

# **Social insurance expenditure in Sweden 1999 – 2002**

**Who gets the money and  
how is the insurance financed?**

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## ***Introduction***

In 2000, the total cost of social insurance was just over SEK 343 billion, approximately one sixth of GNP. Despite the cutbacks in the nineties reflecting the social and economic conditions of the time, social insurance continues to play an important role in the lives of individual citizens and in the economy as a whole. Social insurance in one form or another accounts for SEK 25 of every SEK 100 used for private consumption.

The aim of social insurance is to provide financial security for families and children in the event of illness or disability and during old age. In 2000, benefits paid to the aged accounted for almost 50 percent of expenditure, and just over 2.1 million people received some form of pension (including disability pension). Sickness and disability benefits made up just over 30 per cent, while just under 15 per cent was financial support to families and children. The remaining 5 per cent consisted of payments in the labour market area and expenditure on social insurance administration. The table on page 6 shows the benefits included in each category.

Social insurance is financed by social security contributions, general pension contributions, national old age pension contributions, taxation and interest on funds. Since income from the premium pension scheme consists of reserve funds, it is impossible to state exactly what proportion of total expenditure is financed by income from contributions. If we discount the premium pension scheme, contributions accounted for approximately five-sixths in 2000. The remainder comes mainly from taxes and yield on investments in the National Swedish Pension Fund.

This summary shows how the volume of social insurance expenditure developed from 1980 to 2000, how social insurance is financed, and – in broad terms – how social insurance affects society and the economy. Forecasts of expenditure for 2001 and 2002 are also included. Estimates are taken from the preparatory budget material for the year 2002 presented to the government by the National Social Insurance Board in February 2001 and are based on the regulations then applying or approved.

Proposals in the 2001 Spring Budget Bill or other bills after February 2001 have not been taken into account here.

## Overview of benefits for different categories

### *Financial security for families and children*

Parental insurance	Care allowance for handicapped children
Pregnancy allowance	
Parental allowance	Maintenance support
Temporary parental allowance	Child's pension
Child allowance	Adoption allowance
Housing allowance for families with children, etc.	

### *Financial security in sickness and disability*

Sickness benefit	Housing supplement for disability pensioners/ temporary disability pensioners
Rehabilitation	
Rehabilitation allowance	Disability allowance
Special funds, etc	
Certain health care allowance, incl. dental care	Work injury compensation
Disability pension/ temporary disability pension	Life annuities
National basic pension	Sickness benefit
Pension supplement	Medical care allowance
Supplementary pension (ATP)	Car allowance for the disabled
Employment guarantee	Attendance allowance
	Closely related person's allowance

### *Financial security in old age, etc*

Old age pension	Survivor's pension
National basic pension	Widow's pension
Pension supplement	Adjustment pension
Supplementary pension (ATP)	Wife's supplement
Special pension supplement	Housing supplement for pensioners
	Partial pension

### *Other payments*

Training allowance	Small business insurance
Conscript's allowance	Disease carrier's allowance

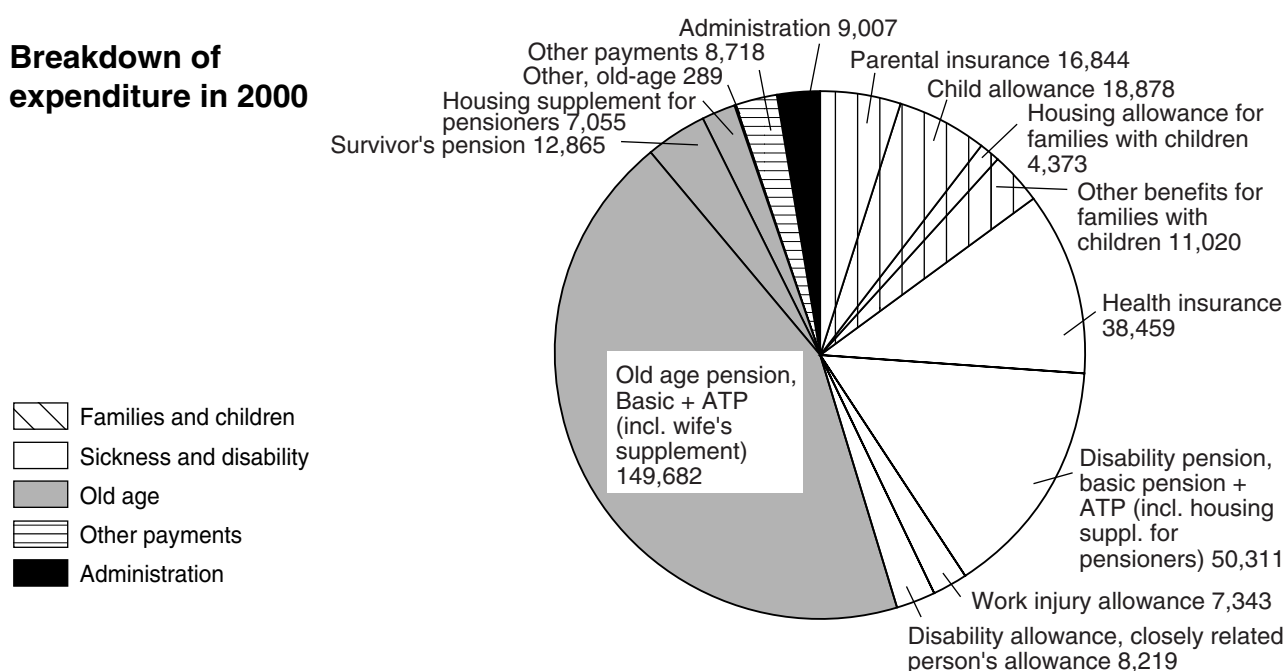
## 1 Social insurance expenditure 1999–2002

### Social insurance expenditure 1999–2002, in SEK million

Type of insurance/ benefit	1999		2000		2001 (forecast)		2002 (forecast)	
	Exp., SEK m	Share, %	Exp., SEK m	Share, %	Exp., SEK m	Share, %	Exp., SEK m	Share, %
Financial security								
Families and children	47,938	14.7	51,115	14.9	53,824	14.9	54,851	14.6
Sickness and disability	93,522	28.6	104,332	30.4	114,624	31.8	123,673	32.8
Old age, etc	166,996	51.1	169,891	49.5	174,458	48.3	180,129	47.8
Other payments	10,731	3.3	8,718	2.6	9,436	2.6	9,429	2.5
Administration	7,417	2.3	9,007	2.6	8,524	2.4	8,806	2.3
Total <sup>1)</sup>	326,604	100.0	343,063	100.0	360,866	100.0	376,888	100.0

<sup>1)</sup> Including national old age pension contributions.

### Breakdown of expenditure in 2000



Note: including old age pension contributions

In 1999, a number of major changes were implemented in social insurance. Among other things, national old age pension contributions were introduced (totalling SEK 15.5 billion in 1999 and SEK 18 billion in 2000). Several insurance schemes such as sickness benefit and parental allowance are pension-qualifying. Moreover, child care, conscription and studies also qualify for the right to pension. The state thus pays old age pension contributions corresponding in principle to the pension rights for these activities.

Expenditure for social insurance therefore rose sharply in 1999, primarily due to old age pension contributions but also as a result of greatly increased costs for sickness allowance and the increase in supplementary pension (ATP). In 2000, expenditure continued to rise as a result of increased spending in these three areas. Total expenditure was SEK 343.1 billion, representing an increase of SEK 16.5 billion compared with 1999. Transfer payments to households made up 91.5 per cent of the total. Old age pension contributions accounted for 5.3 per cent of expenditure and social insurance administrative costs 2.6 per cent. The remaining 0.6 per cent was made up of payments for various forms of health care benefits.

The National Social Insurance Board forecasts a continued increase in expenditure in the coming years. Compared with 2000, an increase of SEK 17.8 billion is expected for 2001, and an increase of SEK 33.8 billion for 2002.

The following table shows expenditure for each category of benefit.

**Table 1.1 Social insurance expenditure 1999-2002, SEK million**

Type of insurance/benefit	1999	2000	2001 (forecast)	2002 (forecast)
<b>Financial security for families and children</b>				
Parental insurance	15 595	16 844	17 990	18 832
Child allowance	16 766	18 878	20 921	20 778
Housing allowance for families with children and for young people	5 067	4 373	4 094	3 954
Care allowance for disabled children	1 851	1 986	2 065	2 124
Maintenance support	4 591	4 831	4 491	4 507
Child's pension				
<i>Basic pension</i>	289	288	288	289
<i>Supplementary pension (ATP)</i>	649	653	659	667
Child-rearing pension right <sup>1)</sup>	3 108	3 240	3 276	3 660
Adoption allowance	22	22	40	40
<b>Total</b>	<b>47 938</b>	<b>51 115</b>	<b>53 824</b>	<b>54 851</b>
<b>Financial security in sickness and disability</b>				
Sickness insurance				
<i>Sickness benefit and rehabilitation allowance</i>	27 855	36 458	42 649	48 028
<i>Medical benefits, etc</i>	1 899	2 001	2 310	2 475
Disability pension/temporary disability pension, etc				
<i>Basic pension</i>	13 869	14 236	14 780	15 330
<i>Supplementary pension (ATP)</i>	24 037	24 770	25 953	27 277
<i>National old age pension fees</i>	8 865	8 739	9 201	9 604
Employment guarantee for disability pensioners	0	2	4	4
Housing supplement for disability pensioners	2 498	2 564	2 904	2 973
Disability allowance	1 012	1 036	1 060	1 085
Work injury benefit	7 236	7 343	7 209	7 229
Car allowance	201	209	211	192
Attendance allowance	6 039	6 960	8 330	9 464
Other benefits	11	14	13	12
<b>Total</b>	<b>93 522</b>	<b>104 332</b>	<b>114 624</b>	<b>123 673</b>
<b>Financial security in old age, etc</b>				
Old age pension				
<i>Basic pension</i>	53 279	53 201	53 357	53 802
<i>Supplementary pension (ATP)</i>	93 234	96 481	100 278	105 619
Survivor's pension				
<i>Basic pension</i>	465	432	412	395
<i>Supplementary pension (ATP)</i>	12 194	12 433	12 680	12 994
Housing supplement for pensioners	7 437	7 055	7 371	7 009
Partial pension	300	211	287	243
Other pensions	87	78	73	67
<b>Total</b>	<b>166 996</b>	<b>169 891</b>	<b>174 458</b>	<b>180 129</b>
<b>Other payments</b>				
Training support	10 192	8 511	9 300	9 300
Daily allowance for conscripts, etc	16	12	7	7
Family allowance for conscripts	103	87	75	84
Other	420	108	54	38
<b>Total</b>	<b>10 731</b>	<b>8 718</b>	<b>9 436</b>	<b>9 429</b>
<b>Administration</b>	<b>7 417</b>	<b>9 007</b>	<b>8 524</b>	<b>8 806</b>
<b>Total <sup>2)</sup></b>	<b>326 604</b>	<b>343 063</b>	<b>360 866</b>	<b>376 888</b>

