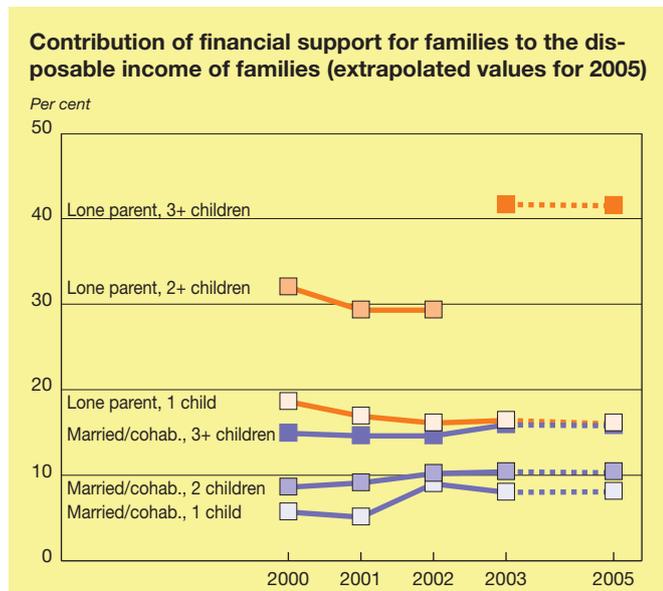
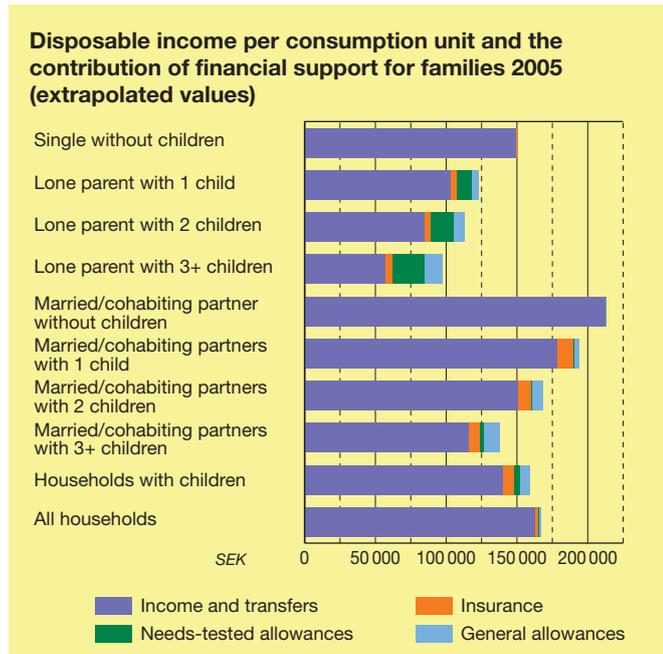
Overall assessment

The proportion of families with a low economic standard is increasing

While family policy has been very important for evening out the financial situation of families with and without children, the differences between households with and without children have none the

less increased slightly in recent years. Between 2003 and 2005, the average disposable income per consumption unit has increased as much for households with as for those without children¹⁾. At the same time, the proportion of households with children with a low financial standard has increased slightly during this period and there has been a sharper increase than for other households. The situation is particularly difficult for households with a lot of children; every third lone parent household with three or more children has a low financial standard. The corresponding figure for two-parent households is every fifth household.

Household without children have the highest average disposable income (adjusted for the size of the household). Households with two adults have higher income than lone-parent households, while large families have the lowest income. The diagram also shows that family policy makes an important contribution to the disposable income of families with children. For families with children, financial support to families makes up 12 per cent of their disposable income. Accordingly, this financial support evens out differences in financial conditions between families with and without children. The greatest evening out occurs for lone-parent families.



Disposable income

Disposable income is the total income of a family including allowances and deducting taxes and other negative transfers. Disposable income per consumption unit is the disposable income related to the number of dependants. A calculation is made to enable comparisons to be made between different types of family. Every person in the family is given a weight in accordance with an “equivalence scale”. The weights of the different family members are added together and the disposable income is divided by this amount. Disposable income is stated in this section in current prices.

