

Social Insurance

Annual Report, Budget Year 2002

(Extract)

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Summary of the year's results

Increase in paid absence continues

- Long-term sickness is still out of control. Efforts to cope with long-term sickness are inadequate.
- New sickness insurance cases are still increasing, albeit more slowly.
- Disability pensioning is increasing rapidly.

Improvement in handling of attendance allowance cases

- Improvement in cases of longest duration.

Fathers taking more paternity leave

- Fathers' share of days of parental allowance taken up is still rising.

New pension system up and running

- One of the largest development projects ever has been successfully concluded. All Sweden's pensioners will receive their pension under the new system as from 2003.

Quality

- Sickness allowance and other compensation for loss of income generally arrives on time – but some strain when case processing systems were delivered.
- The Internet is improving access.
- Throughput times for investigations and variations between regions are the biggest problems.

Productivity

- Productivity at the social insurance offices is rising.
- The offices are becoming more flexible in their use of resources.

National Social Insurance Board

- Pension system complete.
- Case processing systems delivered to the social insurance offices.
- More efficient forms of cooperation with the offices.

The Director-General's Comments

Work on the pension reform has in many ways been the predominant concern of the social insurance administration in recent years. Now it is finished. The pension reform was completed in 2002. On the strength of the experiences of all pensioners who received their pensions under the new system for the first time in January this year, I can state that the gigantic task – of changing pension systems – has been carried out with great success.

The success in implementing every part of the pension reform has also to be seen in the light of the fact that a large IT delivery was received by all offices in the course of the year – namely the delivery of the first version of the case processing system, ÄHS. That, too, has been successful. With time the case processing system may become a powerful tool for simplifying the work of the social insurance offices.

Technical development has also accelerated in other respects. The service telephone has become very important in contact between customers and the offices. More than 4 million calls were dealt with using the service phone in 2002.

Another area in which there have been great advances is that of Internet services. The National Social Insurance Board and the social insurance offices have conducted a successful pilot project to test the "parental service", where parents can use the Internet to plan and handle their take-up of parental benefit.

The development of administrative support and electronic services for customers augurs well for the future. At the end of the year the National Social Insurance Board and the National Tax Board were able to present the first comprehensive agreements on "electronic identification". The new technology, which is supplied by a number of banks, offers reliable identification and the possibility of electronic signature. The agreement allows all those who do their banking business over the Internet also to access the range of Internet-based services offered by the offices.

In these ways 2002 may be said to have represented a technological breakthrough, just as computerization itself did about thirty years ago. Later we will be able to point to this year as one when vital steps were taken towards the modernization of social insurance administration – a 24-hour authority.

How the new technology affects customers and colleagues it is too early to say. A sizeable investment in extending these new tools and services is

still required. It is necessary to adapt the work environment and the work organization so as to allow the advantages of the new technology to be utilized and to be matched to the staff's skills and interest in personal development. This will be a process that takes several years.

Here it is also important to remember that there is always some disruption when efforts are made to improve the efficiency of an operation, which makes it satisfying to see that a large part of the work, such as the processing of pension cases and cases involving children and families, has been so successful throughout the administration all through the year. The individual citizen receives the benefit to which he or she is entitled and when he or she should receive it.

In the area of cases involving the functionally disabled, however, throughput times remain too long. But by means of systematic work on the longest cases we are beginning to get down to more reasonable times for those who are waiting for news regarding support.

The big problems are in the field of ill health. These problems are not only ours but those of society as a whole. Our part of the problem is that we do not have time to handle all the cases that come in and that concern people who need our professional assistance.

The year 2002 was, as mentioned above, a year of technical breakthrough but also administratively a year of reversal of a trend. It is possible to discern a clear turning point with regard to administrative capacity. We now have procedures for the reporting of results, we have an organization which acts on the results, and the results are improving.

It is gratifying to see when hard work and combined efforts lead to success and this is what they have done in social insurance administration in 2002. I wish to take this opportunity to give sincere thanks to all employees who contribute their skills and their experience in their various parts of the organization.



Stockholm, 19 February 2003
Anna Hedborg

Organization

The National Social Insurance Board and the social insurance offices together administer the social insurance system.

As the central administrative authority the Board has to supervise the application of the relevant provisions by the social insurance offices, be the responsible owner of the common IT systems, devise norms for the application of the rules and be responsible for the financial control of operations. The Board has also to supervise the Premium Pension Authority (PPM).

The committee of the National Social Insurance Board is appointed by the Government. The director-general is the chairman of the committee. At the end of 2002 a total of 1 175 people were employed by the Board, 664 of them by RFV Data.

Since January 1999 there have been 21 social insurance offices. The total number of employees at the end of 2002 was 14 548.

The task of the offices is to process individual cases in the social insurance and benefit systems at regional and local level and to be responsible for the community's coordination of work-oriented rehabilitation.

The management of each social insurance office consists of a committee and a director. They are appointed by the Government.

The Federation of Social Insurance Offices (FKF) is the interest, employers' and service organization of the social insurance offices.

The directors of the social insurance offices, the executive office of the Board and the director of FKF have a common committee for management and coordination.

The co-ordinating committee is a forum for the Board and FKF, the purpose of which is to deal with general questions concerning the social insurance system and its administration. The committee includes the Board's executive office, elected delegates from the social insurance offices and representatives of the unions.

Since 2001 there have been three joint bodies concerned mainly with IT matters, namely:

- *The consumer council* intended to ensure that the customer's and user's perspective is fully taken into account in the development and administration of IT support for customer interface functionality and office assistance.
- *The IT-prioritization council* intended to ensure that the requirements and needs of the work are expressed in the administration's overall IT strategy and long-term strategic plan for IT operations.
- *The suppliers' council* intended to deal with matters concerning the operations of RFV Data.

Review of operations

Policy and operational areas

Health and medical care policy

Dental care

- Dental care

Health and medical care

- EU medical care
- Disease carrier's allowance
- Medication

Disability policy

Efforts to improve equality and participation

- Attendance allowance
- Car allowance for the disabled

Benefit in case of incapacity for work

Benefit in case of incapacity for work

- Sickness allowance
- Disability/temporary disability pension
- Work injury sickness allowance
- Rehabilitation allowance
- Disability allowance
- Closely related person's allowance
- Industrial injury benefits
- Technical aids for the disabled
- Voluntary sickness insurance
- Employment guarantee to certain disability pensioners
- Road traffic injury annuities
- Damages in form of annuities

Action against ill health

- Work on co-ordination of rehabilitative efforts
- Preventive measures, assessment of need for rehabilitation

Financial policy for the aged

Financial support in old age

- National basic pension to pensioners not receiving supplementary pension (ATP)
- Pension supplement to old age pension
- Housing supplement to pensioners
- Part-pension

Financial support to survivors

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

Old age pension system alongside national budget etc

- Supplementary pension (ATP)
- National basic pension to pensioners with supplementary pension (ATP)
- Old age pension under new rules
- Voluntary pension
- Seafarer's pension

Financial policy for families

Insurance

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

Needs-tested allowances

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

General allowances

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

Other payments

- Activity grant
- Labour market policy programmes
- Disabled person's travelling expenses
- Insurance against cost of employee's sick pay
- Daily cash benefit to conscripts
- Family allowance to conscripts
- Holiday pay expense insurance

Social insurance expenditure and financing

Social insurance expenditure

Swedish social insurance payments in 2002 totalled SEK 379 bn, which is equivalent to a sixth of the gross national product (GNP). The contents of the social insurance system are of great importance both to the individual and to the national economy in general. Of SEK 100 spent on private consumption, SEK 26 comes from social insurance.

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 to families and children, to people with functional disabilities, in case of sickness and work injury and in old age.

Expenditure at current and at constant prices

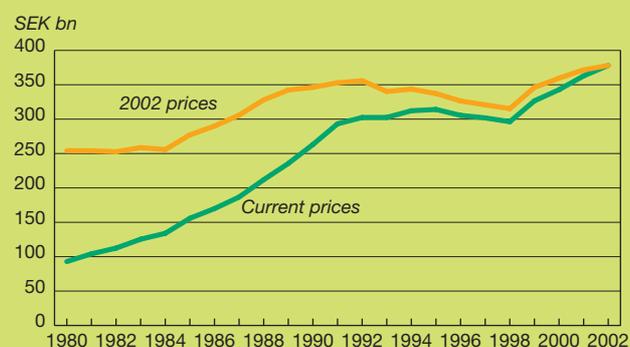
At current prices expenditure has risen from SEK 93 bn in 1980 to SEK 379 bn in 2002. The increase was very rapid in the period 1985–1991. The rate of increase then slowed in the early 1990s and fell during the period 1996–1998, particularly as a result of the reduced levels of benefit in the sickness and parental insurance schemes and the transfer of responsibility for the costs of medication to the hospital authorities. In 1999 expenditure rose sharply again, principally because of the new old-age pension charges but also because of the steep rise in expenditure on sickness insurance and the increase in the national supplementary pension (ATP). Sickness insurance expenditure has continued to climb. Together with increasing expenditure on old-age pensions this has led to a further rise in total expenditure during 2002.

Expressed in the monetary value of 2002, social insurance expenditure is today SEK 124 bn, or nearly 50 per cent, more than in 1980. Expenditure increased rapidly between 1984 and 1992. Then followed a reduction until 1998, since when expenditure has again been rising sharply.

Expenditure as a proportion of GNP

Payments from the social insurance system represent a significant part of the national economy. Up to and including 1992 payments as a proportion of GNP rose steadily. The significance of social insurance rose particularly steeply until 1980, as may be seen from the diagram. A number of cost-cutting rule changes – reduced levels of benefit, sick pay period and a waiting day in the sickness

Social insurance expenditure at current and fixed prices

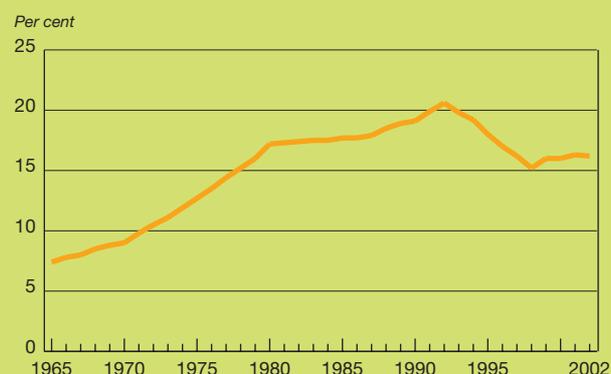


As from 1999 government old age pension charges are included.

insurance scheme – have since led to a decrease in the proportion of a growing GNP represented by social insurance. In 2002 the proportion was approx. 16 per cent, which is the same level as in the late 1970s.