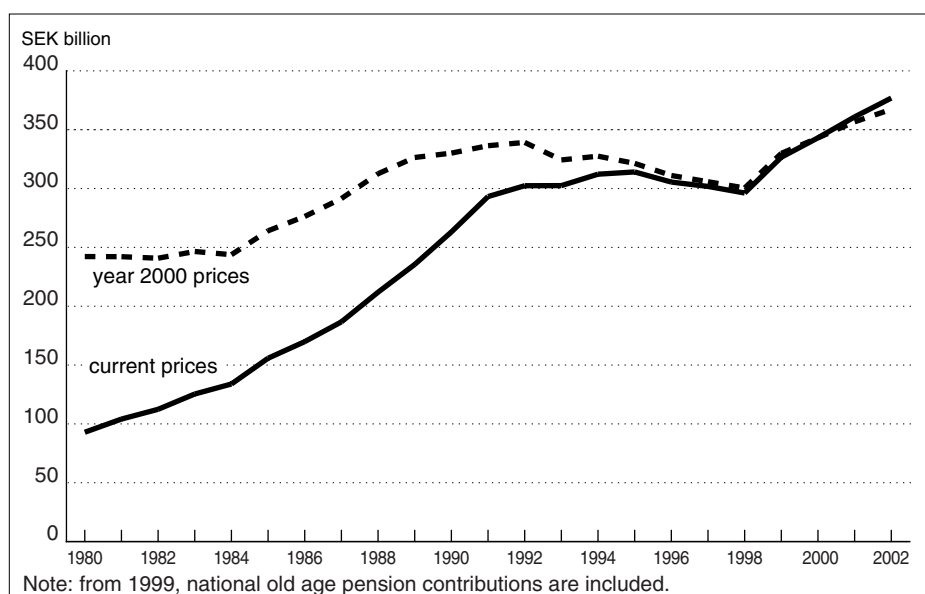
<sup>1)</sup> National old age pension contribution.

<sup>2)</sup> Including national old age pension contributions.

## 2 *Trends in social insurance expenditure 1980–2002*

**In current prices**, expenditure increased from SEK 92.9 billion in 1980 to SEK 343.1 billion in 2000. The increase was particularly sharp from 1985 to 1991. In the early 1990s, the rate of increase levelled off, and between 1996 and 1998 expenditure fell, mainly due to reduced levels of compensation for sickness and parental insurance, and the transfer of responsibility for costs of medicine to the health care authorities. In 1999, expenditure rose again, largely due to national old age pension contributions but also as a result of a steep increase in expenditure for health insurance and supplementary pension (ATP) payments. In 2000, expenditure continued to increase due to increased spending in these three areas. Expenditure is expected to continue to rise in 2001 and 2002.

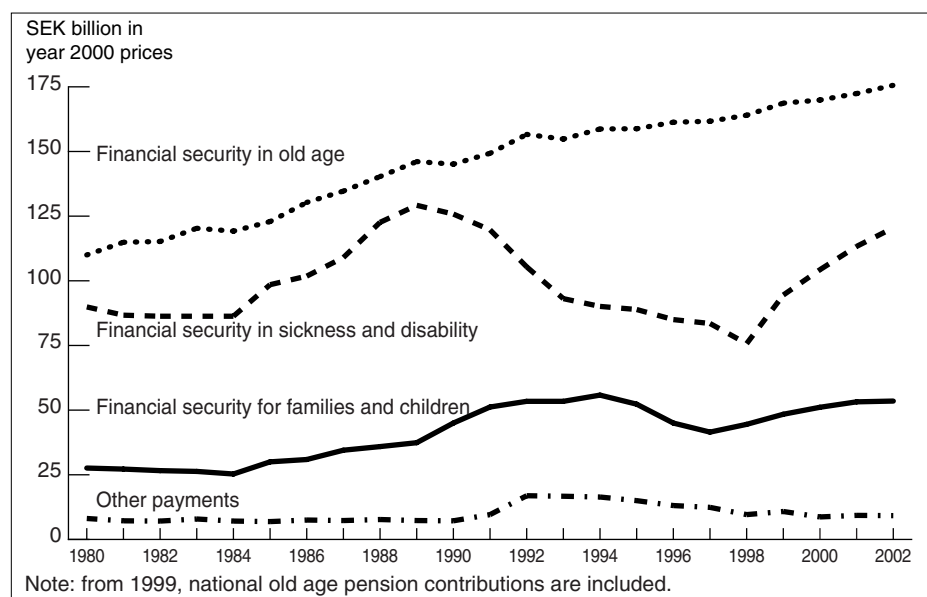
**Diagram 2.1 Social insurance expenditure in current and fixed money values**



**Expressed in year 2000 money values**, social insurance expenditure today stands at SEK 101 billion, which is 42 per cent higher than in 1980. After a steady increase from 1984 to 1992, expenditure fell continuously up to the end of 1998. Subsequently, it has again risen substantially.



**Diagram 2.2 Social insurance expenditure by main benefit category in fixed money values**



Expenditure on **benefits for the aged** has increased continuously, even in fixed money value terms. Costs increased by 54 per cent between 1980 and 2000. The table on the next page shows the development of costs in current and fixed money values.

Costs for **sickness and disability** benefits increased significantly during the 1980s. Between 1980 and 1990, costs rose by 40 per cent in fixed money values. This increase was greatest in the second half of the decade, after which the trend was reversed. Between 1990 and 1998 expenditure fell by 40 per cent due to changes in benefit rules, the introduction of sick pay and reduced absences due to illness. In 1998, the level of compensation in health insurance was raised. Despite this, there was a sharp fall in expenditure due to the transfer of responsibility for medicine costs to the health care authorities that year. In 1999, expenditure once again rose significantly, mainly due to the strong increase in the number of sick days claimed in health insurance and the introduction of national old age pension contributions. In 2000, expenditure on health insurance likewise rose sharply and the National Social Insurance Board predicts a continued increase in expenditure for 2001 and 2002.

Financial assistance from social insurance for **families with children** more than doubled in fixed money value between 1980 and 1994. This was followed by a drop in expenditure lasting until 1998, when costs once again rose due to higher child allowance and parental allowance. Costs further increased in 1999 and 2000, in part due to national old age pension contributions. Compared with 2000, the National Social Insurance Board forecasts an increase in expenditure of almost SEK 3 billion in 2001 and SEK 1 billion in 2002.

**Table 2.1 Social insurance expenditure by main category, in SEK million**

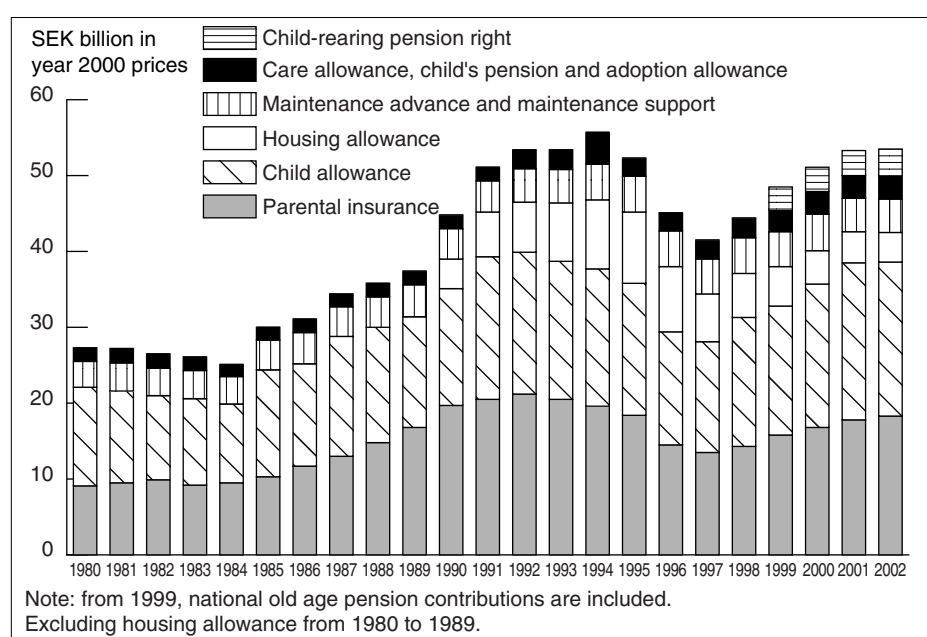
Year	Social insurance expenditure	According to main category				
		Financial security for families and children	Financial security in sickness and disability	Financial security in old age	Other payments	Administration
<b>Current prices</b>						
1980	92,922	10,587	34,516	42,178	3,098	2,543
1985	155,824	17,685	58,084	72,504	4,122	3,429
1990	263,096	35,832	100,257	115,658	5,751	5,598
1991	293,225	44,609	104,336	130,085	8,333	5,862
1992	302,427	47,588	93,999	139,588	15,084	6,168
1993	302,518	49,802	86,835	144,409	15,600	5,872
1994	312,215	53,167	85,889	151,312	15,636	6,211
1995	314,079	51,096	86,881	155,198	14,686	6,218
1996	305,543	44,215	83,498	158,354	12,867	6,609
1997	301,797	40,923	82,384	159,624	12,261	6,605
1998	296,224	43,888	74,646	161,696	9,476	6,519
1999	326,604	47,938	93,522	166,996	10,731	7,417
2000	343,063	51,115	104,332	169,891	8,718	9,007
2001 (forecast)	360,866	53,824	114,624	174,458	9,436	8,524
2002 (forecast)	376,888	54,851	123,673	180,129	9,429	8,806
<b>Year 2000 prices</b>						
1980	242,248	27,600	89,983	109,958	8,076	6,630
1985	264,131	29,977	98,456	122,899	6,987	5,812
1990	330,073	44,954	125,780	145,101	7,215	7,023
1991	336,460	51,186	119,719	149,266	9,562	6,726
1992	339,255	53,383	105,446	156,586	16,921	6,919
1993	324,286	53,386	93,083	154,800	16,723	6,295
1994	327,543	55,777	90,105	158,741	16,404	6,516
1995	321,352	52,279	88,893	158,792	15,026	6,362
1996	311,152	45,027	85,031	161,261	13,103	6,730
1997	305,785	41,464	83,473	161,733	12,423	6,692
1998	300,489	44,519	75,720	164,024	9,612	6,613
1999	329,894	48,421	94,464	168,678	10,839	7,492
2000	343,063	51,115	104,332	169,891	8,718	9,007
2001 (forecast)	356,625	53,191	113,277	172,408	9,325	8,424
2002 (forecast)	367,307	53,457	120,529	175,550	9,189	8,582

Note: From 1999, national old age pension contributions are included in expenditure. Note also that the conversion of administration costs (salaries) to fixed prices does not entirely conform to the price development pattern.