Financial support for families is most important for lone parent households although the proportion of disposable income from financial family support has decreased between 2000 and 2005. Households consisting of cohabiting partners or married couples have, however, received an increased share of their disposable income from this. Transfers to two-parent households mostly consist of insurance and gen-

¹⁾ In this section, income statistics for 2005 have been extrapolated on the basis of the actual income statistics for 2003. This calculation has been made with the aid of Statistics Sweden’s simulation model FASIT. Known regulations and tax rates have been included in the programme. Assumptions are made on the development of employment and wages based on assessments from the National Institute of Economic Research. The increase in child allowances and the large family supplement in autumn 2005 has not been taken into consideration. This increase means that the financial situation of families with children has been strengthened in relation to households without children and the importance of financial support for families has increased. No information is available on the size of this levelling out.

eral allowances while the needs-tested allowances are most important for lone parent households.

Approximately eight per cent of all households with children have a low economic standard. Lone parent households and large families in particular have a vulnerable financial situation. The proportion of households with a low economic standard has increased between 2003 and 2005, in particular in the case of lone-parent households. If the foreign background of either parent is taken into account, it is clear that there is a higher proportion of these households with a low economic standard than in corresponding households where both parents were born in Sweden.

Low economic standard

Economic standard can be measured in different ways. One way is to define a relative measure that takes into account the distribution of economic standard in society. This measure is usually defined as the proportion of households with a disposable income per consumption unit below 50 or 60 per cent of the median income per consumption unit for all households. The relative measure follows economic development. Since the measure is set in relation to the development of income for the whole population, the threshold for low economic standard is also increased expressed in kronor when the average income in society increases. Here the proportion of households under 60 per cent of median disposable income per consumption unit for all households has been used.

Reduced differences in uptake of parental benefit

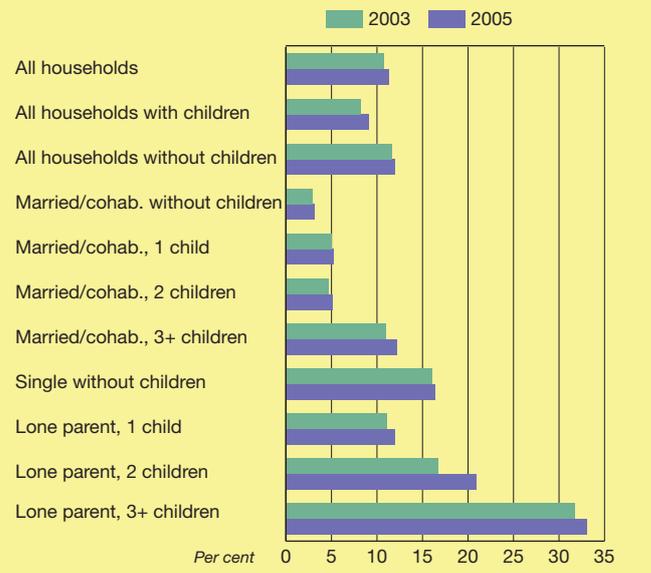
Half of the parental benefit days are allocated to each parent with joint custody. However, women use more days than men even though the difference has successively decreased. In 2005, men took almost 19.5 per cent of all parental benefit days taken. This is a slight increase compared with 2004 when the proportion was 18.7 per cent.

The allocation of days between men and women is more equal in the case of temporary parental benefit. However, it is also the case here that women take out a larger proportion of days than men. In 2005, approximately 64 per cent of days were used by women and 36 per cent by men.

An increasing number arrange payment of child support directly

Parents are obliged to maintain their children. In the event of a separation, the obligation to maintain children can be performed in different ways. One way of performing this obligation is through residence. A parent who lives half of the time with the child complies with their obligation in this way.

Proportion of households with low financial standard (extrapolated values for 2005)



Another way is to pay child support if the parent does not live permanently with the child. When a parent who is liable to support a child cannot or does not wish to pay child support, The Swedish Social Insurance Agency can pay maintenance support at as most SEK 1 173 per child and month.

The proportion of children whose parents arrange child support directly between them has increased for several years. In December 2005, the Swedish Social Insurance Agency paid full maintenance support for around 239 000 children aged between 0 and 17. At the same time, there were around 510 000 children in the same age interval who did not live with both parents. Disregarding parents who are not financially able to contribute to their child's support, this means that parents arranged child support directly between them for approximately 64 per cent of all children of separated parents. In 2004, the proportion was 63 per cent and in 2003 61 per cent.

Disability policy

Benefits by policy area and area of activity

16 Disability policy – *Area of activity – contributions to participation and gender equality:* Attendance allowance and Car allowance for the disabled.

19 Compensation for incapacity for work – *Area of activity – compensation for incapacity for work:* Disability allowance.