The proportion of total public transfers to households accounted for by social insurance fell between 1990 and 1998 by nine percentage points to just under 75 per cent. The proportion rose to nearly 77 per cent in 1999, mainly owing to the increase in expenditure in sickness insurance and national supplementary pension (ATP). The continued rapid increase in expenditure for sickness insurance meant that the proportion rose to approx. 82 per cent in 2002.

Social insurance sector payments as percentage of GNP



As from 1999 government old age pension charges are included.

As from 1993 there is a slight change in the method of calculating GNP, which reduces the proportion of social insurance by just under one per cent.

Financing of social insurance

The social insurance scheme provides the greater part of the insurance cover of the individual. It covers the whole population and is intended to create financial security in different situations in life. Social insurance is of major importance not only to the security and welfare of the individual but also to the national economy. The system redistributes money between different periods of life and between individuals and groups in society by giving income-related compensation for loss of income, and also allowances in many other situations.

It can be difficult to draw a clear boundary between what are insurance-financed benefits and what are allowances in the form of grants. Sickness allowance and work injury benefit and also income-based disability pension and old-age pension are examples of benefits with a largely actuarial design where both the payment and the benefit are in relation to salary. Child allowance, disability allowance and housing allowance are examples of grants. Some grants are means-tested.

Social insurance is financed largely from compulsory charges which are related to earned income, but also from general taxation. The charges are paid by employers and the self-employed. There are social security charges for sickness insurance (including income-based disability pension), parental insurance, work injury insurance, survivor's pension and the income-based old-age pension. The last-mentioned benefit is also financed by general pension charges and government old-age pension charges. Many benefits administered by the Board are financed with government grants alone. These include child allowance, housing allowance, disability allowance, care allowance for handicapped children, disabled person's car allowance and certain medical care benefits. The local authorities contribute to the financing of attendance allowance and, to a small extent, of housing supplement to pensioners. Persons liable for maintenance pay a part of the maintenance support. Otherwise these latter benefits are also state-financed.

Financing of social insurance 2002, SEK m

	Expenditure		Income				
	Benefit/allowance	Administration ¹⁾	Soc. sec. charges	Govt. grants	Financial income	Other funds supplied	Surplus/deficit for the year
Policy and operational area							
13 Health and medical care policy							
Dental care	1 607	169		1 776			0
Health and medical care	347	25		296		76	0
Total	1 954	194		2 072		76	0
16 Disability policy							
Efforts to improve participation and equality	9 997	157		7 911		2 243	0
Total	9 997	157		7 911		2 243	0
19 Benefit in case of incapacity for work							
Action against ill health	790	1 012	690	30	1	14	-1 067
Benefit in case of incapacity for work	105 799	3 060	98 623	7 662	62	47	-2 465
Total	106 589	4 072	99 313	7 692	63	61	-3 532
20 Financial policy for the aged							
Financial support in old age	20 362	423		20 773		12	0
Financial support to survivors	13 444	61	15 599	23			2 117
Total	33 806	484	15 599	20 796		12	2 117
Old-age pension system alongside the national budget							
Total	151 604	909	160 133	4	48		7 672
21 Financial policy for families							
Insurance	24 688	931	23 106	3 807			1 294
Needs-tested allowances	9 907	996		8 811		2 092	0
General allowances	21 059	122		21 181			0
Total	55 654	2 049	23 106	33 799		2 092	1 294
Other benefits							
Total	11 220	271		11 360		133	2
TOTAL	370 824	8 136	298 151	83 634	111	4 617	7 553

¹⁾ The total amount for administrative expenditure does not include expenditure on FMC (Insurance Medical Centre) SEK 77 m and external orders at RFV Data SEK 25 m. Total administration costs including these items becomes SEK 8 238 m.

The table shows in outline how the social insurance system was financed in 2002. 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 old-age pension system contains a certain element of saving through the National Pension Insurance Fund and the funds in the premium pension system. The charges which finance sickness insurance, parental insurance, work injury insurance and survivor's pension are used to make on-going payments of benefit to those who need to use the insurance concerned. Any surplus is not funded but becomes a revenue for the national budget.

The provisions governing the financing of social insurance are largely laid down in the Social Security Charges Act (2000:980) and the Social Security Charges Distribution Act (2000:981).

Most social security charges are assigned to different revenue headings in the national budget without a direct link to the benefits they are to finance. However the greater part of the old-age pension charge goes to the National Pension Insurance Fund and the premium pension system. Expenditure on the income-related old-age pension is financed in full outside the national budget.

The following tables show income and expenditure in the years 2000–2002 for the charge-financed social insurance schemes.

The total level of the employer's contribution was 32.92 per cent in 2000 och 32.82 per cent in 2001 and 2002. This total also includes a labour market charge and a general salary charge.

The Board enters the charges in all cases in the year when they are recorded with the Board, irrespective of the year to which they relate.

Sickness insurance

The employer's social security charge for sickness insurance was 8.5 per cent in 2000 and 8.8 per cent in 2001 and 2002. 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. The charge is also intended to finance disability and temporary disability pension under the supplementary pension scheme (ATP) and from the basic pension scheme in cases where the disability pensioner also has ATP. The charge is also to finance government old-age pension charges for disability and temporary disability pension to the extent that the charge can be attributed to a benefit paid out. The charge is also intended to finance the administration costs of the social insurance offices for all the benefits financed by the charge.

Expenditure and income, SEK m			
	2002	2001	2000
Expenditure			
Sickness allowance ¹⁾	45 304	39 910	33 408
Rehabilitation ¹⁾	3 023	2 839	2 993
Closely related			
person's allowance ¹⁾	67	61	57
Pregnancy allowance ¹⁾	412	370	356
Disability pension/			
temporary disability pension ²⁾	43 821	42 889	40 754
Administration costs	2 828	2 723	2 500
Total expenditure	95 455	88 792	80 068
Income			
Charges	86 020	82 546	74 574
Change in charges/expenditure	–9 435	–6 246	–5 494

¹⁾ Inc. government old-age pension charges.

²⁾ Relates to supplementary pension (ATP), national basic pension for disability pensioners with ATP and part of government old-age pension charges.

The charge income was considerably lower than expenditure in all three years. Under Section 19 of the National Insurance Act a government grant may be given for a certain part of the costs of sickness insurance benefits. It is therefore not possible to state that the insurance is underfinanced although the charges are not sufficient to cover the expenditure.

Work injury insurance

The work injury charge was 1.38 per cent during the years 2000–2002. The charge finances benefits under the Industrial Injuries Compensation Act and corresponding earlier benefits, e.g. under the Industrial Injuries Insurance Act. However certain benefits under these acts are paid from other sources, e.g. public enterprises and restructured former public enterprises. These expenses are not included in the table on the following page. In this context the State Personal Injuries Guarantee Act may also be mentioned, which pays out benefit to individuals injured while doing national service etc. These benefits are financed by the Government.

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

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.

Expenditure and income, SEK m			
	2002	2001	2000
Expenditure			
Work injury benefits	5 740	5 604	5 583
Government old-age pension charges	1 378	1 466	1 570
Administration costs	329	331	298
Total expenditure	7 447	7 401	7 451
Income			
Charges	13 620	13 077	12 290
Surplus on charges	+6 173	+5 676	+4 839

In all three years charge income was considerably higher than expenditure.

Old-age pension

There are three kinds of charges for the income-based old-age pension, a social security charge known as the old-age pension charge, which is paid by employers and the self-employed, a general pension charge which is paid by all people in gainful employment and a Government old-age pension charge which is paid from the national budget to the old-age pension system.

The old-age pension charge was 10.21 per cent in the years 2000–2002. The same percentages applied for government old-age pension charges with regard to transfers. For pensionable amounts, however, the government old-age pension charge was 18.5 per cent. The general pension charge was 7.0 per cent in all three years. The general pension charge goes in full to the National Pension Insurance Funds. The other charges are distributed between the National Pension Insurance Funds and the premium pension system.

Until 2002 the National Pension Insurance Funds financed the supplementary pension (ATP) and the national basic pension of pensioners with ATP under the former pension system and also income pension and the new supplementary pension in the new old-age pension system. The two last-named benefits were first paid in 2001, to old-age pensioners born in 1938 or later. The National Pension Insurance Funds also make payments to the Government and the social insurance offices for their administration costs.

National Pension Insurance Fund income and expenditure for 2000–2002 is shown in the table above left.

In the premium pension system the charges are reservations for future payments. Future payments are related to the charges. It is not therefore appropriate to speak of a surplus if the income exceeds the expenditure in a particular year. The premium pensions have not been included in the table below. The Seventh National Pension Insurance Fund belongs to the premium pension system and has therefore not been included either.

A number of the particulars in the table relating to the National Pension Insurance Fund are provisional or estimated. The table refers to market values.

Expenditure and income, provisional, SEK m			
	2002	2001	2000
Expenditure			
Pension payments	151 562	143 564	138 840
Transfer to the national budget	–	155 000	45 000
Interest, exchange differences etc. (net)	84 542	25 036	–
Administration costs	2 081	1 943	1 732
Total expenditure	238 185	325 543	185 572
Income			
Charges	160 553	156 811	144 275
Interest, exchange differences etc. (net)	–	–	28 704
Total income	160 553	156 811	172 979
Change in fund	–77 632	–168 732	–12 593
Fund balance 31/12	487 540	565 172	733 904

The value of the National Pension Insurance Funds has declined sharply over the three years shown. This is partly because there have been large transfers to the national budget. Sizeable capital losses have also contributed to the decline. Charge income during the period has exceeded pension payments and administrative expenses.

Survivor's pension

The survivor's pension charge is 1.7 per cent. Until 2002 the charge financed child pension, adjustment pension, special survivor's pension and widow's pension under both the national basic and the supplementary pension (ATP). The child's pension is shown as its own appropriation in the national budget, while the other benefits are shown together under the appropriation "survivor's pension for adults". The survivor's pension charge also finances administrative expenditure for corresponding benefits.

Expenditure and income, SEK m			
	2002	2001	2000
Expenditure			
Child's pension	977	951	941
Survivor's pension for adults	13 444	13 056	12 865
Administration costs	44	45	49
Total expenditure	14 465	14 052	13 855
Income			
Charges	16 743	16 109	14 790
Difference charges/expenditure	+2 278	+2 057	+935

In all three years the income from charges was higher than the expenditure.

Parental insurance

The charge for parental insurance is 2.2 per cent. The charge finances parental allowance and temporary parental allowance including government old-age pension charges for these benefits. Pregnancy allowance on the other hand is financed from the sickness insurance charge. The parental insurance charge also finances administrative expenditure on parental allowance and temporary parental allowance.

Charge income was higher than expenditure in all three years.