## *Financial security for families and children*

Parental allowance and child allowance are the main items of expenditure in financial support to **families with children**, making up 70 per cent of the total payments to families with children in 2000. The diagram below shows the development of support to families and children according to benefit category in year 2000 money values.

**Diagram 2.3 Financial support provided by social insurance to families and children**



In 2000, expenditure totalled SEK 51.1 billion. SEK 16.8 billion was paid out in parental insurance, SEK 18.9 billion in child allowance, and SEK 4.4 billion in housing allowance. As of 1999, *child-rearing pension right* (which is in essence a national old age basic pension contribution) is also included in the insurance benefits for families with children. In 2000, the cost for this new benefit was SEK 3.2 billion. From 1995 to 1997, there was a pronounced decrease in expenditure due to repeated reductions in the level of compensation in parental insurance, reduced child allowance and falling birth rate. A subsequent return to previous levels of parental insurance and child allowance led to increased expenditure in 1998. Expenditure has since continued to increase, partly due to old age pension contributions and partly to increased costs for parental insurance and child allowance.

**Table 2.2 Financial security for families and children, SEK million**

Benefit	1990	1995	1998	1999	2000	2001 forecast	2002 forecast
<b>Parental insurance</b>	<b>15,727</b>	<b>18,004</b>	<b>14,129</b>	<b>15,595<sup>1)</sup></b>	<b>16,844<sup>1)</sup></b>	<b>17,990<sup>1)</sup></b>	<b>18,832<sup>1)</sup></b>
Days paid for, millions <sup>2)</sup>							
At birth of child	46.2	47.0	36.3	36.0	35.7	36.5	36.6
Temporary parental allowance	7.0	6.0	5.1	5.1	5.0	5.1	5.0
<b>Child allowance</b>	<b>12,296</b>	<b>16,959</b>	<b>16,830</b>	<b>16,766</b>	<b>18,878</b>	<b>20,921</b>	<b>20,778</b>
Children 0–15 years, 000s	1,655	1,764	1,749	1,741	1,734	1,723	1,711
<b>Housing allowance for families with children, etc</b>	<b>3,140</b>	<b>9,220</b>	<b>5,749</b>	<b>5,067</b>	<b>4,373</b>	<b>4,094</b>	<b>3,954</b>
Households, 000s	328 <sup>3)</sup>	556 <sup>3)</sup>	414	378	348	328	320
<b>Care allowance for disabled children</b>	<b>725</b>	<b>1,430</b>	<b>1,656</b>	<b>1,851<sup>1)</sup></b>	<b>1,986<sup>1)</sup></b>	<b>2,065<sup>1)</sup></b>	<b>2,124<sup>1)</sup></b>
Recipients, 000s, in Dec.	15	22	26	28	29	31	31
<b>Maintenance advance</b>	<b>3,246</b>	<b>4,585</b>	.	.	.	.	.
Children, 000s, in Dec.	277	325	.	.	.	.	.
<b>Maintenance support</b>	.	.	<b>4,584</b>	<b>4,591</b>	<b>4,831</b>	<b>4,491</b>	<b>4,507</b>
Children, 000s, in Dec.	.	.	345	345	333	331	322
<b>Child's pension</b>							
<b>Basic pension</b>	<b>223</b>	<b>286</b>	<b>286</b>	<b>289</b>	<b>288</b>	<b>288</b>	<b>289</b>
<b>Supplementary pension (ATP)</b>	<b>475</b>	<b>612</b>	<b>634</b>	<b>649</b>	<b>653</b>	<b>659</b>	<b>667</b>
Average no. child pensions, 000s							
Basic pension	30	30	30	29	29	29	29
Supplementary pension (ATP)	32	30	29	29	28	28	28
<b>Child-rearing pension right</b>	.	.	.	<b>3,108</b>	<b>3,240</b>	<b>3,276</b>	<b>3,660</b>
<b>Adoption allowance</b>	.	.	<b>20</b>	<b>22</b>	<b>22</b>	<b>40</b>	<b>40</b>
<b>Total, SEK million</b>	<b>35,832</b>	<b>51,096</b>	<b>43,888</b>	<b>47,938</b>	<b>51,115</b>	<b>53,824</b>	<b>54,851</b>

<sup>1)</sup> Including old age pension contributions.

<sup>2)</sup> Counted as whole days.

<sup>3)</sup> Average per month and per thousand.

From 1989 to 1996, *parental insurance* constituted the main item of expenditure in the area of financial security for families and children. The increase in costs at the end of the 1980s was a result of an increase in the benefit period for parental insurance coinciding with a strong increase in the birth rate. The reduction in costs around 1996 was in turn the result of reductions in compensation levels and a greatly reduced birth rate.

Parental allowance for newly born children is the most comprehensive parental insurance benefit, accounting annually for almost 90 per cent of all paid days and making up around 80 per cent of total expenditure in parental insurance.

In 2000, parental allowance was paid out for a total of 35.7 million days. This is approximately 380,000 fewer days than for the preceding year. This decrease was due mainly to the continued drop in the birth rate up to the end of 1999. The number of children born during a given year primarily influences the number of days of parental allowance claimed during the calendar year following the actual year of birth.

Despite fewer days of parental allowance, expenditure nevertheless increased by SEK 468 million. This was due partly to wage trends, partly to an increase in the number of days claimed by fathers.

For some years from 2002 onwards, a gradual decrease is anticipated in the number of days paid out in temporary parental allowance. The reason is the relatively small size of the age groups requiring day care.

In the government bill 2000/01:44, changes are proposed to the rules applying to both parental allowance for the birth of a child and temporary parental allowance. An increase of 30 days is proposed for the parental allowance period as of January 2002. New contact days are to be included in temporary parental allowance as of July 2001. The National Social Insurance Board estimates the total cost of these regulatory changes to be around SEK 200 million for the years 2001 and 2002.

Since 1996, *child allowance* has once again become the largest item of expenditure in support to families with children. The number of children varies between 1.6 and 1.8 million. The increase in expenditure from 1999 to 2000 was mainly due to an increase of child allowance in 1999 from SEK 9,000 to SEK 10,200 per child and year. The supplement for large families was re-introduced the same year. In January 2001, child allowance was raised to SEK 11,400 per child and year, thus increasing expenditure for child allowance in 2001. The supplement for large families was raised by an annual amount of SEK 3,048 for the third child, SEK 9,120 for the fourth child and SEK 11,400 for the fifth child and following children. However, these increases will only take effect on condition that the national economy develops according to current forecasts. Estimated expenditure for 2002 is based on the same level of support as in 2001. The two least certain variables in the forecast are the supplements for large families and how the new rules for social security will affect costs.

*Housing allowance* for families with children and for young people has been part of the social insurance system since 1994. The municipal authorities previously paid these allowances. The amount of allowance is determined by the size of household, cost of accommodation and income. Comprehensive changes to the rules, mainly in 1997, aimed at further cutting costs, have

significantly reduced the number of households receiving allowance. Reductions have occurred mainly in the number of two-parent households and small house owners. The majority of the country's single parents still claim housing allowance at some point during the year. From 1997, the allowance is calculated on a preliminary basis and is fixed retroactively when the income tax assessment for the current year is made. Three reconciliations have so far been made, adjusting allowances for 1997, 1998 and 1999. Each reconciliation generates a large sum of repayments and payments, despite the fact that some repayment is made on an ongoing basis prior to reconciliation. It is more common to underestimate than overestimate income. The reconciliations have shown that two out of three households receiving a housing allowance at some point during a given year also receive an allowance the following year. Even after reconciliation, 90 per cent of households still qualify for an allowance. Estimated incomes are on average 93 per cent of taxable incomes. The relatively high and stable repayment rate means that the cost of housing allowances over one year more or less matches the cost of final allowances that later reconciliation is estimated to result in.

**Care allowance** is paid to parents whose children are functionally disabled and need special care and supervision. The number of those receiving this allowance is rising steadily, in particular those that receive one-quarter care allowance. In December 2000, the number of recipients was 29,300. In its report "Development of disability allowance and care allowance in the 90s" (RFV 1998:7), the Swedish National Social Insurance Board observed that the large increase in new care allowance recipients at the beginning of the 1990s could be attributed to the rise in the number of children born with mental conditions such as autism and DAMP/ MBD/ ADHD. In particular, the number of boys granted one-quarter care allowance had increased. From 1995 to 1997, new care allowance recipients numbered approximately 4,500 per year. In 1998, this figure had risen to 4,700, and in 1999 to 5,209. In 2000, the number of newly granted allowances was 5,112. The continued increase in the number of care allowance payments is due to new recipients outnumbering those who discontinue their benefit. The number of care allowances expressed as a percentage of the number of children aged 0–15 years has increased from 1.3 per cent in 1995 to 1.7 per cent in 2000.