21 Family policy – *Area of activity – needs-tested allowances:* Care allowance for handicapped child.

Cost development for area of activity, SEK million

	2003	2004	2005
Attendance allowance ¹⁾	11 165	12 749	14 335
Car allowance for the disabled	240	246	268
Disability allowance	1 200	1 205	1 173
Care allowance	2 233	2 407	2 541
Total insurance costs ²⁾	11 405	12 995	14 603
Total administration costs	131	133	131
Total costs for the area	11 536	13 128	14 734

¹⁾ The total includes payments for which the municipality is liable. Municipalities meet the cost of the first 20 hours of assistance per person and week. Net cost after payments from the municipalities: SEK 11 354 m (2005), SEK 9 661 m (2004), SEK 8 688 m (2003).

²⁾ Disability allowance and childcare allowance belong to the policy areas Compensation for incapacity for work and Family policy and are therefore not included in total costs for Disability policy.

Description of benefits

Disability allowance is granted to persons who have reached the age of 19 but not 65 and who during this time suffer a reduction in functional capacity for an appreciable period and therefore need help from another person in the activities of daily living or have substantial additional expenses. The benefit may be granted at the rate of 36, 53 or 69 per cent of the price base amount. Disability allowance can be granted to a person irrespective of whether she or he has a capacity for work. It is the degree of assistance needed in daily life or the amount of the additional that determines.

Childcare allowance is granted to a parent to enable the parent to care for a sick or disabled child with a special need of care or supervision. The childcare allowance also compensate for high additional costs caused by the child's illness or disability. The allowance is granted a 1/4, half, 3/4 or full childcare allowance. The allowance can be granted up to the age of 19.

Assistance allowance is an allowance to pay for personal assistance for a person who, due to a disability, has a need of personal assistance for his or her basic needs during an average of more than 20 hours a week. The municipality is responsible for payment of personal assistance for the first 20 hours per week. The individual has a high level of influence over how the assistance is to be provided. In 2005, the amount paid was SEK 212 per hour. Assistance allowance can be granted up to the age of 65 although the payment can be retained after this age.

Car allowance for the disabled is a grant for purchasing or adapting a car or other vehicle. It is given for a child or adult who has substantial difficulty in moving or in using public transport. The allowance given in the form of basic allowance, purchase allowance, adaptation allowance and driver training.

Overall assessment

The overall goals for the Swedish Social Insurance Agency's work for persons with disabilities are the goals of disability policy of a community based on diversity, for society to be organised in such a way that persons of all ages with disabilities can participate fully in the life of the community and equality in conditions of life for girls and boys, women

and men with disabilities. These goals apply generally to the whole of society and the Swedish Social Insurance Agency's task is to strive to fulfil the goals within the area of activity for which it is responsible. This includes working from a customer perspective for quality improvements in the targeted allowances to persons with disabilities.

One measure of the quality of processing is the time that the customer has to wait for a decision in his or her case. The improved performance in recent years in processing times has continued in assistance allowance and disability allowance although the rate of improvement has slackened. Processing times have also decreased slightly for car allowance for the disabled. However, the positive trend has been reversed in childcare allowance where there has been a slight increase in processing times. One negative result is that the spread of processing times between counties has increased for two out of three benefits. Only in the case of assistance allowance has there been some reduction in this spread.

Besides improving the quality of processing of the allowances targeted on persons with disabilities, work is being carried out to comply with the goals of disability policy in the sector where the Swedish Social Insurance Agency is responsible for disability policy. This work aims to introduce a disability perspective throughout the Swedish Social Insurance Agency's activities and in the work with all

insurance schemes. Priority areas are to make the customer-oriented work accessible and usable for all, to improve customer treatment, to work for the Swedish Social Insurance Agency to be able to recruit disabled persons and to work for increased employment of persons with disabilities. In this area as well, the results have been mixed although it is gratifying that the Swedish Social Insurance Agency's website has performed well in this area. During the year, the web magazine Internet World declared it to be one of Sweden's best agency websites. The magazine has declared the Swedish Social Insurance Agency.se to be Sweden's third best agency website and one of Sweden's three best agency websites for persons with disabilities in two independent tests.

The reorganisation of the Swedish Social Insurance Agency has slowed down the work of producing and implementing plans for accessibility and improved treatment somewhat. At the same time, the new organisation provides a better foundation for effective work in the future.