Expenditure and income, SEK m			
	2002	2001	2000
Expenditure			
Parental allowance	14 105	12 761	11 850
Temporary parental allowance	3 745	3 605	3 132
Government old-age pension charges	1 780	1 636	1 506
Administration costs	668	634	603
Total expenditure	20 298	18 636	17 091
Income			
Expenditure	21 634	20 849	19 141
Change in charges/expenditure	+1 336	+2 213	+2 050

Summary

Totalling the difference between charge income and expenditure for sickness insurance, work injury insurance, survivor's pension and parental insurance in 2002 gives a deficit of approx. SEK 2.8 bn for 2002. In 2000 and 2001 there was a surplus. The earlier surplus has not been funded, and this money from charges has in practice been tax, which has been used for purposes other than those indicated in the act. The deficit in 2002 has been financed from taxes.

It is not relevant to include the old-age pension system in this reasoning as any surplus there is funded. However the income-based old-age pension system, too, has helped to strengthen the national budget, both by means of large transfers from the National Pension Insurance Fund to the national budget in 1999–2001 and also because a part of the old-age pension charge goes to the national budget. The old-age pension charges transferred to the national budget in 2002 totalled SEK 11.9 bn.

Results of operations

Results for 2002 – the National Social Insurance Board's overall assessment

Three questions have predominated within social insurance and administration during the year. The one attracting most notice outside the administration has undoubtedly been the situation in sickness insurance, where the trend continues to be a negative one. The cost of payments for incapacity for work, exclusive of administration, now totals SEK 105 bn on a yearly basis. This represents a further increase of approx. SEK 5 bn since last year. However there are some encouraging signs. The rate of opening new cases has now stabilized, albeit at a very high level. But there is far too little active co-ordination of efforts with regard to those sicklisted for excessively long periods. Vigorous, sustained efforts coordinated between different authorities will be necessary in order to get to grips with the situation all over the country.

As from 2003 all Sweden's pensioners will receive their pensions under the new pension system. The year 2002 was in other words the final year of a comprehensive development of new administrative systems for this, which has taken several years. Preparations for the new pension system have been one of the largest development projects ever in Swedish social insurance and, indeed, in Swedish public administration. We can proudly confirm that the systems have gone into operation according to plan and without major disruption.

The year 2002 was also the year when Swedish social insurance administration took significant steps towards its goal of becoming a modern 24-hour authority. During the year a parental insurance service has been tested which allows parents

to report take-up of parental allowance and temporary parental allowance. Together with the National Tax Board the National Social Insurance Board has reached agreement with a number of banks on security solutions and procedures for electronic identity documentation. With this a crucial step has been taken towards increasing the possibility of enabling private individuals themselves to handle simple cases over the net. During the year the Board has commissioned the first versions of new, modern case-processing systems for the personnel of social insurance offices, an important precondition for continued development of the efficiency and availability of the administration. Some 6 000 staff are at present using the new systems.

The year has also been characterized by improved and, therefore, more efficient collaboration between the National Social Insurance Board and the offices. Agreements have been reached on joint efforts in certain priority areas. The Board considers that this has played a big part in enabling results to be improved and important IT deliveries to be made and received successfully.

In the area of benefit in case of incapacity for work the results continue to be unsatisfactory. Increasing numbers of people are drawing sickness benefit for longer periods of time. Far too few become the subject of coordinated rehabilitative measures. The offices do not manage to use the funds that have been allocated for purchase of rehabilitation services. Despite active efforts it has not been possible to stem the heavy flows into the system.

Introduction

Total costs

Social insurance cost development, SEK m						
	2002		2001		2000	
	Insurance cost	Adm. cost	Insurance cost	Adm. cost	Insurance cost	Adm. cost
Financial support to families	53 544	1 901	52 163	1 902	48 743	1 959
Financial support in case of incapacity for work ¹⁾	106 576	3 143	101 455	2 953	92 362	2 955
Action against ill health ²⁾	790	1 012	839	961	912	774
Financial support to the disabled	13 284	415	11 578	386	10 212	400
Financial support in old age	185 410	1 393	177 490	1 102	172 456	1 205
Other payments	11 220	272	9 881	350	8 734	301
Total³⁾	370 824	8 136	353 406	7 654	333 419	7 593

¹⁾ Including health and medical care policy.

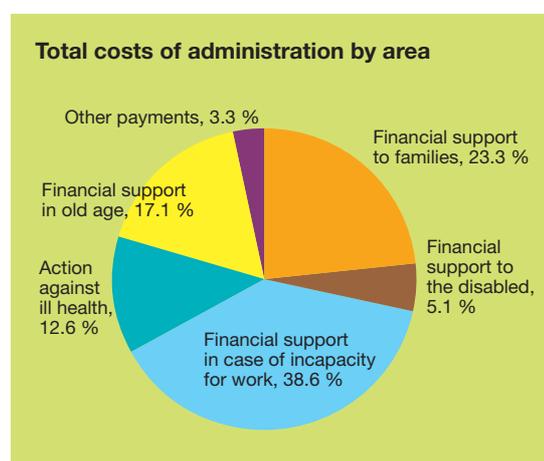
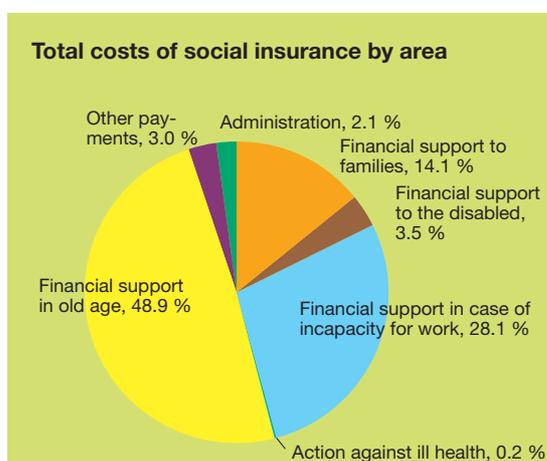
²⁾ The insurance cost and the administration cost for Action against ill health includes no costs for FMC. The insurance cost for FMC is SEK 45 m for 2002, SEK 37 m for 2001 and SEK 35 m for 2000. The administration cost for FMC is SEK 77 m for 2002, SEK 67 m for 2001 and SEK 57 m for 2000.

³⁾ The total amount for administration costs includes no costs for external orders at RFV Data. These costs are SEK 25 m for 2002, SEK 39 m for 2001 and SEK 33 m for 2000.

Total social insurance costs (insurance cost plus administration cost) amounted to SEK 379 bn in 2002. This represents an increase of 5 per cent on the preceding year. The greater part of the total cost is accounted for by financial support in old age and financial support in case of incapacity for work, which represent more than three-quarters. The rate of increase in the cost of financial support in case of incapacity for work was no less than 9.5 per cent between 2000 and 2001, but decreased somewhat to a rate of increase of 5 per cent between 2001 and 2002. In the case of financial support in old age the rate of increase has risen from 2.8 per cent to 4.6 per cent during the same periods. The cost development has continued at the rate of the rise in sick leave and the increased pension volumes.

Total administration costs in 2002 were SEK 8 136 m. The largest single area of costs is for the administration of financial support in case of incapacity for work together with action against ill health, which together account for more than 50 per cent of administration costs. The increase in total administration costs on the preceding year was SEK 482 m and relates to the cost increase in the areas financial support in case of incapacity for work and financial support in old age.

Of the cost increase of SEK 482 m, SEK 72 m relates to increase in staff pension liability at the social insurance offices. Corrected for the staff pension liability the increase in administration costs totals SEK 410 m, which is equivalent to 5.4 per cent.



Social insurance administration costs, 2001 and 2002, SEK m

Administration costs, 2002	8 136	
Administration costs, 2001	7 654	
Increase between the years	482	
of which increase in staff pension liability	72	
Corrected increase between the years	410	5.4 %

The change in the staff pension liability at the social insurance offices varies sharply from year to year. In an analysis over a period of several years cost information exclusive of staff pension liability gives better figures for comparison. The development of administration costs for the social insurance offices is therefore shown here exclusive of the staff pension liability.

Administration costs, social insurance offices, exclusive of pension liability, SEK 000

	2002	2001	2000
Financial support to families	1 391 338	1 390 165	1 482 096
Financial support in case of incapacity for work ¹⁾	2 491 574	2 351 031	2 321 856
Action against ill health	870 972	854 665	661 384
Financial support to the disabled	329 604	320 289	325 761
Financial support in old age	604 370	546 738	551 002
Other payments	145 842	156 211	151 201
Total	5 833 700	5 619 100	5 493 300

¹⁾ Including health and medical care policy.

Administration costs, National Social Insurance Board, SEK 000

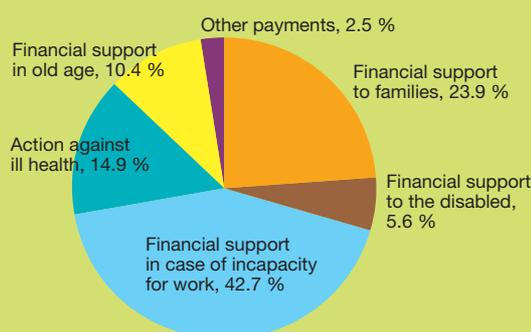
	2002	2001	2000
Financial support to families	331 479	344 961	236 220
Financial support in case of incapacity for work ¹⁾	332 263	319 812	256 376
Action against ill health	29 625	3 591	5 077
Financial support to the disabled	43 329	27 067	21 648
Financial support in old age	711 516	490 064	564 196
Other payments	107 288	175 205	125 483
Total	1 555 500	1 360 700	1 209 000

¹⁾ Including health and medical care policy.

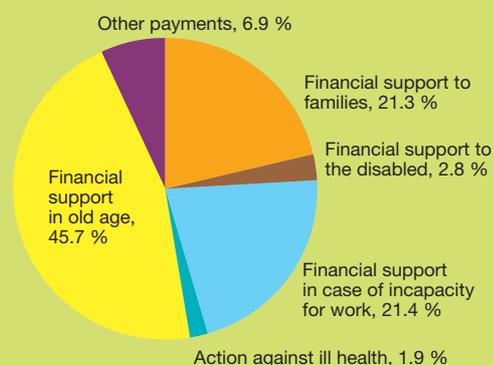
The development of administration costs at the social insurance offices, exclusive of pension liability, for the period 2000–2002, shows that financial support in case of incapacity for work and action against ill health have grown steadily, whereas financial support to families has decreased. As absence due to sickness has increased, the social insurance offices have tended to transfer resources from the processing of types of cases with falling

volumes to those with a more rapid rise in volume such as sickness allowance. Of the total administration cost of the social insurance offices exclusive of staff pension liability no less than 58 per cent is accounted for by financial support in case of incapacity for work and action against ill health. Financial support to families has fallen over the three years from a proportion of 27 per cent to a proportion of 24 per cent.