**Maintenance support** was introduced in February 1997 and replaced maintenance advance and special allowances for certain adopted children. Maintenance support is paid at a maximum of SEK 1,173 per child and month. Parents who are liable to pay maintenance are charged a repayment amount depending on income and the number of children. In December 2000, 328,000 children received maintenance support. Just over 80 per cent of children receiving some form of maintenance support are aged 7 or older. The number of children receiving maintenance support is expected to continue increasing, partly due to the "baby boom" at the beginning of the 1990s.

**Child's pension** is paid out of the national basic pension and supplementary pension (ATP) if one or both parents have died. Child's pension is paid until

the child reaches the age of 18. Extended child's pension may be paid to children older than 18, but not beyond the month of June in the year in which the child reaches 20.

The number of child's pensions has been falling since the mid-nineties and is expected to continue falling in coming years.

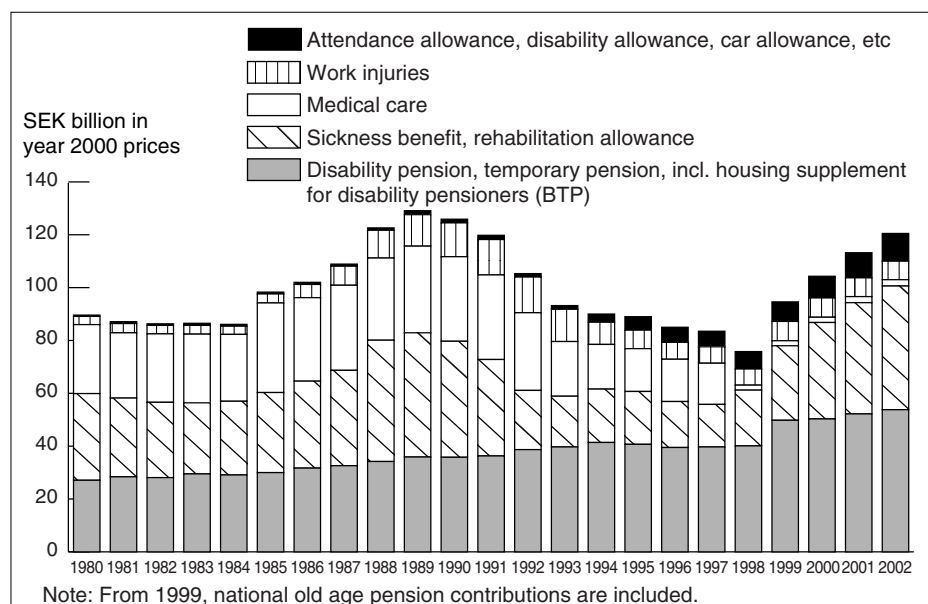
In 2000, the average number of child's pensions paid out from the national basic pension was 29,054 and from supplementary pension (ATP), 28,301. Total expenditure was SEK 941 million, of which SEK 288 million came from basic pension and SEK 653 million from ATP. Despite the reduced number of child pensions, RFV estimates that expenditure will increase in 2001 and 2002. However, this increase is less than 1 per cent per year, and is primarily due to the increase in the base amount.

In the new old age pension scheme, care of children aged 0–4 years qualifies for pension entitlement. Consequently, in 1999 a national old age pension contribution was introduced to finance the *child-rearing pension right*. In 2000, expenditure was SEK 3.2 billion and it will be SEK 3.3 billion in 2001. The National Social Insurance Board estimates that expenditure will reach SEK 3.7 billion in 2002. Expenditure for 2002 includes an adjustment of preliminary debiting from 1999 amounting to SEK 0.3 billion.

### *Financial security in sickness and disability*

Insurance expenditure for **sickness and disability benefits** fell sharply from 1991 to 1997, due mainly to changed rules for compensation in sickness and work injury insurance.

**Diagram 2.4 Financial security in sickness and disability**



Expenditure also dropped in 1998, but this was solely the result of the transfer of responsibility for medicine to the health care authorities that year. In consequence, expenditure for health care benefits decreased by SEK 13.5 billion compared to 1997. On the other hand, expenditure for sickness benefit and rehabilitation compensation rose by SEK 4.9 billion. This was due partly to the sick pay period being halved from 28 to 14 days, causing more days to be replaced by sickness benefit, and partly to raising compensation levels for sickness and rehabilitation allowance from 75 to 80 per cent of benefit-entitling income.

In 1999, expenditure again rose sharply, mainly due to increased costs for sickness benefit and the introduction of national old age pension contributions. Costs for health insurance also increased significantly during 2000, and National Social Insurance Board predicts a further increase in expenditure for 2001 and 2002. See the table below.



**Table 2.3 Financial security in sickness and disability, SEK million**

Benefit	1990	1995	1998	1999	2000	2001 forecast	2002 forecast
<b>Health insurance</b>							
<b>Sickness benefit, rehab. allowance and close relative allowance</b>	<b>34,974</b>	<b>19,534</b>	<b>20,755</b>	<b>27,855<sup>1)</sup></b>	<b>36,458<sup>1)</sup></b>	<b>42,649<sup>1)</sup></b>	<b>48,028<sup>1)</sup></b>
Sickness benefit days, mill. <sup>2)</sup>	105.4	48.6	50.4	62.6	76.4	87.2	92.2
Rehabilitation days, mill. <sup>2)</sup>	.	5.0	2.5	3.0	3.6	4.1	4.6
<b>Health care benefits, etc <sup>3)</sup></b>	<b>25,501</b>	<b>15,802</b>	<b>1,880</b>	<b>1,899</b>	<b>2,001</b>	<b>2,310</b>	<b>2,475</b>
<b>Dental care</b>			<b>1,755</b>	<b>1,426</b>	<b>1,462</b>	<b>1,730</b>	<b>1,890</b>
<b>Health care authority</b>			<b>125</b>	<b>473</b>	<b>539</b>	<b>580</b>	<b>585</b>
<b>Disability pension/ temporary disability pension, etc</b>							
<b>Basic pension</b>	<b>11,848</b>	<b>14,542</b>	<b>13,554</b>	<b>13,869</b>	<b>14,236</b>	<b>14,780</b>	<b>15,330</b>
<b>Suppl. pension (ATP)</b>	<b>15,445</b>	<b>22,960</b>	<b>23,610</b>	<b>24,037</b>	<b>24,770</b>	<b>25,953</b>	<b>27,277</b>
<b>National old age p. contributions</b>	.	.	.	<b>8,865</b>	<b>8,739</b>	<b>9,201</b>	<b>9,604</b>
Recipients, 000s, in Dec							
Basic pension	361	409	417	422	435	447	459
Suppl. pension (ATP)	315	370	372	374	386	398	408
<b>Empl. guarantee for disability</b>	.	.	.	<b>0</b>	<b>2</b>	<b>4</b>	<b>4</b>
<b>Housing supplement for disability pensioners</b>							
	<b>1,193</b>	<b>2,297</b>	<b>2,346</b>	<b>2,498</b>	<b>2,564</b>	<b>2,904</b>	<b>2,973</b>
Recipients, 000s, in Dec.	95	111	108	109	112	114	116
<b>Disability allowance</b>							
	<b>703</b>	<b>945</b>	<b>996</b>	<b>1,012</b>	<b>1,036</b>	<b>1,060</b>	<b>1,085</b>
Recipients, 000s, in Dec	50	54	56	57	58	59	59
<b>Work injury</b>							
	<b>10,164</b>	<b>6,793</b>	<b>6,010</b>	<b>7,236<sup>1)</sup></b>	<b>7,343<sup>1)</sup></b>	<b>7,209<sup>1)</sup></b>	<b>7,229<sup>1)</sup></b>
<b>Sickness benefit/ medical care</b>	<b>6,182</b>	<b>617</b>	<b>73</b>	<b>54</b>	<b>42</b>	<b>34</b>	<b>29</b>
<b>Annuities</b>	<b>3,657</b>	<b>5,857</b>	<b>5,752</b>	<b>5,550</b>	<b>5,541</b>	<b>5,530</b>	<b>5,545</b>
<b>Gov. indemnification, etc</b>	<b>325</b>	<b>319</b>	<b>185</b>	<b>171</b>	<b>159</b>	<b>155</b>	<b>147</b>
<b>National old age p. contributions</b>	.	.	.	<b>1,461</b>	<b>1,601</b>	<b>1,490</b>	<b>1,508</b>
Number of annuities, 000s	152	185	172	164	161	157	153
<b>Car allowance</b>							
	<b>223</b>	<b>164</b>	<b>212</b>	<b>201</b>	<b>209</b>	<b>211</b>	<b>192</b>
No. of paid car allowances	2,717	1,575	2,207	2,097	2,108	2,237	1,943
<b>Attendance allowance</b>							
	.	<b>3,717</b>	<b>5,192</b>	<b>6,039</b>	<b>6,960</b>	<b>8,330</b>	<b>9,464</b>
Recipients, 000s, in Dec	.	6	8	8	9	9	10
<b>Other payments <sup>4)</sup></b>							
	<b>206</b>	<b>123</b>	<b>92</b>	<b>11</b>	<b>14</b>	<b>13</b>	<b>12</b>
<b>Total, SEK million</b>	<b>100,257</b>	<b>86,877</b>	<b>74,647</b>	<b>93,522</b>	<b>104,332</b>	<b>114,624</b>	<b>123,673</b>

<sup>1)</sup> Including old age pension contributions.

<sup>2)</sup> From and including 1993, counted as whole days.

<sup>3)</sup> Up to and including 1997, medicine was also included in the allowance. From and including 1998, the responsibility for medicine costs was taken over by the health care authorities.

<sup>4)</sup> From 1999, compensation from National Security Board is no longer accounted by the Nat. Social Insurance Board.

Expenditure for *sickness benefit* in 2000 was SEK 30,775 million for 76.4 million (net) benefit days. Expenditure is expected to increase in the coming years, though at a slower rate. There will be an increase both in the number of days of sickness and the average size of payments.