The policy area in the community

Global environmental analysis in sector responsibility

According to government guidelines, the Swedish Social Insurance Agency is responsible in its sector of disability policy for carrying out a global environmental analysis of the factors that affect the ability of the organisation to comply with the goals of disability policy. This indicates that the historical development of the benefits administered by the Swedish Social Insurance Agency and the development in the society in general affect how well the goals of disability policy can be complied with. The conclusions are that legislation should be more clearly linked with the goals of disability policy, changes should be made in the criteria of assessment in the legislation and at the Swedish Social Insurance Agency, the contacts of the individual with the welfare state should be simplified and the division of responsibility between different sectors should be clarified.

The goals of disability policy are a modern creation expressed in the national plan for disability policy of 2000. This means to some extent a new political direction through its emphasis on adapting society instead of support and service with a view to compensating for disability.

At the same time, many benefits have a long history and are often designed to compensate individual deficiencies from an ill-health perspective.

Many solutions and decisions by the Swedish Social Insurance Agency on entitlement to compensation are therefore based on medical assessments, which means that the social consequences of the disability often risk being neglected. Changes should therefore be made in the basic design of the support and the Swedish Social Insurance Agency's criteria of assessment to better comply with the intentions of modern disability policy.

The historical development of different benefits within and outside social insurance has also created a hard-to-overview patchwork of rules and different bodies that the individual has to deal with depending on his or her life situation. This means that great responsibility is placed on the individual to navigate through the welfare system to be able to safeguard their rights.

The analysis also indicates that the financial opportunities for participation and equality for persons with disabilities are affected by the link between social insurance and the labour market. For many social insurance benefits, compensation is based on income from employment, and inequality in the labour market is accordingly reproduced in the social insurance system. This reinforces the financial vulnerability of many persons with disabilities who have difficulties in obtaining a foothold on the labour market, which excludes an increasing number of people by ever higher requirements.

Another identified factor that affects compliance with the goals of disability policy is that the financial strains for various agencies create incentives for the different principals to pass on costs elsewhere and to carefully define the limits of their responsibility. There is then a risk of this affecting the individuals who fall between the limits of responsibility defined by the authorities. This problem could be reduced by a clearer distinction between the purpose of various forms of social support and who is responsible for these.

Personal representatives

Some functions have been created to assist persons with disabilities partly in response to the complexity of the welfare system. One such function is personal representatives to persons with mental disabilities who are to simplify contacts and ensure that different agencies cooperate around the individual. The activity with personal representatives is operated on a voluntary basis by the municipalities but they must collaborate with other agencies such as the Swedish Social Insurance Agency. Personal representatives exist in around 80 per cent of the municipalities. A survey of the Swedish Social Insurance Agency's work with personal representatives shows that all but one county organisation takes part in this work with a total of five full-time equivalents. The Swedish Social Insurance Agency's combined experience of representatives is that they are very useful for persons with mental disabilities although it considers that clearer structures should be created at county level for how work should be carried out between different actors.

Disability and ethnic background

The Swedish Social Insurance Agency's sector responsibility for disability policy is controlled by aims at community level to increase diversity and counteract inequality for persons with disabilities. Other perspective issues in the Swedish Social Insurance Agency's activities aim at increased diversity to counteract discrimination and inequality on the basis of gender, age, sexuality and ethnic background. During the year, the Swedish Social Insurance Agency has surveyed the performance of social insurance for persons with disabilities depending on their country of birth.

The survey does not show any clear statistical differences between the extent to which persons born in Sweden are granted targeted benefits for persons with disabilities. The differences that exist are also hard to interpret. However, in general, adults born abroad tend to have a lower benefit than adults born in Sweden while the opposite applies for children. The survey also provides a picture of how persons with a foreign background experience their treatment by the Swedish Social Insurance Agency. They say sometimes that they have problems due to language difficulty in finding information and understanding the basis for different assessments. The general deficiencies in support and information which person with disabilities born in Sweden experience risk therefore being intensified for persons with little knowledge of Swedish.

Development of the benefits targeted on persons with functional disabilities

Number of persons granted assistance ¹⁾	2003			2004			2005		
	Total	Per cent women	Per cent men	Total	Per cent women	Per cent men	Total	Per cent women	Per cent men
Attendance allowance ²⁾	11 810	47	53	12 619	47	53	13 460	47	53
Car allowance ³⁾	3 685	47	53	3 487	48	52	3 812	48	52
Disability allowance ²⁾	61 135	54	46	61 188	54	46	61 101	55	45
Care allowance ^{2) 4)}	34 073	89	11	36 346	88	12	38 076	88	12

¹⁾ The figures exclude retroactive decisions to simplify the comparison over time. Retroactive decisions were previously reported.