Total administration costs of social insurance offices by area, exclusive of pension liability



Total administration costs of National Social Insurance Board by area



During 2002 administration costs for financial support in old age and for financial support to the disabled have risen considerably, at both the social insurance offices and the Board. The increase is explained by extensive work on the development of the new pension system and changes in the regulations and rises in volumes. Of the administrative costs at the Board, half are accounted for by financial support in old age. The corresponding support in the preceding year was 35 per cent.

Organizational analysis

An analysis which attempts retrospectively to identify important factors in the environment which affect the work and the results of social insurance administration cannot ignore the extensive media exposure to which sickness insurance and administration have been subjected during the year. The area of operations has been discussed in the media virtually every day. The administration is dealing with one of the most important social questions of the day, and one in which the driving factors behind developments are to some extent unknown and therefore difficult for the administration to influence, at least in the short term and in isolation.

The debate on absence from work due to sickness was fuelled by reports and studies presented during the year which offered various explanations for the soaring figures. It may be observed that the picture of the complexity of the underlying factors has gradually been confirmed. Most parties seemed to agree that no simple, unequivocal factor can be identified. Instead we are dealing with a number of different factors which involve work organization, work environment, life situation, design and application of the benefits system, doctors' behaviour, administrative problems and other areas. For example impressions of behaviour which were presented in the media as simple cheating developed during the year into considerably more complex and more elusive questions of changes in attitude on the part of virtually all parties concerned. The questions were discussed throughout the spring and in the election campaign and prospects of political initiatives were held out. But only towards the end of the year were clearer political intentions presented. The budget proposals in the autumn set out a coherent programme and the administration was promised additional resources for work against ill health.

The election resulted in a continued social democratic government. New cabinet ministers were given responsibility for social insurance. The responsibility for social insurance was divided between the Ministry of Health and Social Affairs and the Ministry of Industry and Commerce. Having to report to two different ministries is a new situation for the social insurance administration. But the administrative division between the ministries also reflects the close connection with labour market policy that social insurance has acquired. Realization that a new job or new duties are the best form of rehabilitation has grown quickly. Ear-

lier expressions of ambitions with regard to "the employment line in sickness insurance" have acquired a new and more concrete content, creating new conditions and expectations with regard to the social insurance administration and cooperation with, particularly, the Labour Market Administration.

More left in the purse

Families' financial prospects were satisfactory in 2002. Disposable income rose significantly more than in the preceding year. In many respects 2002 may be said to have been a year of reaping the fruits in many families. Families with young children had more left in their purse after implementation of the maximum charge in child care.

Inflation, which had risen in 2001, could once again be held below the National Bank of Sweden's inflation target of two per cent.

Stock exchange crash

For those saving in funds and shares the statements from banks and insurance companies became leaner and leaner.

As the media tend to identify the whole pension system with the premium pension, with saving in funds and with a short-term view, the suspicions also spread to the income-related pension and the pension system as such.

Sick leave and employment

After several years of rapidly rising employment, growth and employment slowed in the middle of 2001. Many experts hoped that this would be a relatively short-lived dip in the economy.

At the start of 2002 there were therefore hopes of a substantial recovery. However these hopes were frustrated. The rise in employment was marginal compared with the average rise of around 80 000 a year in the preceding years. The fact that employment has increased at all may be partially connected with the continued unfavourable trend in absence due to sickness. The long-term sick had to be replaced with new staff who were able in this way to find jobs. If absence due to sickness had not continued to rise, employment figures would have shown a downward curve.

The level of unemployment in 2002 finished marginally below that of 2001. However the reduction was roughly balanced by a corresponding

increase in the number of people participating in various labour market policy programmes. In total an average of roughly 300 000 people were openly unemployed or taking part in programmes. In round figures this is as many as on average were sicklisted during the year. In addition to this there are 400 000 or 500 000 people receiving disability pensions. In total there were therefore roughly a million people outside the labour market on account of sickness or unemployment.

Rising birth rate

Sweden's population grew last year. The increase was the largest since 1994. The excess of births over deaths was 1 000. Altogether 95 800 children were born, which is itself an increase of 4 300. Fertility rose, even if it remains low – 1.6 children per woman.

More countries in the EU

In the EU there were vital negotiations during the year on the matter of an expansion and here in Sweden the question of a referendum on a common currency arose again. The political parties agreed to hold a referendum in 2003. If Swedes vote "yes" to the euro, child allowance, sickness allowance and pensions will be paid in the same currency as in the rest of Europe. The National Social Insurance Board was instructed during the year to ensure that the administrative systems can be simply upgraded to a version which can handle the euro.

In the international arena generally the threat from terrorists has continued to cause anxiety, as has the threat of a new war in Iraq. This has not yet had any direct effect, but may indirectly exert an influence by delaying an economic upswing and thus affecting the possibility of saving for pensions etc.

Financial support in case of incapacity for work and action against ill health

Cost development in the area

The insurance cost of sickness allowance totalled SEK 45 260 m, which is an increase of SEK 5 404 m on 2001. The cost of disability pension and temporary disability pension has fallen by SEK 247 m from SEK 50 174 m to SEK 49 927 m between 2001 and 2002.

The cost of administration of sickness allowance has risen by SEK 132 m compared with 2001 and the cost of administration of disability and temporary disability pension has risen by SEK 78 m between 2001 and 2002.

Cost development for area of benefits, SEK m

	2002	2001	2000
Benefit in case of incapacity for work ¹⁾	104 622	99 243	90 215
Action against ill health	790	839	912
Total insurance costs	105 412	100 082	91 127
Total administration costs	3 948	3 707	3 516

¹⁾ Exclusive of health and medical care policy.

Overall assessment

The trend in results during the year has been unsatisfactory for the whole area of benefits.

There are many reasons for the rise in sick leave in recent years. Factors which are likely to be involved are increased pressures at work, an older work force, scarcity of resources in the health service and the social insurance offices and probably a change in attitudes with regard to sick leave as such. This means that the measures that can be taken cannot be confined to one particular area. Action is required from many different quarters.

The task of the social insurance administration is to prevent ill health by encouraging others to take active steps to reduce the risk of long periods of sick leave in particular. The social insurance office also has a duty to take initiatives and coordinate in the individual case of sickness. The social insurance office has to clarify the need for rehabilitation and coordinate the efforts needed in order to get the sick person back to work. The efforts of the office may be of various kinds ranging from individual interviews intended to facilitate a return to work part-time to the planning of more extensive rehabilitative measures involving other interested parties.

The social insurance administration has an important part to play in tackling the problem of absence due to sickness, but a substantial improvement can only be achieved by the combined efforts of many. The Board can confirm that attention to these matters has also increased appreciably over the last year. This is the probable explanation for

the fact that after four years of steady increase in sicklisting there has been a slight slowing in the number of new cases of sickness during the last few months of 2002. However the number of new cases is still very high and for the full year the amount of absence owing to sickness has increased.

The number of cases of long periods of sickness continues to rise. At the end of October 2002 there were 124 300 people who had been on sick leave for more than a year. This is 12 400 more than in October 2001 and represents an increase of 11 per cent. The large accumulation of cases of sickness has been a heavy burden on the whole social insurance administration. The situation that has arisen has made it necessary to allocate available resources at the social insurance offices to the payment of sickness allowance. The time that the office can use for ascertaining the need for rehabilitation and supporting the claimant and initiating action is very limited – less than an hour per claimant per month. For the individual concerned, the processing of the case may appear passive and to consist of long periods of waiting.

The number of individuals whose capacity for work has improved after completion of coordinated rehabilitation has once again risen. Six months after the conclusion of the rehabilitative measures, 65 per cent have had an increased capacity for work. This means that the national target has been attained at national level. Although the number of long cases of sickness has continued to rise, however, the number of individuals in respect of whom

efforts were made to assist rehabilitation rose only marginally. During the year 44 900 people have gone through coordinated rehabilitation programmes, which is 700 more than in 2001. At the same time the number of people who have had a period of sickness lasting at least 60 days has risen from 474 400 to 499 300. As long as the very long cases of sickness continue to rise this administrative shortcoming is one of the contributory causes of the rise in sickness insurance costs.

It is not the task of the social insurance office itself to run rehabilitation programmes. However certain funds are available to the social insurance offices for the purchase of expert examinations and also of certain employment-oriented rehabilitative services as a supplement to the rehabilitation offered by employers, labour market authorities and health services.

In 2002 the social insurance offices have once again not made full use of these funds, of which just over SEK 192 m remained at the end of the year. This is regrettable, because the social insurance office depends on expert information when dealing with its cases. The shortfall in purchases by the social insurance offices has in turn led the

providers of investigations to scale down their operations. At times, therefore, there has been a shortage of assessment facilities. Another reason for the fact that more reports have not been ordered is the absence of an effective investigative method at the social insurance offices. More efficient methods of investigation would enable the social insurance offices to identify more people in need of more detailed investigation at an earlier stage. Comprehensive efforts to improve working methods have therefore begun in 2002.

There are also other explanations for the surplus. The high work load of the social insurance offices in the field of ill health has made it necessary to give payment of sickness allowance priority over investigation and coordination. An additional explanation is the fact that active rehabilitative efforts for the unemployed are no longer paid for by the offices.

To the extent that the surplus is due to the fact that active rehabilitative services have been paid for by employers and not by the social insurance office, this is consistent with the intention of the legislation. Knowledge of which measures have the desired effect is very restricted.

Rapid increase in absence due to sickness

Social insurance is an important part of the national economy. In the last ten years great efforts have been made to create a financially stable pension system. Now the sickness insurance system faces an alarming rise in costs. The number of people who have received sickness allowance at some time during the year has risen by 161 000 since 1999 and was approximately 862 000 in 2002. At the same time the periods of absence have become longer and the sick are returning to work less often than formerly. The number of days of sickness has thus risen by no less than 50 per cent since 1999. The continuing increase in the number of long-term cases of sickness, of which women account for a steadily increasing proportion, has now also resulted in a marked increase in the number of new disability and temporary disability pensions.

Since 1999 the number of new cases of disability and temporary disability pension has risen from 37 600 to over 67 000. The increase has taken place in all age groups, but percentage-wise it has been greatest in the age range 35–49, where the increase has been by 84 per cent. This is alarming, as the proportion of disability pensioners has risen parallel with rising absence due to sickness.