Rehabilitation benefit includes *rehabilitation allowance* and other benefits aimed at rehabilitating the sick and injured. Rehabilitation allowance accounts for approximately half of rehabilitation benefit. Expenditure for rehabilitation allowance in 2000 amounted to SEK 1,491 million for 3.6 million compensation days. The number of days with benefit increased during 1999 and 2000 after having fallen between 1997 and 1998. The earlier decrease was interpreted as being due to fewer people moving from sickness benefit to rehabilitation allowance, and to the fact that the social insurance offices' resources for rehabilitation work were reduced. The increase in 1999 is thought to be the result of more absences due to illness. Expenditure for rehabilitation benefit is expected to increase somewhat in 2001 and 2002.

*Health care benefits* paid for through the social insurance system have varied over the years. For example, the health care authorities have assumed responsibility for the cost of medicine since 1998. This item of expenditure now consists mainly of dental care and minor payments to the health care authorities.

The number of persons receiving *disability pension or temporary disability pension* increased by 26 per cent in 2000 compared with 1999. At the same time, the number of pensions being terminated decreased slightly. Overall, there was a slight increase in the number of claimants during 2000. In December 2000, 435,000 basic pensions were paid out as disability pension, representing an increase of 3.2 per cent compared to December 1999. Increased inflow is mainly the result of many cases of long-term sickness being converted to disability pensions. Demographic factors also play a role.

*Employment guarantee for disability pensioners* is a new allowance as of 1999 and it is still uncertain how many people will be affected. The outcome was very unevenly distributed during 2000. Only 10 per cent of costs were paid out during the first three quarterly periods. The most probable reason for this uneven monthly distribution is that the true total of invoices for the year only arrived at the social security offices during the final quarter.

Spending on *housing supplement for pensioners* (BTP) for persons with disability pension has gradually increased over the past few years, and this trend is likely to continue. This is partly due to structural changes involving an increase in the number of disability pensioners and partly due to changes in the rules.

Expenditure for *disability allowance* increases slightly every year, as does the number of persons receiving this allowance. The increase is mainly due

to the rise in the number of people receiving the minimum level, which is 36 per cent of the base amount.

There was a very strong increase in expenditure for *work injury insurance* before 1992. Subsequently, the scope of the insurance was limited by statutory changes. These included tightening the assessment rules for eligibility. In 1993 work injury sickness benefit was discontinued in principle, which has led to a sharp drop in the cost of the insurance. The number of annuities is also falling.

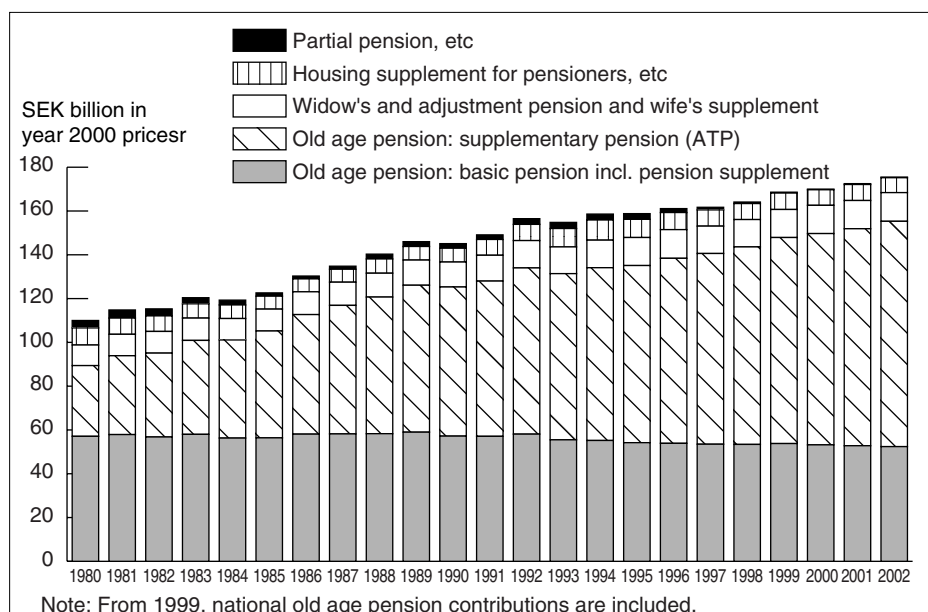
*Car allowance for the disabled* was introduced in October 1988. Car allowance is made up of a number of separate payments, and may be claimed afresh every seventh year. In October 1995, the second seven-year period began and expenditure for this allowance jumped from SEK 164 million in 1995 to SEK 257 million in 1996. Subsequently, expenditure has again fallen. In 2000, car allowance payments of up to SEK 209 million were made. As was the case in 1998 and 1999, expenditure was held down because payments were halted when available funds and allowance credit ran out.

In 2001, the National Social Insurance Board estimates that expenditure for car allowance will reach SEK 211 million, of which SEK 16 million is likely to be made up of allowances deferred from 2000. Available funds amount to SEK 216 million.

*Attendance allowance* was introduced on 1 January 1994, and is paid to those with serious functional disabilities who need personal, everyday assistance. Those entitled may accept individual assistance provided by the municipality or receive financial support from the municipality to either hire assistance from a co-operative or other independent body or personally employ an assistant. From November 1997, municipalities are responsible for financing the first 20 hours of assistance per person and week. In December 2000, the number of people receiving attendance allowance was 8,900. On average, these persons were granted 87 attendance hours per week. In 2000, the total costs for attendance allowance was SEK 6,960 million, of which the municipalities provided SEK 1,654 million. The estimated increase in costs over the next few years is mainly due, aside from salary increases, to an expected rise in the average number of attendance hours and a slight increase in the number of attendance allowance recipients.

## Financial security in old age

Diagram 2.5 Financial security in old age



Expenditure for old age benefits has steadily increased. By far the greatest item of expenditure is old age pensions. In 2000, SEK 53.2 billion was paid out in old age pensions in the form of national basic pensions, and SEK 96.5 billion for national supplementary pensions (ATP), totalling SEK 149.7 billion compared with SEK 146.5 billion in 1999. In addition, SEK 7.1 billion was paid in housing supplements. Calculated in terms of fixed money values, expenditure for national basic pension decreased slightly in 2000 and is expected to decrease further in 2001 and 2002. On the other hand, expenditure for supplementary pension (ATP) rose, since an ever-increasing number of old age pensioners receive successively higher pensions over longer periods of time. Expenditure is also expected to increase in 2001 and 2002. In 1999, a new old age pension scheme was introduced. The first payments under the new scheme are due to be made in 2001.

In 2000, SEK 12.9 billion was paid out in survivor's pensions (excluding child's pension). Expenditure for this is expected to remain constant during 2001, increasing slightly in 2002, calculated in terms of fixed money values.

Partial pension insurance is being discontinued. Expenditure for 2000 dropped to SEK 0.2 billion.

**Table 2.4 Financial security in old age, SEK million**

Benefit	1990	1995	1998	1999	2000	2001 forecast	2002 forecast
<b>Old age pension</b>							
<b>Basic pension</b> <sup>1)</sup>	45,573	53,042	52,617	53,260	53,199	53,355	53,800
<b>Suppl. pension (ATP)</b>	54,270	79,070	88,900	93,234	96,481	100,278	105,619
Recipients, 000s, in Dec.							
Basic pension	1,554	1,584	1,594	1,596	1,601	1,608	1,617
Suppl. pension (ATP)	1,165	1,289	1,343	1,359	1,378	1,398	1,419
<b>Widow's pension</b>							
<b>Basic pension</b>	1,516	1,440	313	289	249	223	194
<b>Suppl. pension (ATP)</b>	7,196	10,484	11,624	12,090	12,326	12,565	12,870
Recipients, 000s, in Dec.							
Basic pension	60	52	16	14	13	11	10
Suppl. pension (ATP)	362	389	393	392	390	387	384
<b>Adjustment pension</b> <sup>2)</sup>							
<b>Basic pension</b>	36	193	163	176	183	189	201
<b>Suppl. pension (ATP)</b>	20	118	94	104	107	115	124
Recipients, 000s, in Dec.							
Basic pension	2	5	4	5	5	5	5
Suppl. pension (ATP)	2	5	4	5	5	5	5
<b>Wife's supplement</b>	358	240	57	19	2	2	2
Recipients, 000s, in Dec.	16	9	2	0	0	0	0
<b>Housing supplement for pensioners, etc</b>	4,971	8,142	7,245	7,437	7,055	7,371	7,009
Recipients, 000s, in Dec.	453	445	381	364	346	329	310
<b>Partial pension</b>	1,654	2,370	585	300 <sup>3)</sup>	211 <sup>3)</sup>	287 <sup>3)</sup>	243 <sup>3)</sup>
Recipients, 000s, in Dec.	38	38	11	7	13	11	9
<b>Other pensions</b>	64	99	98	87	78	73	67
<b>Total, SEK million</b>	<b>115,658</b>	<b>155,198</b>	<b>161,696</b>	<b>166,996</b>	<b>169,891</b>	<b>174,458</b>	<b>180,129</b>

<sup>1)</sup> Including special pension supplement.

<sup>2)</sup> Including special survivor's pension.

<sup>3)</sup> Including old age pension contributions.

Expenditure for *old age pensions* is increasing due to the benefits being directly linked to the base amount. Expenditure has also increased because of the increase in the number of old age pensioners and the fact that a greater proportion has supplementary pension (ATP). However, 225,000 old age pensioners still receive only national basic pension. Expenditure for ATP is also increasing as a result of an increase in the size of average ATP pensions. Measured in numbers of base amounts, the size of the average ATP pension increased by 20 per cent between 1990 and 2000.

In 2002, income pension and premium pension will be paid out for the first time. In addition, supplementary pensions (ATP) will be index-related as of this year.

The number of women with *widow's pension* in the form of national basic pension is decreasing, as a result of this benefit being discontinued. As of April 1997, this portion of the widow's pension is means-tested, and this has led to a sharp fall in the number of national basic pensioners. The number of widow pensioners with ATP is slowly decreasing.

In 1990, an *adjustment pension* was introduced for surviving spouses. The number of such pensions fell in 1997 when the compensation period was cut from twelve to six months. In 2000, this number rose somewhat. The number of *extended* adjustment pensions remained more or less unchanged in 2000.