²⁾ The figures refer to the number of persons in the month of December in the respective year.

³⁾ Refers to the number of persons who have been granted basic, purchase and/or adaptation grants during the year.

⁴⁾ Refers to the number of child care allowances. If the payment of child care allowance is shared between the parents, this is considered as a child care allowance. The distribution between the sexes refers to all recipients of the allowance, however.

Old-age policy

Benefits by area of activity

Benefits in old age: Guarantee pension, housing supplement to pensioners and maintenance support for the elderly.

Payments to survivors: Adjustment pensions, widow's pension and a special form of guarantee pension for these benefits.

Old-age pension system outside the national

budget: Income pension, supplementary pension and premium pension.

Cost development for policy area by area of activity, SEK million

	2003	2004	2005
Benefit in old age	36 345	35 306	30 273
Payments to survivors	15 612	15 926	15 856
Old-age pension system outside the central government budget	155 544	163 238	169 149
Total insurance costs	207 501	214 471	215 278
Total administration costs	1 576	1 586	1 507
Total costs for the area	209 077	216 057	216 785

Description of benefits

Guarantee pension is intended to give the pensioner a certain minimum pension. The amount of the guarantee pension depends on the length of the period of insurance for which the individual has qualified. Forty insurance-years are required for the right to full guarantee pension.

Housing supplement to pensioners can be granted to people who have old-age pension, sickness benefit or activity allowance, widow's pension, special survivor's pension, wife's supplement or similar benefit under the legislation of another EU/EEA country. Housing supplement is not granted with old-age pension drawn before the age of 65. The amount of the housing supplement depends on the accommodation cost and the income and wealth of the person insured. Maintenance support for the elderly can be paid from the month when the person insured reaches the age of 65. The support can be paid if after deduction for a reasonable accommodation cost the income is below that for a reasonable standard of living.

Adjustment pension can be paid to a surviving woman or man who has not reached the age of 65 and who has been living permanently with her or his husband or wife. The period for which adjustment pension can be paid has been extended from 10 months to 12 months with effect from 2005. The amount of the benefit depends on the pension rights that the deceased person had earned prior to the old-age pension. Guarantee pension can be paid out with the adjustment pension.

Maintenance support for the elderly can be paid from the month when the person insured reaches the age of 65. The support can be paid if after deduction for a reasonable accommodation cost the income is below that for a reasonable standard of living.

Widow's pension can be paid to a woman who has been married to the deceased both at the end of 1989 and at the time of death. The amount of the benefit depends on the pension points of the deceased (pension points up to and including 1989 for women born in 1945 or later). Guarantee pension can be paid with widow's pension to women born in 1944 or earlier.

Old-age pension can be paid as from the 61st birthday of the person insured at the earliest. The old-age pension consists of income pension, premium pension and guarantee pension. For people born between 1938 and 1953 the old-age pension also includes supplementary pension. The pension is based largely on the income that the person insured has had during earlier life. The old-age pension can be drawn as 100 %, 75 %, 50 % or 25 % benefit.

Overall assessment

The pension system has continued to function as expected. Pensions and other related benefits have been paid to the correct person at the correct amount and at the correct time.

During the year, the Swedish Social Insurance Agency has continued work to improve information to pensioners and the public. Recalculation decisions to pensioners born in 1937 or earlier, which have been considered to be difficult to understand, have been reworked and improved in consultation with pensioner representatives. Information to the members of the public about national basic pensions has also been developed. The pension portal www.minpension.se which has been in use since December 2004 is working well. The Swedish Social Insurance Agency and the Premium Pension Authority work together in the portal to be able to provide a forecast of the future pension taking into consideration both the state pension and occupational pension. During the year, six new insurance companies have joined the portal and a number of companies are planning to join in the near future. At present, the portal covers around 70 per cent of the occupational pension market. Until November 2005 inclusive, around 235 000 persons registered on the portal. The number of visitors on the website is 10 000 per day on average. In 2005, the portal

has developed further and it has now become possible to manually register information about private pension savings, which makes it possible to obtain a forecast including national basic pension, occupational pension and private pension saving.

During the year, extensive work has taken place with the Premium Pension Authority in accordance with the appropriation directions. This work has been intended to improve inter-agency cooperation to increase customer benefit and efficiency. The uncertainty about the future of the pension administration affects the rate of change-related work, however.