The fact that the number of new pensions granted has risen steeply in recent years has meant

that the number of people receiving disability/temporary disability pension has risen since 1999 from 408 000 to 471 000. The trend gives even greater cause for anxiety in the light of a study by the Board, which shows that one in every four individuals on sick leave would like a disability pension on the basis of his or her capacity for work. In addition there are a roughly similar proportion who do not think that they will be able to work their normal hours again. It is in particular the older sicklisted individuals and those with symptoms involving the limbs who do not believe they can return to work. Studies have shown that the perception of the person on sick leave has a great effect on the outcome of the case of sickness.

Sick leave among women still rising

Just over 60 per cent of those on sick leave are women, many of whom are employed in the public sector. Absence due to sickness has, moreover, increased much more rapidly among women than among men in recent years. Since 1998 the number of women who have been sicklisted longer than a year has more than doubled, whereas the number of men has grown by 80 per cent. In addition statistics show that older people are away from work more than younger ones.

Big differences between countries

Since the 1980s Sweden has had a much higher rate of absence due to sickness than most countries. It is impossible to draw definite conclusions about the difference between Sweden and other countries, but a statistical analysis gives indications that the age structure of the Swedish work force, the high level of employment among older people, the high frequency of gainful employment among women and the high proportion of permanent employees have contributed to a higher rate of absence due to sickness.

Large regional differences in sick leave and disability pension

The regional differences in sick leave and disability pension are no new phenomenon. Expectations of quick results in dealing with peaks in the ill health figures by concentrating on regions and sectors which have the least satisfactory results are proving difficult to fulfil according to a study of regional differences carried out by the Board. This shows that ill health has risen evenly in both regions, municipalities and professional groups and sectors. Those which show a higher proportion of cases of sickness today were also doing so in the mid-1990s. If the highest figures could be evened out to bring all the regions down to the regional average, costs would be reduced only by seven per cent. Correspondingly costs would be reduced by 12 per cent if the sectors with the highest rates of absence brought the figure down to the average. Of the different industrial sectors, thirty account for half of the sickness allowance expenditure. Moreover the sectors follow the geographical variations. Nor is there anything to suggest that the public sector should be treated separately: there are wide variations within it, and they follow the geographical differences.

In the longer term, however, the most striking aspect is that the pattern has changed, with "ill health" shifting from the major conurbations to, in particular, the counties of Norrland and other thinly populated areas.

The study of regional differences shows that counties with high unemployment also have high sickness rates and that this can to some extent be explained by the design of the system of regulations for sickness allowance and unemployment. Sickness allowance is paid for the unemployed from the first day, whereas people in employment have a 14-day sick-wage period. As a period with a right to unemployment benefit is extended by the fact that days of sickness allowance are not included in the period, the system contains a built-in incentive for the unemployed to prolong their sick

leave. Where people receive a sickness allowance higher than the unemployment benefit the system contains a further built-in incentive for remaining within the sickness insurance system for as long as possible.

National economy relevant

The rapid rise in sick leave over the last four years coincides with a marked improvement in the state of the economy. Similar connections between absence due to sickness and the state of the Swedish economy have been noted during earlier periods over the last 25 years. The days of sickness have regularly been more numerous towards the end of a period of boom. During the following period of economic slowdown the number of days of sickness has fallen. At the same time the amount of sick leave has tended to go higher with every boom period. When there was an economic recession in the early 1990s unemployment rose sharply and many people were unemployed for long periods. In particular there were sweeping staff reductions in the public sector. Older jobseekers often have poorer prospects of obtaining work and more reason to give up looking for work after a lengthy period of unemployment. The tendency for men to leave the work force continued during the first half of the 1990s.

One of the explanations for the lower level of absence due to sickness in the first half of the 1990s is that the rising unemployment of the early 1990s probably made many employees less inclined to stay off work. The amount of paid sick leave was almost halved during this period. The poorer terms of the national sickness insurance scheme are also likely to have contributed to the reduced absence. A reduction in "excessive absence" from the extreme boom year of 1990 may also have contributed. Among older women, especially, where the level of sicklisting is as now as high as in 1990, there now more long-term cases of sickness. One explanation of this may be that part of the absence has changed in structure as a result of sickness allowance being allowed to supersede or replace unemployment benefit and with sick leave increasingly frequently being followed by disability pensioning.

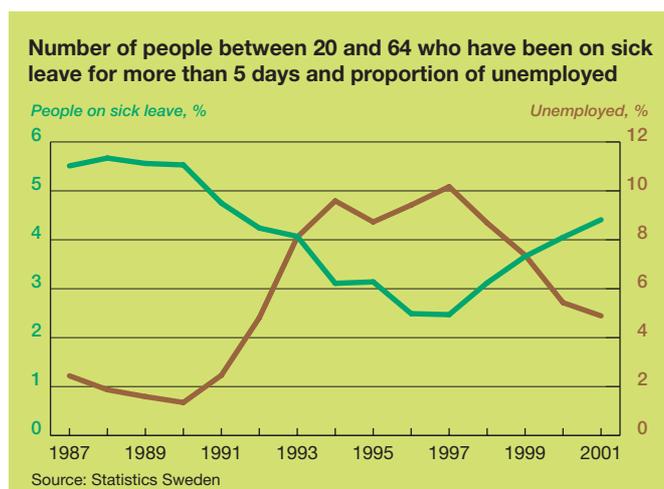
High work load at the social insurance offices

The high work load at the social insurance offices has not only led to rehabilitative measures being neglected, it has also delayed the processing of disability pension cases. The consequence of this is that it is taking longer for long-term sicklisting to be replaced by disability pensioning. This of course raises the amount of sick leave and the cost

of sickness allowance and delays rises in the cost of disability pensioning.

Work environment and absence due to sickness

It is tempting to believe that an important part of the rise in absence due to sickness in Sweden since the mid-1990s is related to conditions at work. In a survey carried out by the Board roughly a half of those who were in employment before they fell ill answered that their work had wholly or partially caused their sickness. But among those sicklisted for mental problems, 84 per cent see their work as at least a contributory cause of their illness. Even if many of those who are sick are optimistic about being able to start work again, one in four of them believes that he/she will never again be able to work normal hours. It is the older people and those with problems affecting their mobility, e.g. back and joint pain, who do not believe they will be able to return to work.



Diagnostic trends

One important factor in the picture of absence due to sickness is the trend among the different diagnostic groups. On the basis of selective studies, the following may be said regarding the extent of and change in the most common diagnoses between 1999 and 2001.

The sharpest rise in the number of cases of sickness between 1999 and 2001 relates to various mental problems. The number of people sicklisted with psychiatric diagnoses has doubled from 34 000 in 1999 to 68 000 in 2001. The increase has been particularly rapid among women, where the proportion of long-term sick with mental health problems has risen from 21 to 30 per cent. Sickness affecting mobility is still the most common

reason for sick leave, but this has not increased as much as the psychiatric diagnoses.

The most frequent reasons for granting new disability/temporary disability pensions are complaints affecting the muscles, bones and connective tissue, such as slipped discs and backache. Since 1992 the proportion accounted for by this group has dropped from 50 to 39 per cent, a level which has been maintained since 1999. The mental diagnoses have risen steadily from a level of 17 per cent in 1992 and they account for 27 per cent of all new cases of pensioning in 2002. The changes in the diagnostic pattern which have taken place over time may in part be explained by the changed age distribution among the new disability/temporary disability pensions, with a shift from the older to the younger. But there has also been a real change in the breakdown of diagnoses within the different age groups.

Change in attitudes?

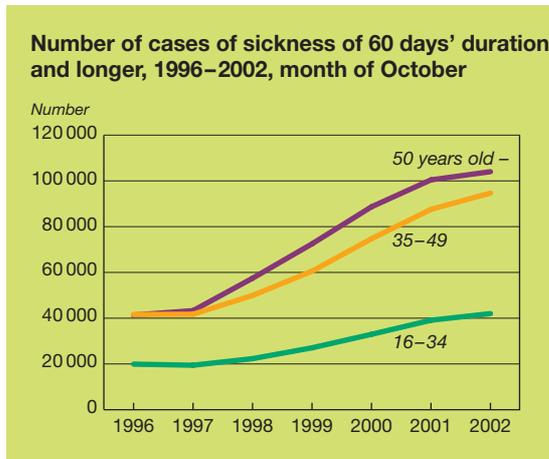
To what extent can changed living habits and attitudes and greater demands with regard to family life and recreational activity have raised the inclination and need to take sick leave? There is an absence of information on whether there really have been important changes in attitudes during the 1990s. But it is nevertheless reasonable to assume that the attitudes to sicklisting have changed as absence due to sickness has increased during the period 1997–2002. If this is the case, these changes in attitude have occurred not only among those absent from work owing to sickness but also among doctors, employers, colleagues, insurance office staff etc., i.e. all the groups who have in one way or another been involved in the problems of sick leave.

Trend among people aged up to 35

More and more people aged under 35 are falling out of the labour market and receiving benefit from the sickness insurance scheme. Since October 2000 the number of cases of payment of benefit for periods longer than 60 days has risen by 27 per cent from 33 000 to 42 000. That the number of cases of sickness has risen sharply has also meant that the number of new disability pensions granted to those under 35 has increased from 5 200 to 7 000, i.e. by 35 per cent, compared with 2000.

Psychiatric diagnoses have increased in recent years among people aged under 35 and in 2001 represented the largest single diagnostic category for this age group. This represents a change by comparison with earlier, when diseases affecting mobility were the largest diagnostic category. Compared with 1999, the psychiatric diagnoses

among those under 35 have increased from 23 per cent to nearly 36 per cent.



Cases of sickness opened and closed

The number of new cases of sickness has risen considerably since 1998. The new cases are becoming longer and at the same time a relatively smaller number of the long (60 days or longer) cases of sickness that are still open are being closed. This means that the number of long-term cases of sickness is growing all the time. The number of new cases going on to reach a duration of 60 days or more has not risen as much during the year as in previous years. Rather it is the number of cases of sickness that have lasted for longer than a year that has risen and this is despite the fact that roughly 94 000 such cases were closed in 2002, which is 15 000 more than in 2001. Of the cases closed roughly half ended in disability or temporary disability pensioning.

To study what happens in cases of sickness of 60 days' duration a selection of long-term cases have been monitored over a period of a year. Just under 57 per cent ended with the person concerned being declared fully fit, which is substantially fewer than in the periods 1986–1991 and 1991–1994, when 71 per cent and 62 per cent respectively were

declared fit. At the same time more and more of the long-term sick have had a period of at least one month on the sick list in the previous year. For many people it is difficult to return to the same job and this often leads to new sick leave. An increasingly harsh climate in the labour market means that fewer and fewer of those with failing fitness for work can return to work within a year. This is serious, as the possibility of returning to work declines the longer the sickness continues. Of the cases of sickness, 4.7 per cent ended with disability/temporary disability pension and 4.5 per cent were succeeded by some other form of benefit, e.g. parental allowance or old-age pension.