Expenditure on *housing supplement for pensioners* (BTP) has been relatively stable over the past few years. However, there is an underlying downward trend which is likely to continue for the next few years, although this may not be immediately apparent due to almost annual regulatory changes. Changes to the rules were also made in 2001 and these will make themselves felt as an added cost.

Expenditure on *partial pensions* decreased up to 2000, after which there was a dramatic increase in the number of partial pensions. This was due to the fact that the right to claim a partial pension would no longer exist after 2000. As a result, expenditure will be significantly higher in 2001 than in the preceding year. After this, expenditure is expected to decrease successively as remaining partial pensions are transformed into old age pensions.

*Other pensions* are voluntary pensions and seaman's pension.

### *Other payments*

**Table 2.5**      **Payments administered by the social insurance offices and the Swedish National Social Insurance Board, in SEK million**

Year	1990	1995	1998	1999	2000	2001 forecast	2002 forecast
Training allowance <sup>1)</sup>	3,690	11,200	8,737	10,192	8,511	9,300	9,300
Cash lab. market assistance <sup>2)</sup>	255	2,600	.	.	.	.	.
Daily allow. for conscripts, etc	321	88	10	16	12	7	7
Family allow. for conscripts	.	192	260	103	87	75	84
Employer's health care	987	.	.	.	.	.	.
Other	498	606	469	420	108	54	38
<b>Total, SEK million</b>	<b>5,751</b>	<b>14,686</b>	<b>9,476</b>	<b>10,731</b>	<b>8,718</b>	<b>9,436</b>	<b>9,429</b>

<sup>1)</sup> Including start-up grant.

<sup>2)</sup> Cash labour market assistance (KAS) was replaced in 1998 by new unemployment insurance paid by the Swedish National Labour Market Board (AMS).

Training allowances for labour market training make up the majority of payments in this group. Other payments also include small business insurance, holiday pay insurance, disease carrier's allowance, and allowance for reduction of social security contributions.

### *Administration*

**Table 2.6 Expenditure on administration of social insurance, in SEK million**

Expenditure	1990	1995	1998	1999	2000	2001 forecast	2002 forecast
Social insurance offices	4,581	5,081	5,080	5,472	6,341	5,800	6,100
Nat. Soc. Ins. Board	742	741	947	1,229	1,285	1,300	1,400
Nat. Swed. Pens. Fund	275	396	450	470	746	816	870
Premium Pens. Authority	.	.	42	246	635	608	436
<b>Total, SEK million</b>	<b>5,598</b>	<b>6,218</b>	<b>6,519</b>	<b>7,417</b>	<b>9,007</b>	<b>8,524</b>	<b>8,806</b>
Administration costs as a proportion of social insurance expenditure, %	2.1	2.0	2.2	2.3	2.6	2.4	2.3

The operations of the social insurance offices and the National Social Insurance Board are financed partly by contributions and partly by appropriations from the national budget. As of 1998, there are additional administrative costs for the new Premium Pension Authority. In 2000, administrative costs made up 2.6 per cent of insurance expenditure. This may be compared to 2.3 per cent in 1999. The increase was the result of an abnormally high level of private pension debt for the social insurance offices. The major part of the increased expenditure may however be regarded as a one-time cost only. The National Swedish Pension Fund and the Premium Pension Authority also had increased expenditure for administration. In 2002, the National Social Insurance Board estimates that the proportion will return to the same level as in 1999.

### **3**                    *How social insurance is financed*

#### ***Overview***

Social insurance is financed by social security contributions, general pension contributions, national old age pension contributions, taxation and interest on funds.

From 1999, five areas of insurance are financed wholly or in part by general social security contributions. These areas are health insurance, work injury insurance, old age pension, survivor's pension and parental insurance. The proportion of expenditure covered by contributions varies, and has changed over the years.

Some social insurance benefits are financed wholly by central government funds, such as child allowances, housing allowances, and certain other allowances for families with children, as well as a number of benefits for the disabled – such as car allowances – and housing supplements for pensioners. Maintenance support is paid by central government funds to the extent that expenditure is not covered by payments from those liable to pay maintenance. Attendance allowance is today partly financed by the municipalities.

In 2000, income from social security contributions, general employed persons' contributions and interest, etc, mainly from the National Insurance Fund, totalled SEK 326.8 billion, of which contributions to the premium pension scheme accounted for SEK 21.6 billion. Additional government funding amounted to SEK 68.6 billion. Total expenditure (excluding payments in the labour market area) was SEK 334.2 billion. Old age pension from the National Insurance Fund gave a surplus of SEK 32.5 billion, which was invested in funds to secure future payments.

There are a number of smaller insurance schemes administered by the Swedish National Social Insurance Board and the social insurance offices which are financed by premiums, etc, and/or the yield from funds. Among these are voluntary pensions, voluntary sickness benefit insurance, traffic annuities, voluntary work injury insurance, small business insurance and seaman's pensions.



**Table 3.1 Social insurance income and expenditure 2000, in SEK million**

Type of insurance	Income			Expenditure			Surplus <sup>1)</sup>	
	Contributions		Govt. money statutory	Other <sup>2)</sup>	Total	Payments	Admini- stration	Total
Health insurance	74,574	12,574	–	87,148	84,559 <sup>3)</sup>	2,589	87,148	0
Health care benefits	–	2,117	–	2,117	2,001	116	2,117	–
Disability allowance	–	1,116	–	1,116	1,036	80	1,116	–
Work injury	12,290	190	–	12,480	7,343	312	7,655	4,825
Car allowance	–	241	–	241	209	32	241	–
Attendance allowance	–	5,392	1,654	7,046	6,960	86	7,046	–
Old age pension								
Via the AP fund	144,274 <sup>4)</sup>	–	28,704	172,978	138,840	1,655	140,495	32,483
Via national budget	7,745 <sup>5)</sup>	3,297 <sup>6)</sup>	–	11,042	10,842	200	11,042	0
Premium p. scheme	21,556 <sup>4)</sup>	–	–	21,556	0	635	635	..
Survivor's pension	14,790	0	–	14,790	13,806	49	13,855	935
Housing supplement, BTP	–	9,844	21	9,865	9,641	224	9,865	–
Partial pension	41	188	–	229	211	18	229	0
Parental insurance	19,141	0	–	19,141	16,488	603	17,091	2,050
Child allowance	–	18,957	–	18,957	18,878	79	18,957	–
Housing allowance for families with children, etc	–	4,764	–	4,764	4,373	391	4,764	–
Care allowance for handicapped children	–	2,114	–	2,114	1,986	128	2,114	–
Maintenance support	–	3,343	1,850	5,193	4,831	362	5,193	–
Child-rearing pension right	–	3,240	–	3,240	3,240	..	3,240	–
Other payments <sup>7)</sup>	30	81	122	233	222	11	233	0
Non-shared administration <sup>8)</sup>	–	1,148	–	1,148	–	1,148	1,148	–
<b>Summa SEK million</b>	<b>294,441</b>	<b>68,606</b>	<b>32,351</b>	<b>395,398</b>	<b>325,466</b>	<b>8,718</b>	<b>334,184 <sup>4)</sup></b>	<b>..</b>

<sup>1)</sup> Total not given since income from premium reserve pension scheme consists of reserve funds.

<sup>2)</sup> Those liable to pay maintenance, municipalities, interest, etc.

<sup>3)</sup> Including disability pension, pregnancy allowance, close relative allowance and national old age pension contributions..

<sup>4)</sup> Including national old age pension contributions.

<sup>5)</sup> Old age pension contributions above the "ceiling" of 8.07 of the price base amount may be considered to partially finance national basic pensions in 2000.

<sup>6)</sup> In 2000, SEK 1,403 million in national basic pension contributions for the year 1998 was received. These contributions can also be considered as partially financing national basic pensions paid out in 2000.

<sup>7)</sup> Excluding payments in the labour market area and conscript allowances.

<sup>8)</sup> Mainly social insurance offices' costs for changing pension debt, and parts of the National Social Insurance Board's administration.

Since income from the premium reserve pension scheme (SEK 21.6 billion) is made up of reserve funds, it is impossible to say exactly what proportion of total expenditure is covered by income from contributions in 2000. (If we disregard the premium reserve pension scheme, contributions accounted for approximately five-sixths). However, this proportion may be shown for other parts of the financing system. Revenue from investments, etc, from the National Insurance Fund amounted to just under 9 per cent of total expenditure. Payments from municipalities and those liable to pay

maintenance, etc, comprised just over 1 per cent. The part financed by public tax funds according to statutory regulation accounted for just under 21 per cent of total expenditure.

As shown in Table 3.1, the part of old age pension insurance financed from the National Swedish Pension Fund showed a considerable surplus (SEK 32.5 billion) in 2000, due mainly to SEK 28.7 billion of interest, etc, being added to fund capital. It must be borne in mind, however, that costs rise fairly considerably each year, due partly to the growing numbers of old age pensioners and partly to the increase in the average size of pensions. Thus, a certain surplus is required in order to secure future payments.

Since 1994, work injury insurance has shown an annual surplus, gradually making up for deficits of earlier years. In 2000, the surplus was SEK 4.8 billion.

In 2000, parental insurance showed a surplus of SEK 2.1 billion and survivor's pensions a surplus of SEK 0.9 billion.

Table 3.2 shows the statutory proportion of the charge base. The charge base for social security contributions consists of the salaries of employees and of the self-employed and is paid by the employer and the self-employed respectively. General employed persons' contributions (as of 1998 for pensions only) are paid by the gainfully employed. These are based on earned income and also on incomes such as sickness benefit, unemployment insurance, etc.

**Table 3.2 Charges, statutory proportion of chargeable income**

Type of insurance	1985	1990	1995	1998	1999	2000
<b>Social security contributions, % of chargeable income <sup>1)</sup></b>						
Health insurance	9.50	10.10	6.23	7.90	7.50	8.50
Work injury insurance	0.60	0.90	1.38	1.38	1.38	1.38
Basic pension	9.45	7.45	5.86	6.83	—	—
Old age pension (ATP)	10.00	13.00	13.00	6.40	6.40	10.21
Survivor's pension	—	—	—	—	1.70	1.70
Partial pension	0.50	0.50	0.20	0.20	—	—
Parental insurance	—	—	—	—	2.20	2.20
Total	30.05	31.95	26.67	22.71	19.18	23.99
<b>General employed persons' contributions, % of chargeable income</b>						
Health insurance	.	.	2.95	—	—	—
Pension	.	.	1.00	6.95	6.95	7.00
Total	.	.	3.95	6.95	6.95	7.00

<sup>1)</sup> Different percentages often apply to self-employed person's contributions as from 1993.