The costs of the income pension system (The old age pension system outside the central government budget) have continued to increase. This increase is partly explained by the good development of income in Sweden, which has led pensions to increase. The costs of "Payment in old age" have, however, decreased relatively sharply. This decrease is mainly explained by changed accounting procedures. As from 2005, housing supplement for pensioners for persons with sickness or activity compensation is reported under another appropriation, which has led to a reduction in costs of around SEK 4 billion in the past year.

Policy area in the community

Assets exceed liabilities in the income pension

The strength of the income pension system is measured by the balancing figure. The balancing figure for 2006 is 1.0014 which refers to the relationship between the system's assets and liabilities on 31 December 2004. Assets total SEK 6 253 billion and exceed liabilities by SEK 9 billion. Assets increased during the year by over SEK 211 billion while liabilities increased by SEK 260 billion. Accordingly, the pension system showed a loss of SEK 49 billion in 2004. Current forecasts for the income index show that the indexation of pensions in 2006/2007 will very probably be positive in real terms even if balancing comes into play at the year-end.

The balance figure shows the relationship between the income pension system's assets and liabilities. The assets consist of the flow of contributions and the capital of the national pension insurance (AP) fund. The liabilities consist of the total of pension assets (pension balances and value of ATP points) and the value of pension obligations being paid.

When the balance figure is greater than 1, the assets of the system exceed the liabilities. If the balancing figure is less than 1, the liabilities exceed the assets. Automatic balancing comes into play in these situations. This means that the "interest rate" in the pension system is adjusted downwards to the rate that makes the pension liability not exceed the assets. For the individual, this means that the pension balance or pension do not increase at the same rate as they would have done, had balancing not come into play. If the balance figure is larger than one, after balancing had come into play, the surplus is used to increase "the interest rate" so that the indexation is restored at the rate permitted by the system's financial status.

Changes in the balancing figure over time SEK billion

	2001	2002	2003	2004
Total assets	5 650	5 780	6 042	6 253
Pension liability	5 432	5 729	5 984	6 244
Surplus	218	52	58	9
Balancing figure	1.0401	1.0089	1.0097	1.0014

The Swedish Social Insurance Agency’s administration

Overall assessment

The Swedish Social Insurance Agency considers that the agency has on the whole approached the overall goals for the administration of the social insurance system. The good performance is partly explained by the opportunities afforded by the new agency structure although developments in recent years have also contributed to this development. Performance also improved last year through, for instance, shorter processing times and a reduction in the number of long-term cases of sickness.

The efficiency of operations has been improved during the year. Quality is considered overall to have improved, primarily due to shorter processing times and fewer long-term cases of sickness exceeding two years, although improved ratings from customers have also contributed. In the case of protection of legal rights, which is also part of the quality concept, different indicators point in different directions. An overall assessment is that no major changes have taken place compared with last year. The overall quality has improved at the same time as productivity has improved mainly due to a larger number of terminated cases of sickness.

As regards the credibility of the insurance and its administration, surveys carried out during the year indicate improved credibility as long as the questions asked relate to the more concrete aspects of the operation. However, when questions concern the citizens’ general view of the Swedish Social Insurance Agency or social insurance, the trend is more towards an unchanged or poorer rating.

Although many aspects of the positive development of performance started last year, it is considered that some parts of this year’s improved performance can be attributed to the new agency structure. The integrated agency where county boundaries no longer entail the same barriers has provided increased opportunities for a more uniform, energetic and more flexible management. This concerns, for instance:

- The “three-point programme” that has contributed to faster processing of sickness benefit applications. Decisions could now be made more quickly and tangible effects achieved in processing within the space of a few months. Previously a programme of this kind could only be introduced after a long decision-making

process where all counties had to reach agreement.

- The whole organisation has assisted to shorten processing times for occupational injury cases. County offices with a short processing time have taken over cases from counties with a long processing time. This was not possible previously since cases were tied to a particular county.
- At the start of the year, there was an increase in the processing time for cases concerning dental care for the elderly the processing of which was concentrated in one county. An action plan was produced and from September two other counties assisted in processing these cases. In the autumn, the case balances started to decrease again.
- The launching of the new version of case officer support (ÅHS 2.0) led to running-in problems that delayed processing of applications for temporary parental benefit. A special action programme was produced to remedy this situation. Among other things, a special backlog action group with officials from the county organisation in Stockholm was established to support counties that needed additional assistance. Other measures include an intensified follow-up of performance with increased reporting requirements for certain counties. At the end of January 2006, the case balances have decreased sharply.