Administrative shortcomings

Of the cases of sickness of more than one year's duration which have been closed in 2002, half have become cases of disability or temporary disability pension. Where sickness has lasted two years or more, the corresponding proportion is two-thirds. As the social insurance office ought to test the entitlement to disability or temporary disability pension when a case of sickness cannot be closed within a year the large quantity of cases of sickness indicates that many people are receiving the wrong benefit.

It is confirmed by a survey that the sharp rise in the number of cases of sickness in recent years has led the social insurance offices to give priority to payments of benefit at the expense of active examination of the right to benefit. At the same time the large regional differences indicate that an efficient administration can make a difference. In a few social insurance offices where there has been systematic work on ensuring that the correct benefit is paid (sickness allowance, rehabilitation allowance, disability/temporary disability pension), the upward trend has been broken.

As long as the cases of sickness of very long duration continue to increase, this administrative shortcoming is a contributory cause of the increase in sickness insurance costs.

Health and medical care policy

Benefits in this area by area of activity

Dental care: Dental care insurance

Health care: EU-medical care, medication

Cost development for area of benefits, SEK m			
	2002	2001	2000
Dental care			
Dental care allowance	1 607	1 487	1 414
Payment to medical care authorities	0	405	405
Health and medical care			
Medical care benefits in international cases	342	315	222
Disease carrier's allowance	6	5	5
Total insurance costs	1 955	2 212	2 146
Total administration costs	206	207	210

The costs for dental care insurance have not risen to the extent anticipated in 2002. The reason is a certain restraint of demand for basic dental care and prosthetic treatment in the first half of the year among older patients who were awaiting the protection of the new charge limit, on which no decision had been made to the desired extent.

The Board has hitherto paid compensation on behalf of the Government to the medical authorities for dental care. These payments are being arranged by other methods as from 2002.

The cost development for medical care benefits in international cases is affected by factors such as tourist flows to and from Sweden and the number of Swedish pensioners who settle in other EU countries. It is difficult to draw conclusions with regard to the cost trend, but it may be noted that growing numbers of Swedish pensioners are settling abroad and that the member countries – particularly France and Spain – that claim compensation from Sweden for pensioners have presented their claims more promptly in 2002.

Medical care benefit in international cases

Costs in the field of health care are connected for the most part to Swedish membership of the EU. Membership brings a responsibility for costs of medical care provided in other member countries to Swedish pensioners and other claimants. Similarly other member countries are responsible for the costs of medical care given to those countries' pensioners and claimants in Sweden.

The National Social Insurance Board is the recipient and the payer of the bills for care which are continuously received from other member countries. These relate to costs for Swedish tourists who have become ill or suffered accidents while staying temporarily in another member country but also for Swedish pensioners who live in other member countries. For these pensioners the Board pays a fixed amount per individual per year to the authorities in the member country. Most of the pensioners live in France or Spain.

The cost during 2002 amounted to approx. SEK 177 m for both tourists and pensioners. The cost is higher than normal because the Board has been clearing the outstanding balances at a more rapid rate.

The costs include expenses borne by the social insurance offices for remuneration to county councils when medical care is given to citizens of the Nordic countries and of the Baltic states, and of Poland, Australia and some other countries. These costs are not reimbursed. Expenditure in this area in 2002 amounted to approx. SEK 97 m.

For care given in Sweden to EU citizens the Board has had a cost of approx. SEK 68 m in 2002 which has been charged to other member countries.

Financial support to families

Benefits in this area by area of activity

Insurance: Parental allowance, temporary parental allowance, pregnancy allowance, child's pension, child-rearing pension right

Needs-tested allowances: Housing allowance, maintenance support (care allowance)

General grants: Child allowance and adoption expenses grant

Cost development for area of benefits, SEK m

	2002	2001	2000
Insurance	24 688	22 599	21 026
Needs-tested allowances	7 797	8 434	8 764
General grants	21 059	21 130	18 953
Total insurance costs	53 544	52 163	48 743
Total administration costs	1 901	1 902	1 959

Overall assessment

The result in the policy area is satisfactory. The aim of reducing differences in financial conditions between couples with and without children is being achieved. The financial recovery of families with children after the decline of the 1990s is continuing. Incomes are rising but the differences between different types of household are in some cases wide. The cost of insurance for the policy area shows a total rise of approx. SEK 1.4 bn. It is in the area of insurance that the costs are rising. The reasons for this are that there has been an upturn in the number of children being born, which has meant an increased use of, in particular,

the parental allowance. An increase in the average number of days for which payment has been made has also affected the cost. In the area of needs-tested allowances the reduction in the number of households receiving housing allowance continues. This is a result of the improved income position of the families. Demographic factors are reducing costs in maintenance support and general grants. The inflow of younger children is smaller than the outflow of older ones.

The proportion of days of parental allowance utilized by men continues to increase.

The policy area in the community

Result target for financial family policy

The result target for financial family policy is to reduce the difference in financial conditions between families with and without children. The support offered by family policy is intended to give financial security where the burden of supporting the family is heavy and to offer the possibility of combining parenthood and work.

In the case of the area of activity "Insurance", a rise in costs means a movement towards the result target, i.e. more parents have made use of the insurance. In the case of needs-tested support a reduced cost means a movement towards the result target, i.e. the families have experienced a financial improvement and do not need support to the same extent. At the same time the support means a lot to the person receiving it. There has been some reduction in volume and costs for the general grant. As the individual grant has not been reduced the

financial support still has a positive effect on all families and redistributes resources from couples without children to families with children.

Development of family support and result target

The family supports have a big effect on the disposable income of families with children. Without these supports families would suffer a corresponding reduction in standard in relation to those without children. For the group as a whole family policy support represents a fifth of disposable income.

The income of families with children has improved. This is mainly because parents are to a large extent in employment. However there are some differences within the families group. For single-parent families the increase in disposable income is smaller than in the corresponding group without children. For single parents the supports

make up a third of disposable income. The most important single factor is maintenance support, which makes up roughly 12 per cent of disposable income for the families concerned. For couples with two children child allowance and parental insurance are major sources of income and the family policy supports together account for approximately 10 per cent of disposable income for this group.

Higher disposable incomes mean that more families can manage without needs-tested support in the form of, for example, housing allowance. In the case of maintenance support increased income for those liable for maintenance means an improvement in their capacity to repay. Reductions in volumes and costs can in consequence be seen for this area of activity. Households that have shown a weaker economic trend, primarily single parents with children, are even more prominent in the housing allowance group. This group also receives continued support in attaining a better financial standard. At the same time marginal effects in housing allowance still limit the possibility of improving one's financial position by working harder.

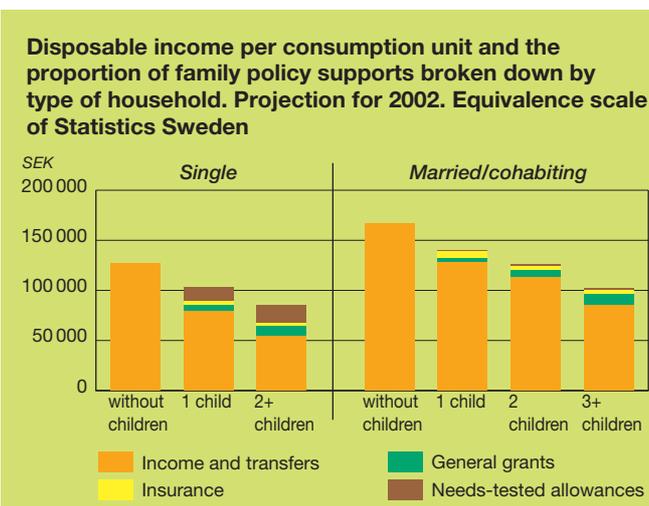
As wages rise, increasing numbers of parents receive payment at the highest level of parental insurance, which means that the income ceiling has a limiting effect on the principle of an insurance against loss of income. The raising of the basic level from SEK 60 to 120 represents an improvement for, among others, households which initially have a low income or none at all. The effect is that the insurance acquires the character of general support.

Changes in the birth rate have cut costs in maintenance support and for general grants. The number of children under 16 is smaller this year than last year and the number of children reaching the age of 16 is larger than the number of births. In other words the inflow of younger children is smaller than the outflow of older ones.

The relative financial situation of families with children has continued to improve during the year. The situation of families with children is closely linked to factors such as salary rises, employment and changes in the birth rate. Altogether the trend in family policy support together with changes in macroeconomic factors shows a positive development towards the targets.

Indicators for family policy – contract work

In order to measure the equalizing effect of the family policy supports on financial differences between households with and without children, the Board has been asked to produce a number of indicators and criteria. From the indicators chosen the first describes the extent of family policy. Indicator number two describes how the family supports help to reduce the financial differences between families with children and other households and also how the supports are distributed between families with children and different income groups. The third indicator shows the difference in the distribution and structure of income between families with children and other households. The final indicator shows how family policy and its area of activity affect the redistribution of income in the population.



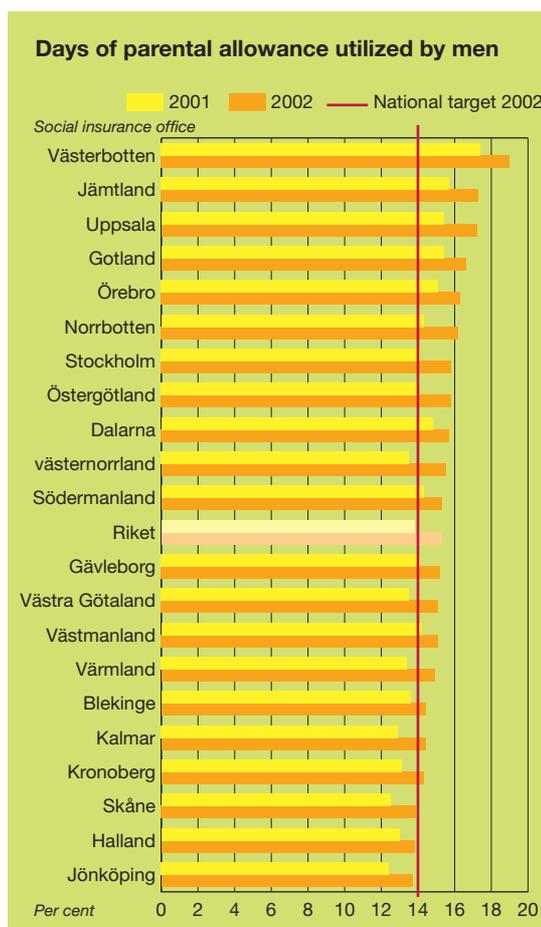
The diagram shows that the disposable income of families with children per consumption unit is lower than for corresponding households without children. The family policy supports reduce the financial differences between households with and without children by raising the disposable income. For single-person households the needs-tested allowances play an important part in this process of equalization. The general supports have a greater significance in families with many children. For single-person households between 23 and 37 per cent (single parents with 1 child and single parents with 2 children respectively) of disposable income comes from general grants, needs-tested allowances and insurance. The corresponding figures for households of married/cohabiting couples are 10 and 17 per cent respectively.