The central government contribution to health insurance was, until the 1994/95 fiscal year, set at a statutory 15 per cent of costs. Since then, health insurance has been financed by social security contributions and general employed persons' contributions and, when necessary, by public tax funds.

In 1999, a number of changes were made to contributions. Basic and partial pension contributions were discontinued. Contributions were introduced for survivor's pension and parental insurance. In addition, the health insurance contribution was reduced by 0.4 percentage units. Overall, this represented a substantial reduction (3.53 percentage units) in the total take-up of contributions from specific categories of social insurance. To compensate this, general pay contributions were increased by 3.56 percentage units.

In 2000, the health insurance contribution was raised by 1 percentage unit and the old age pension contribution by 3.81 percentage units. However, this was compensated by a reduction of general pay contributions by 4.95 percentage units.

These developments are commented on in more detail in conjunction with Tables 3.3–3.7.

### ***Health insurance***

As of 1999, health insurance contributions are intended to finance sickness benefit, rehabilitation compensation, close relatives allowance, pregnancy allowance, disability pension from supplementary pension (ATP), disability pension from basic pension for disability pensioners with ATP, and the administrative costs for these benefits.

Medicine costs were financed up to 1998 by the health insurance contribution but are now financed by the county councils.

The health insurance contribution also covers national old age pension contributions for daily allowances and the part of old age pension contributions relating to disability pension.

There is no rule stating that the health insurance contribution should finance these benefits in their entirety. Surplus costs are covered by government funds.

**Table 3.3 Health insurance income and expenditure 2000, in SEK million**

<b>Income:</b>	
Health insurance contribution	74,574
Government funds	12,574
<b>Expenditure:</b>	
Sickness benefit and rehabilitation	36,401
Disability pensions	47,745
Other <sup>1)</sup>	413
Administration	2,589
Total expenditure	87,148 <sup>2)</sup>
financed by statutory contributions	80,158
Surplus during the year	–
Coverage by contributions	93 %

<sup>1)</sup> Pregnancy allowance and close relative allowance.

<sup>2)</sup> Including national old age pension contributions.

From 1994 to 1997, health insurance reported a surplus after having been under-financed for a number of years. The national health insurance contribution increased income from contributions while at the same time a number of cost-cutting regulatory changes reduced the size of payments. In 1997, the surplus amounted to approximately SEK 21 billion, which was transferred to the national budget.

From 1998 onwards, the social insurance offices are obliged to finance the part of their administrative costs relating directly to health insurance by means of the health insurance contribution. In previous years, all administrative costs for the social insurance offices were to be financed by the health insurance contribution.

In 2000, expenditure for health insurance totalled SEK 87.1 billion. Income from contributions amounted to SEK 74.6 billion, the remainder being covered by central government funds.

Expenditure for health insurance is expected to continue to increase in the next few years, although at a slower rate. Both the number of days claimed and the average daily allowance will increase.

### ***Work injury insurance***

The work injury contribution finances indemnifications according to the Swedish Occupational Injury Act and equivalent older provisions, as well as covering the administrative costs for these benefits. It also finances national old age pension contributions for paid-out work injury annuities, etc. From July 1995, the state also pays a work injury contribution.

**Table 3.4 Work injury insurance income and expenditure 2000, in SEK million**

<b>Income:</b>	
Work injury contribution	12,290
Government funds	190
Total income	12,480
<b>Expenditure:</b>	
Indemnifications	7,343
Administration	312
Total expenditure	7,655 <sup>1)</sup>
of which, contribution-financed	7,465
Surplus during the year	4,825
Covered by contributions	165 %

<sup>1)</sup> Including national old age pension contributions.

Earlier, work injury insurance reported a considerable loss. In 1987, the money from funds allocated to finance the insurance ran out, and costs were financed through loans from the national budget. A number of cost-cutting regulatory changes were introduced, limiting, among other things, the scope of the insurance, so that today the insurance is able to report an annual surplus. This surplus has been used to repay the earlier debt, which was fully repaid in 2000.

### *Old age pension*

**Table 3.5 Old age pension via the AP fund, income and expenditure 2000, in SEK million**

<b>Income:</b>	
Old age pension contribution	144,274
<i>Of which, social security contribution</i>	62,528
<i>general pension contribution</i>	63,734
<i>national old age pension contributions</i>	19,595
<i>to the premium pension scheme</i>	- 1,583
Interest, etc (net)	28,704
Total income	172,978
<b>Expenditure:</b>	
Old age pension <sup>1)</sup>	138,840
Administration	1,655
Total expenditure	140,495
Surplus during the year	32,483
Covered by contributions	103 %
Fund balance, 31 Dec.	733,904 <sup>2)</sup>

<sup>1)</sup> Refers to ATP and to national basic pension for those with ATP.

<sup>2)</sup> In 2000, SEK 45 billion was transferred to the national budget. This adjustment between the AP fund and the national budget was the result of increased government costs for the introduction of the new pension scheme.

In 1999, a new pensions scheme was introduced. This stipulates that supplementary pensions (ATP) and income-related pensions are to be financed by social insurance contributions and general employed persons' contributions. The general employed person's contribution is transferred in its entirety to the National Swedish Pension Fund (the AP fund). Some of the remaining supplementary pension (ATP) contributions are transferred to the Swedish National Debt Office for placement in the premium pension scheme, while a few of them are transferred to the national budget. Under the new pensions scheme, only income-related old age pensions (including ATP and national basic pension for those who have ATP) are financed from the National Swedish Pension Fund.

Note that previously the fund balance was reported using book values. However, some partial funds have changed accounting principles and only report the market value for 2000. Therefore, the National Social Insurance Board has also decided from now on only to report the market value rather than the book value. During 2000, the fund balance decreased successively, due to the transfer of SEK 45 billion to the national budget. This adjustment between the AP fund and the national budget was the result of increased government costs for the introduction of the new pension scheme

### *Survivor's pension*

**Table 3.6** Survivor's pension income and expenditure 2000, in SEK million

<b>Income:</b>	
Survivor's pension contribution	14,790
<b>Expenditure:</b>	
Survivor's pensions	13,806
Administration	49
Total expenditure	13,855
Surplus during the year	935
Covered by contributions	107 %

The survivor's pension contribution is intended to finance child's pension, widow's pension and adjustment pension, etc, and applies to both national basic pension benefits and supplementary pension (ATP) benefits. The contribution should also cover the administrative costs for these benefits.

*Parental insurance***Table 3.7** Parental insurance income and expenditure 2000, in SEK million

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<b>Income:</b>	
Parental insurance contribution	19,141
<b>Expenditure:</b>	
Parental allowance	11,850
Temporary parental allowance	3,132
National old age pension contributions	1,506
Administration	603
Total expenditure	17,091
Surplus during the year	2,050
Covered by contributions	112 %

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The parental insurance contribution is intended to finance parental allowance and temporary parental allowance as well as national old age pension contributions for these benefits. The contribution should also cover the administrative costs for these benefits. Prior to 1999, parental insurance was financed by the health insurance contribution.

## 4 *The share of social insurance in the economy*

Payments from social insurance play an important role in the economy. The following table shows the proportion of gross national product (GNP) deriving from social insurance over the years. Up to 1992, the share of GNP made up of insurance payments increased continuously. The importance of social insurance grew particularly up to 1980, as illustrated in the diagram on the following page. Several cost-cutting regulatory changes – reduced levels of compensation, the sick pay period, and the qualifying day in health insurance – have subsequently led to a smaller share for social insurance in an expanding GNP. In 2000, the share of social insurance was approximately 16%, the same level as at the end of the 1970s. The National Social Insurance Board expects this level to remain unchanged in 2001 and 2002.

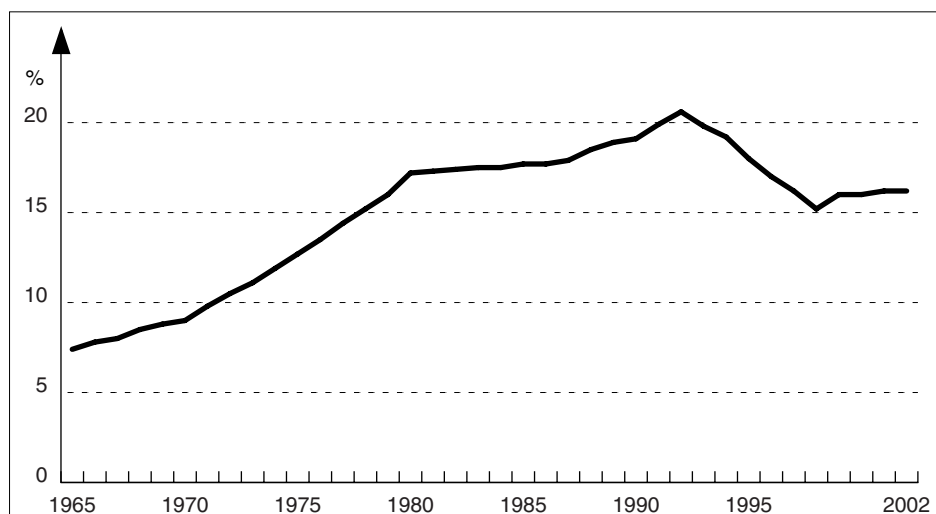
**Table 4.1 Social insurance sector payments in SEK billion and as a percentage of GNP**

Year	Social insurance payments <sup>1</sup> , current prices	GNP <sup>2</sup> , current prices	Payments as % of GNP
1980	90.4	525	17.2
1985	152.4	863	17.7
1990	257.5	1,347	19.1
1991	287.4	1,447	19.9
1992	296.3	1,440	20.6
1993	296.6	1,498	19.8
1994	306.0	1,596	19.2
1995	307.9	1,713	18.0
1996	298.9	1,756	17.0
1997	295.2	1,824	16.2
1998	289.7	1,905	15.2
1999	319.2	1,995	16.0
2000	334.1	2,083	16.0
2001 (forecast)	352.3	2,169	16.2
2002 (forecast)	368.1	2,271	16.2

<sup>1)</sup> From 1999, the cost of national old age pension contributions is also included.