During the year, a closer monitoring of the counties’ results has been introduced with an increased element of differentiated county goals, which means that “individual” goals have been set for the counties where such circumstances as initial performance have been taken into account. The regional differentiation in performance has decreased in many cases where differentiated goals have been set, as, for instance, for the incapacity rate, long cases of sickness exceeding two years and the processing time for social insurance board cases. There is a lot to indicate that this is partly an effect of the differentiated goals since these are set in such a way that the demands made are greater on the counties which have had weak performance in the

starting position than those with a better performance.

There is further potential for improving performance by using the benefits of the new agency structure. The development work which is to be carried out to achieve the long-term performance goals set by the agency are described in the Swedish Social Insurance Agency’s plan for change. A follow-up of the first year of the plan for change is being submitted to the government at the same time as this annual report.

Measures against cheating and errors

During 2005, the Swedish Social Insurance Agency has carried out targeted work to prevent the occurrence of cheating in the social insurance system. This has taken place by the agency reinforcing

measures against cheating and errors by a control strategy implemented during 2004. This strategy contains four areas of control: control in processing, control of quality of the processing, control of suspected cheating, and control of improprieties which are to check that officials do not obtain financial or other benefits in the course of performing their work. As part of this control strategy, targeted checks and investigations into suspected cheating are carried out. This has led to the detection of more cheating that is suspected to be criminal. During the year, checks of activity support, false separations, returns of election documents and temporary parental benefit have been made. This work has led to a number of police reports and a number of persons have received court sentences. Police reports have increased most for temporary parental benefit.

Number of police reports 2001–2005					
Area	2001	2002	2003	2004	2005
General family allowance/Maintenance support	44	43	43	52	232
Sickness compensation/Activity compensation	5	14	15	40	54
Sickness benefit	44	86	101	192	229
Housing allowance	20	49	44	102	142
Parental allowance	7	25	38	69	106
Temporary parental allowance	52	65	101	241	518
Housing supplement for pensioners	20	19	7	115	110
Other benefits	20	97	61	119	167
Total	212	398	410	930	1 558

Statistics on the police reports which have been reported back to the Swedish Social Insurance Agency show that prosecution has taken place in 150 of the 673 reported cases, i.e. 22 per cent of the reports made. In the cases where prosecution has taken place, most cases have been found guilty. The number of guilty verdicts has more than doubled compared with 2004. The fact that a larger number have been found guilty should have a positive preventive effect as a larger number will be reluctant to cheat the social insurance system. It is not possible to say how great the extent of cheating is and what it costs with current measuring methods. However, the risk of detection has increased in 2005 and an increasing number of cheats are reported to the police and prosecuted. There are no direct obstacles in the work to prevent cheating and errors except that the possibility of control is sometimes limited by present confidentiality regulations.

The international arena

The international work of the Swedish Social Insurance Agency covers the fields of service export, application of EC legislation and conventions. In the

field of EU collaboration, the task of the Swedish Social Insurance Agency includes drawing up guidelines and to monitor application of the coordinating rules for social insurance. The agency takes part in the work of several EU commissions and committees supporting the Swedish Government Offices. In addition, the agency is a liaison body, collaborating with international organisations. The Swedish Social Insurance Agency receives a large number of international visits and provides information about Swedish social insurance in other countries.

Export of services

According to its guidelines, the Swedish Social Insurance Agency can carry on export of services for payment. During the year, the Swedish Social Insurance Agency has concluded two projects, one in Lithuania and one in Slovakia. The agency has also started a project in Latvia. All these projects are “twinning projects” financed by the EU. The purpose of the projects is to support the new member states in implementing the rules of social insurance within the EU. This involvement is mutually beneficial, to Sweden from the point of view of creating

contacts for the role of liaison body and for the recipient country in its preparation for applying EC legislation. During the year, the Swedish Social Insurance Agency has also started work with a SIDA-financed project in Lithuania. Service export sales totalled SEK 1.98 million during the year.

International interest organisations

The Swedish Social Insurance Agency participates actively in the international social insurance organisation, International Social Security Association (ISSA), an international interest organisation for the world’s social insurance authorities. The agency is also represented in a UN body engaged in research on social development, the United Nations Research Institute for Social Development (UNRISD).