Men's proportion of take-up of parental allowance

The aim of increasing men's take-up of parental allowance is shared by the offices and the Board. Within the Board great efforts have been made during the year to make the point with the public that parental insurance is a joint insurance, shared between the parents where there is joint custody. In including this message in products and information services the idea is that the man's part of the parental insurance should be used to a higher degree by the father instead of being left to the mother.

In the offices' own reports on measures taken with a view to achieving a rise in men's proportion of the days of parental allowance a clear connection is noted between the informational activities undertaken by the offices and the trend in results. Some social insurance offices have consciously chosen not to invest particularly large resources in the father target and they have noted a stagnating trend by comparison with the country as a whole.

In 2002 a letter has again been sent out to 300 000 fathers with unutilized days with a view to increasing men's take-up of days of parental allowance. The letter has given information on the sharing of parental allowance and the possibility of using the days left. Most social insurance offices note an appreciable rise in the number of days used by fathers in conjunction with the dispatch of these reminders. At the same time as these letters were sent, a press release was issued which appeared in a large number of newspapers. The information campaign sharpens the focus on the policy aim of parental allowance and creates interest in the target among the general public.



Virtually all social insurance offices have instituted some form of cooperation with maternity clinics and child health centres in an attempt to disseminate information through these channels. Some social insurance offices have invested resources in encouraging midwives to emphasize the importance of having fathers at home with their children.

Many social insurance offices have also used typical male meeting places, e.g. sports stadia, to spread this information: Radio and TV have also been used during the year to spread the message.

Financial support to the disabled

Cost development for area of benefits, SEK m			
	2002	2001	2000
Attendance allowance	9 767	8 238	6 960
Car allowance for the disabled	230	227	230
Handicap allowance	1 177	1 060	1 036
Care allowance	2 110	2 053	1 986
Total insurance costs	13 284	11 578	10 212
Total administration costs	415	386	400

Overall assessment

An overall assessment of target achievement with regard to the disability policy targets is that efforts on behalf of the individual need to be combined with measures to improve availability and efforts to disseminate information more methodically, both to selected groups and to the general public, and also that reception of claimants be improved so that different forms of meeting become simpler to carry out. The support and services received by individuals today are not enough. Financial difficulties remain in families with children who have functional disabilities. Both parents of children with such functional disabilities and adults with similar disabilities lack information on the various forms of support. The possibility of obtaining support is also affected by the fact that an application for support requires the individual to be able to plead his/her cause or that of his/her child.

In 2002 the processing times for all kinds of support aimed at individuals with functional dis-

abilities have been a matter of priority to the administration. The different social insurance offices have collaborated in order to reduce backlogs of old cases. Figures from the later quarters indicate that more cases have been closed than have been opened. This, together with the fact that more decisions are being taken with regard to all kinds of support, will result in shorter processing times. However the Board will not regard administration in this area as satisfactory until the results have been improved.

The design of the car allowance benefit means that when the appropriation has been exhausted, no more payments of new grants can be made. This is worrying because it means that many people with functional disabilities who are entitled to support cannot obtain it without long waiting times. It may be questioned whether the intention of the law is being fulfilled.

The policy area in the community

Swedish policy with regard to the disabled is to be carried out from a democratic perspective where the UN standard rules on participation and equality of people with functional disabilities are to act as guidelines. The national targets are a social solidarity based on diversity, a society of such a form that people of all ages with functional disabilities will participate in the life of the community, and equality in conditions of life between girls and boys, women and men with functional disabilities. A functional disability may, but need not, involve a handicap. This depends on how the social environment and the environment of the individual are designed. It is still true that those with functional disabilities generally have poorer living conditions than the population in general. This applies

to most areas, for example housing conditions, education, working life, finance, social contact and recreational opportunity. All authorities have a responsibility for observing the UN's standard rules and fulfilling the national targets for disability policy. This responsibility involves designing the premises, activities and information of the authority to ensure that they are available to people with functional disabilities, and also monitoring matters concerning the rights and interests of people with functional disabilities. As from 1 November 2002 the Board is the authority with sectoral responsibility for disability questions within its area of responsibility. A sectoral responsibility implies a particular responsibility for ensuring that national disability policy targets are achieved.

Attainment of disability policy targets

As current policy is about individuality and influence, it also calls for strong, active individuals who can put their case and have the ability to safeguard their own interests. Those with fewer resources, who find it harder to assert their rights, have difficulty in getting their needs met. Some individuals with functional disabilities are particularly vulnerable. From an international perspective Sweden has an extensive support system for people with functional disabilities. The responsibilities of the community include contributions by the government, the municipalities and the county councils. The financial compensation comes largely from the government in the form of social insurance benefits. Almost 103 700 people receive services or financial compensation from the four specialist financial supports of the social insurance system: attendance allowance, car allowance, disability allowance and care allowance.

Opportunities for participation and equality

In recent years there have been several reports suggesting that people with functional disabilities have difficulty in participating in society on similar terms to other people. In order to highlight the question and to draw attention to the UN's standard rules on participation and equality for people with functional disabilities EU proclaimed 2003 the European Year of the Disabled. People with functional disabilities was made the theme of the Board's social insurance handbook for 2002. As part of the preparatory material for this handbook the Board carried out a poll in the spring of 2002. The aim was to study the living conditions of people with functional disabilities aged 22–64. Half of those asked considered that their ability to choose their career and their educational opportunities were affected by the fact of their functional disability. When asked whether they thought it was more difficult for people with functional disabilities to obtain work, almost seventy per cent answered that that they believed it was much harder. The fact that the majority of those asked are not in work at all points in the same direction. Several of those asked consider that they have the ability to work but say that it is difficult for them to get into the labour market. In the group outside the labour market there are inequalities between women and men. Here an even smaller proportion of women have the opportunity to participate in social life because they are less likely than men to be working. For people who do not have the same opportunity of education and employment as others, financial

prospects are also very different. Among the people asked the main source of income is usually disability or temporary disability pension.

In addition to the support provided by society, just over a third of those asked receive daily help from relatives or friends. Just under 20 per cent receive no help at all from relatives or friends. To a follow-up question of who is most important of all in ensuring that practical everyday needs are met, they replied that relatives are as important as the support provided by society. Social support to people with functional disabilities fulfils an important function but from earlier studies, it may be confirmed that the system cannot fully satisfy the needs of the individual. This means that people with functional disabilities often need supplementary support from relatives who have to step in when other support is inadequate. For people who lack the possibility of obtaining support and assistance from relatives the road to participation in society is longer. This creates not only an unequal situation for people with functional disabilities but also inequalities between different people with functional disabilities.

At the start of the year the Board launched a support project. The project report will form the basis for a debate on possible causes of the individual's perception of the financial support system and on the appropriate action. As a part of the support project an interview study with parents of children with functional disabilities was carried out. The purpose of the study was to obtain an impression of how parents of children with functional disabilities see the public support system. The parents interviewed feel that those who need help from society on account of a functional disability are often expected to act on their own initiative. Parents think that they have to work hard for their children to get the support to which they consider they are entitled. This is often because the families have lacked information. Here, too, we can see from earlier studies that adults with functional disabilities describe the same picture as parents of children with functional disabilities. Before it is possible to seek support, the individual needs to know that the support exists. As observed in the report mentioned above, we cannot rule out the possibility that this limits the ability of the individual to obtain the support he/she considers himself/herself entitled to. This also creates inequality between families or individuals with functional disabilities, which is often aggravated by the fact that parents or the individuals themselves have to argue and explain in order to gain access to resources.

Single parents obviously have financial difficulties, but being a single parent of a child with a functional disability presents additional difficulties. The additional costs caused by the child's functional disability reduce the financial resources. The families interviewed also refer to problems in their social situation. These take the form of, for example, reduced access to employment, and periods of sick leave, which may also cause financial hardship.

The families also feel that there are big differences in application. The granting of support depends on where the families live. An inconsistent application creates inequalities within the group and in the last resort there may be a questions of legal justice, i.e. the individual's demand for impartiality, by scrupulous processing and a uniform assessment of cases.

Financial support in old age

Benefits in this area by area of activity

Payment in old age: National basic pension (pensioners who do not receive supplementary pension (ATP), pension supplement, housing supplement to pensioners including wife's supplement, partial pension.

Payment to survivors: Adjustment pension, extended adjustment pension, special survivor's pension, widow's pension.

Old-age pension alongside the national budget:

Supplementary pension (ATP), national basic pension (to pensioners receiving supplementary pension (ATP)), income-related pension, supplementary pension.

Cost development for area of benefits, SEK m

	2002	2001	2000
Benefit in old age			
National basic pension to pensioners not receiving supplementary pension (ATP)	6 306	6 522	6 969
Pension supplement to old age pension	3 359	3 594	3 873
Housing supplement to pensioners	10 515	10 419	9 642
Partial pension (cannot be granted as new)	182	260	211
Payment to survivors			
Survivor's pension in form of national basic pension and supplementary pension (ATP)	13 405	13 018	12 825
Pension supplement to survivor's pension	39	37	39
Old age pension system alongside the government budget			
Supplementary pension (ATP)	105 174	99 373	96 463
National basic pension to pensioners with supplementary pension (ATP)	44 431	43 002	42 362
Old-age pension under new regulations (income-related pension and supplementary pension)	1 936	1 198	–
Voluntary pension (financed from charges)	63	67	72
Total insurance costs	185 410	177 490	172 456
Total administration costs	1 393	1 102	1 205

Benefit in old age is financed both from charges and from tax revenue. Basically the national budget finances the benefits that constitute the basic protection within the national pension scheme whereas the National Pension Fund administers the charges which finance the income-related pension. How the insurance costs are distributed between areas of activity within the framework of the national budget and alongside the national budget is clear from the above table.

The insurance costs for the area have increased in 2002. It is mainly the costs of the income-related old-age pension (supplementary pension

(ATP), income-related pension and the new supplementary pension) that have risen. The increase in insurance costs thus burdens first and foremost the National Pension Fund.