<sup>2)</sup> From 1993, the method of calculating GNP has changed somewhat, reducing the share of social insurance by just under 1 percentage unit.



**Diagram 4.1 Social insurance sector payments as percentage of GNP**

Expenditure in social insurance is dominated by payments to the insured. In 2000, transfers from social insurance to households amounted to almost SEK 314 billion and as such made up 79 per cent of total public transfers to households. These figures include labour market related payments of training allowance administered by the social insurance offices. If payments from unemployment insurance are included in expenditure, this figure is almost 87 per cent. The table below shows how the share of total transfers accounted for by social insurance fell during the 1990s. Since 1999, however, this share has increased, mainly due to national old age pension contributions and increased expenditure for health insurance together with an increase in supplementary pension (ATP). The National Social Insurance Board estimates that the share will reach just over 82 per cent in 2002.

**Table 4.2 Transfers to households, in SEK billion**

Year	Public transfers to households, gross				Social insurance, share of the total, %	Social insurance incl unemployment insurance, share of the total, %
	From social insurance		Total			
	Current prices	1999 prices	Current prices	1999 prices		
1980	80.3	209.3	97.8	255.0	82.1	.
1985	132.1	223.9	165.2	280.0	80.0	83.7
1990	231.5	290.5	275.7	345.9	84.0	86.4
1991	259.2	297.4	313.7	360.0	82.6	86.5
1992	269.6	302.4	347.2	389.5	77.7	84.6
1993	276.9	296.8	371.9	398.7	74.5	85.3
1994	289.3	303.5	383.6	402.4	75.4	86.2
1995	291.5	298.2	384.5	393.4	75.8	86.3
1996	282.8	288.0	372.8	379.6	75.9	86.4
1997	279.4	283.1	374.3	379.2	74.6	84.6
1998	287.4	291.5	385.2	390.7	74.6	83.7
1999	301.4	304.4	393.0	397.0	76.7	85.0
2000	313.9	313.9	397.4	397.4	79.0	86.6
2001 (forecast)	330.8	326.9	406.9	402.1	81.3	87.3
2002 (forecast)	344.1	335.4	417.9	407.3	82.3	87.8

Note: Conversion to fixed money values is based on the price index for private consumption.

Up to the mid-1990s, social insurance payments to households made up an increasingly large share of the consumption of individual households. After peaking at just over 29 per cent in 1994, the share of social insurance has fallen to just under 25 per cent. The National Social Insurance Board estimates that the share will increase by one half per cent in the next two years.

**Table 4.3 Transfers to households and private consumption, in SEK billion**

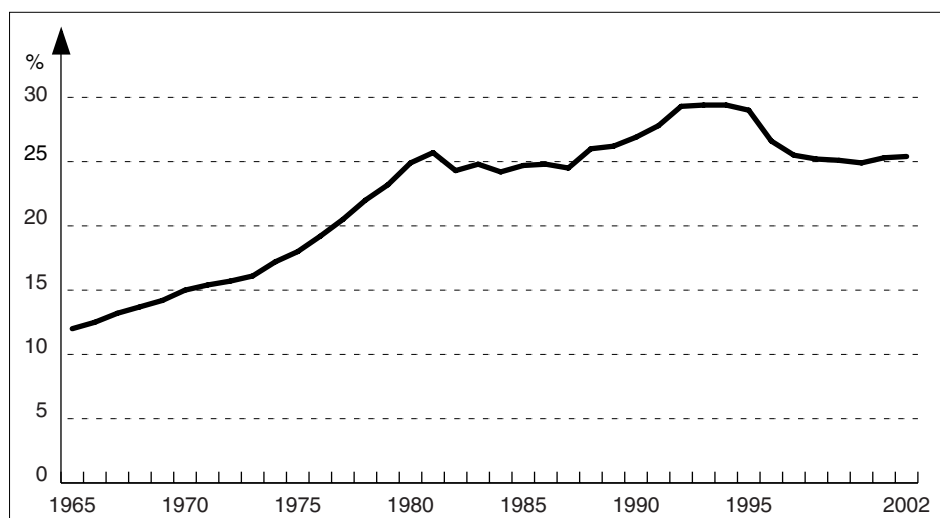
Year	Social insurance transfers to households, gross		Private consumption		Social insurance transfers as a share of private consumption, %	
	Current prices	1999 prices	Current prices	1999 prices	Before tax deduction	After tax deduction
1980	80.3	209.3	274.7	716.1	29.2	24.9
1985	132.1	223.9	447.9	759.2	29.5	24.7
1990	231.5	290.5	692.7	869.0	33.4	26.9
1991	259.2	297.4	771.3	885.0	33.6	27.8
1992	269.6	302.4	777.3	872.0	34.7	29.3
1993	276.9	296.8	796.4	853.7	34.8	29.4
1994	289.3	303.5	834.5	875.5	34.7	29.4
1995	291.5	298.2	859.8	879.7	33.9	29.0
1996	282.8	288.0	884.1	900.3	32.0	26.6
1997	279.4	283.1	922.0	934.2	30.3	25.5
1998	287.4	291.5	956.9	970.7	30.0	25.2
1999	301.4	304.4	1,001.0	1,011.1	30.1	25.1
2000	313.9	313.9	1,050.7	1,050.7	29.9	24.8
2001 (forecast)	330.8	326.9	1,088.3	1,075.5	30.4	25.2
2002 (forecast)	344.1	335.4	1,129.2	1,100.5	30.5	25.3

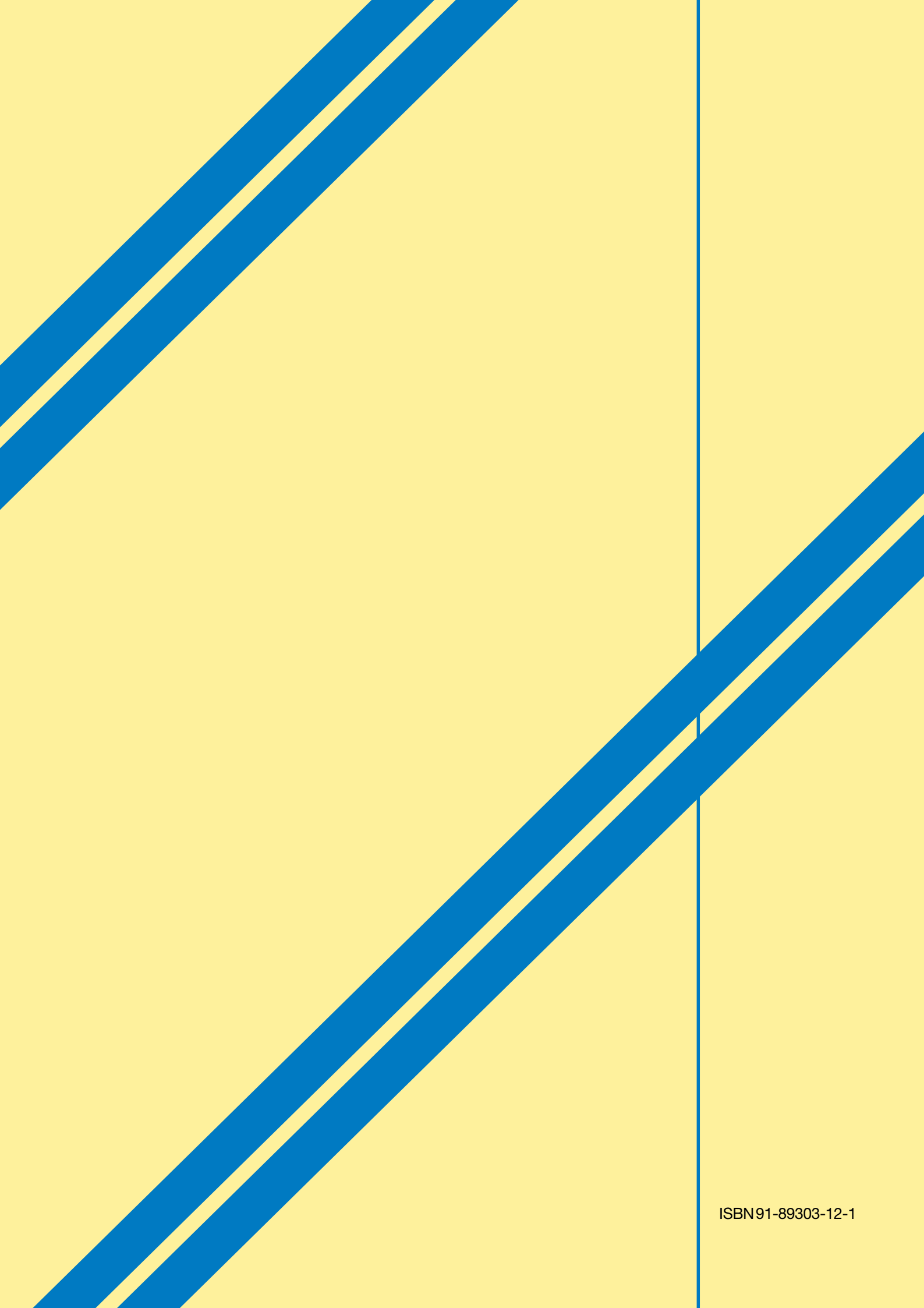
Note: Conversion to fixed money values is based on the price index for private consumption.

The share of consumption made up of transfers is approximately five percentage points higher prior to deduction of preliminary tax.

The history of the importance of transfers for private consumption is further illustrated in the following diagram. The share of transfers in total private consumption doubled from 1965 to 1980. Their importance for the financial situation of individual households increased especially during the latter half of the 1970s. During the 1980s, the level was largely constant but later increased to a peak of just over 29 per cent of consumption in 1994, after which it fell again.

**Diagram 4.2 Social insurance sector transfers to households, net after tax deduction, as a percentage of private consumption**





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