Export of services, SEK					
Project	Costs	Income	Result of operations	Adjustment of deficit with previous year's surplus	Closing balance
Wages	1 670 378	0	-1 670 378	945	-725
Back office Project preparations	342 158	102 000	-240 158	240	0
Twinning Latvia ¹⁾	673 752	1 467 589	793 837	-85	709
Twinning Slovakia ¹⁾	77 253	0	-77 253	77	0
TAIEX		6 545	6 545	6	0
Twinning Czech Republic ¹⁾	18 287	29 531	11 244	11	0
Latvia Sida	0	502 193	502 193		502
Bulgaria ¹⁾	0	6 321	6 321		6
Total	2 649 496	1 981 847	-667 649	1 194	492

¹⁾ Concluded in 2005

Annual Report – financial sections

Income Statements

Balance Sheets

INCOME STATEMENT (SEK m)	Swedish social insurance agency 2005	Board and social insurance offices 2004
Period 1 January –31 December		
Operating income		
Income from appropriations	7 503	7 404
Income from charges and other payments	1 002	996
Income from appropriations	72	82
Financial income	5	12
Total	8 582	8 494
Operating expenses		
Staff costs	-6 002	-4 778
Accommodation costs	-724	-595
Other operating costs	-1 267	-1 455
Financial expenses	-41	-57
Depreciations and writedowns	-542	-555
Total	-8 576	-7 440
Result of operations	6	1 054
Revenue		
<i>Income</i>		
Income from charges etc. not utilized by the authority	362	1 394
Social security charges	341 285	330 357
General pension charge	74 762	72 287
National old age pension charge	30 091	27 464
Taxes	5 671	5 225
	452 171	436 727
<i>Less</i>		
Revenue contributed to the central government budget from collection activities	-249 699	-244 456
Paid into National Pension Insurance (AP) Funds	-178 668	-172 399
Transfer to premium pension system	-23 805	-20 021
	-452 172	-436 876
Balance, revenue	-1	-149
Transfers		
<i>Income</i>		
Funds received from the central government budget	239 165	247 653
Received from other authorities	11 572	86
Other funds received for financing of allowances	5 381	4 915
Funds received from National Pension Insurance (AP) Funds	169 091	163 179
Financial income	114	126
Financial expenses	-11	-14
	425 312	415 945
Transfers to/utilisation of reserves etc	-32	-26
<i>Costs</i>		
Policy area		
13 Health and medical care policy	-3 340	-3 560
16 Disability policy	-14 603	-12 995
19 Compensation for incapacity for work	-119 531	-118 794
20 Old-age policy	-46 129	-47 910
Old age pension system outside of the national budget	-169 149	-163 238
21 Family policy	-61 022	-59 505
Other benefits	-11 586	-9 858
	-425 360	-415 860
Balance, transfers	-80	59
Change in capital for the year	-75	964

BALANCE SHEETS

BALANCE SHEETS (SEK m)	Swedish social insurance agency 2005	Board and social insurance offices 2004
Period 1 January–31 December		
ASSETS		
Intangible assets		
Expenses for development of software etc. brought forward	1 506	1 526
Rights and other intangible assets	47	39
	1 553	1 565
Tangible assets		
Buildings and land	–	273
Improvement of non-owned property	39	50
Machinery, equipment, installations etc.	346	379
	385	702
Financial fixed assets		
Other long-term receivables	12	17
Inventories		
Inventories	2	–
Receivables		
Accounts receivable	5	6
Receivables from other agencies	410	239
Other receivables	3 006	2 589
	3 421	2 834
Cut-off items		
Prepaid expenses	234	201
Accrued contribution income	14	9
Other accrued income	202	140
	450	350
Settlement with Government		
Settlement with Government	7 165	9 081
Short-term investments		
Bonds and other securities	1 529	1 482
Cash at bank and in hand		
Balance in interest account at Nat Debt Office	510	215
Cash, postal giro and bank	30	146
	540	361
TOTAL ASSETS	15 057	16 392
CAPITAL AND LIABILITIES		
Agency capital		
State	0	0
Donations	6	6
Change in capital brought forward	807	–9 679
Change in capital according to income statement	–75	964
	738	–8 709
Reserves		
Reserves	1 010	1 311
Provisions		
Provision for pensions and similar commitments	141	9 753
Provision for voluntary pension insurance	626	649
Provision for interest on recourse claims	187	185
	954	10 587
Liabilities etc.		
Loan from National Debt Office	1 936	2 037
Other loans	–	38
Liabilities to other agencies	210	206
Accounts payable	587	784
Other liabilities	8 348	9 093
	11 081	12 158
Cut-off items		
Accrued expenses	1 259	1 020
Unutilised contributions	14	25
Other prepaid revenue	1	0
	1 274	1 045
TOTAL CAPITAL AND LIABILITIES	15 057	16 392
Assets pledged	–	–54
Contingent liabilities		
Other contingent liabilities	30	1 518