Administration costs have also increased during 2002. Continued development and preparations prior to implementation of the new pension system and its consequential reforms are the main reason for the increase. The IT cost within the pension area has risen by approx. SEK 150 m, and administration and development costs in the Board by just over SEK 100 m. Costs at the social insurance offices have risen by approx. SEK 50 m.

Overall assessment

The National Social Insurance Board considers the results for the pension area satisfactory.

A large portion of the administrative work of the social insurance system in 2002 has concerned preparation for and implementation of the new pension system, its consequential reforms and the new IT support for the processing of cases under the reformed system. An extensive training programme for the social insurance offices has been implemented during the year and there have been general rehearsals, pilot schemes and tests. Moreover the Board has run information campaigns together with the offices which have been targeted at pensioners, interest organizations, the mass media and other interested parties with a view to giving information on the changes at the start of 2003.

On 9 December all the social insurance offices gained access under an agreed plan to the new IT

support and the changeover from the old to the new IT environment worked well.

In January 2003 approximately 2.3 million pensioners received their pension payment from the new system.

The overall goal within the area underlies the legal changes and adjustments that have been carried out during the year. Studies also show that pensioners with low income-related old-age pension or none at all have acquired a real improvement in income between 1990–2001.

However surveys have shown that knowledge of the new pension system has declined since the latest measurement in 2001. One of the causes is assumed to be that there was no information campaign prior to the annual dispatch of the orange envelope in the spring of 2002.

Policy area, 2002

During 2002 the administration has completed the biggest readjustment of a social insurance system in Swedish history with regard to both regulations and technical system support.

Supplementary pension (ATP) and national basic pension were paid for the final time in December 2002 and in January 2003 they were replaced by the new supplementary pension, income-related pension and guarantee pension.

The pension reform implies, in brief, new regulations for all pension benefits and an adaptation of the rules for pension benefits already granted. As from January 2003 all old-age pensioners, regardless of age and group, will receive pensions in accordance with a consistent set of regulations and with the same taxation rules. The adaptation therefore means that pension benefits payable were recalculated in December 2002 in order to be paid under the new rules in January 2003.

One of the consequences of the new general taxation rules is that certain pension benefits which have previously been exempt from income tax have now been upgraded and become taxable.

Work during the year on the implementation of the pension reform and the new IT support

During 2002 work on the introduction of the new system of rules and new IT support for the general old-age pension and its consequential reforms has

been in an intensive final phase. The main emphasis of the work has been on securing the main version of the new system which is required for payments of both existing and new benefits in January 2003. The task of completing the pension reform has had the highest priority, especially with regard to IT development.

The Board's pension project employed at its height approximately 600 staff and was therefore one of the largest IT projects which have been carried out in the Swedish public sector.

Although the work has been done under great pressure of time and claimed continuous priority it has been possible to complete it within the stipulated time to a quality standard which has resulted in the virtually trouble-free commissioning of the new, very complex systems.

Effect of adjustment to the new pension system

For current pensioners adjustment to the new pension system started at the beginning of 2002, when the general supplementary pension (ATP) was index-linked to income for the first time. Indexation meant that the supplementary pension rose by 3.28 per cent, compared with 2.71 per cent, which was the percentage increase in the price base amount between 2001 and 2002. The national basic pension and the pension supplement were recalculated, just as previously, in accordance with the

change in the price base amount. Income indexation is based on the average change in income in Sweden over the last three years and at the turn of the year 2001/2002 this meant that the general supplementary pensions rose by more than the change in the consumer price index.

The indexation thus meant that for the first time since the introduction of the supplementary pension (ATP) scheme in 1960 old age pensioners received a real increase in their supplementary pension. In comparison with the old rules for calculation involving the price base amount, however, income indexation also entails a greater risk of future real depreciation of the pension.

Income indexation is a part of the new pension system, in which one of the basic ideas is that the pension should follow ordinary earned income if the economy allows.

The most important adaptation to the new pension system took place at the start of 2003, when all pensions were recalculated, renamed, and adapted to the new taxation rules. The intention was that all concerned would obtain roughly the same amount in pension after tax as earlier.

A high income indexation of 3.6 per cent for the turn of the year 2002/2003 and new proposals regarding basic deduction levels led to a majority of the pensioners obtaining a higher net pension after the turn of the year. People with low pension incomes had a larger part of their pension converted to guarantee pension and other pensioners received the greater part of their new pension in the form of supplementary pension. People who do not have income-based supplementary pension and whose whole pension was recalculated as guarantee pension were able, as a result of the conversion, to receive a net increase of up to approx. 13 per cent in the pension, depending on the level of municipal tax paid. However not everybody received a higher pension. As a result of changes in the exempt amount for pensioners resident abroad, many of them had their exempt amount lowered and thus also received a lower net pension. Tax effects also had a negative effect on certain pensions in Sweden

Annual report of the pension system

The National Social Insurance Board issues separate annual reports on the pension system which is financed alongside the national budget.

The annual report of the new pension system was the first of its kind and describes the financial position of the general income-based pension system on 31 December 2001. It also shows how the relationship between the assets and liabilities of the system is determined by demographic, financial and behavioural changes during 2001.

The balance ratio, which shows the relationship between the liabilities and the assets of the system, was calculated to be 1.04 for 2001 in the annual report. The level means that the system had a margin of 4 per cent to the level where automatic balancing is activated.

The annual report also contains a breakdown of earned pension rights by, for example, gender and age.

One of the things that the analysis shows very clearly is how women have systematically earned a lower pension entitlement than men. The pension rights earned are lower for women irrespective of age, except in the very youngest age group, those born in 1982–1984. From the age of around 30 upwards the 25th percentile of men's earned pension rights is basically at the level of the average for women. This means that the 25 per cent of men with the lowest earned pension rights have an earned pension right of the same level as roughly half of the women. At the same age the women's 75th percentile is level with, or below, the male median.

More than 25 per cent of men born in 1942–1965 had an income above the earnings ceiling in 2000. Men born in 1948 are the category with the highest proportion of incomes level with or above the ceiling (approx. 30 per cent). Among women the age groups born in 1948 and 1949 are those with the highest proportion of incomes above the ceiling (9 per cent).

The full annual report of the pension system for 2002 may be found at www.rfv.se.

E-service developments

Marketing of self-service channels

Special efforts have been made to market the self-service channels on www.forsakringskassan.se and the service phone. This has contributed to the very satisfactory outcome, namely that during 2002 the service phone has received more than 4 million calls.

Parental service on the Internet

During the year the parental service has carried out both an internal and an external pilot project. This makes it possible, for example, to use the Internet for parental allowance cases and to apply for benefit and to ask for information on parental insurance. The information is also available to the visually handicapped and guidance is available in a number of foreign languages. The parental service will considerably simplify both the dissemination of information and the access of the individual to the desired information (see also the section on processing).

IT developments during the year

The main development in the IT field was the delivery of IT support for the reformed old-age pension and the consequential reforms. Development work also continued on the new case processing support, customer service, and technology and security. Total investment in these areas amounted to SEK 649 m in 2002. The majority of the work, SEK 537 m, has taken place in the pensions area. Of this figure, SEK 353 m related to the consequential reforms and SEK 184 m to the old-age pension.

New case processing support – ÄHS

The case processing support ÄHS covers three types of cases: temporary parental allowance, sickness allowance and coordinated rehabilitation. Work on the installation of case processing support at all social insurance offices has been completed during the year, which means that 6 000 officers are now using ÄHS.

The problems which have been reported have been dealt with within the project during the year and the experience of the different social insurance offices has been collected in a support organization.

It is important for the case processing support to be user-friendly if it is to be the asset which is needed. The project has as far as possible met the requirements for user-friendliness that have been put forward. For example the demands arising from the expert study carried out on the initiative of the Federation of Social Insurance Offices (FKF) have been taken into account. Additional demands have been made after a study which was presented during the summer.

During the year a model for improved utility has been designed for the social insurance administration. The model will be evaluated within the framework of the ÄHS project.

In order to cope with the changes in working method to which the case processing system gives rise within the administration, a special task force has worked on skills enhancement and development during the year. The focus of the group's work has been on making use of the experience available in the offices and on spreading the fruits of this as support for good working methods for dealing with the operational changes.

On the way to a 24-hour authority

The work on developing into a 24-hour authority is a long-term project and is based on the need to meet customers' requirements with regard to better service, and also to increase the efficiency of internal processes in order to improve legal fairness and transparency. Within the Board a task force of drawn from various units has been formed for the development of the 24-hour authority and the IT staff is responsible for the coordination of the task force's work.

In December the Board was able to join the National Tax Board in presenting an agreement on electronic identity documentation with two banks, Föreningsbanken and Handelsbanken. The agreement enables the Board to establish a viable security solution for the administration's electronic services.

The new technology for reliable identification and electronic signature offers the same degree of security as a conventional identification document and signature do today. It has to be easy for each member of the public to obtain the new electronic identification document. It must be simple to use and it must be reliable.

Customer service – electronic services

Use of the social insurance administration's Internet and telephone services has increased during the year. Two pilot projects have been carried out in 2002. The services cover application for parental allowance and temporary parental allowance and also a simulation function for calculation of parental allowance and a number of other functions. Almost 5 000 customers expressed an interest and 1 000 obtained certificates and are now using the service. The positive outcome of these trials and the breakthrough in the form of the new agreements with the banks mean that, provided the necessary legislation takes place, the parental services can be offered to all customers during 2003.

A number of activities within the National Social Insurance Board have a bearing on both the 24-hour authority scheme and the current operational developments within social insurance administration. Document processing, electronic reception and case processing systems may be mentioned by way of example. A particularly significant system renewal project began in 2002. This involves tak-

ing the social insurance administration from the old IT environment to the new one in four stages. The gradual approach reduces the risks entailed in remaining in an older environment while the social insurance administration can develop a modern case-processing support and self-service related to both the old and the new environment. The system renewal project also takes into account a possible future changeover to the euro.

The Swedish social insurance administration is very advanced in the use of sophisticated security solutions. The introduction of soft certificates for electronic identification and signature has attracted international attention. Together with the National Tax Board's electronic tax returns for entrepreneurs and a German pilot scheme in the pensions area, the Swedish pilot scheme is the only public Internet service which is being tested in real use with corresponding security and the only one resulting in payment to the citizen.

A continuation of the development of interactive services via the Internet requires the introduction of the necessary legislative support.

International contacts

The international contacts of the National Social Insurance Board increase gradually year by year. Interest among other countries in Swedish developments in various areas of operation in social insurance is reflected in a growing number of study visits from abroad and also in the fact that representatives of the Board are engaged to participate in events overseas.

International organization

The Board participates actively in the activities of the International Social Security Association (ISSA). The director-general of the Board is a member of the board of the ISSA and chairman of one of its technical committees, the pensions committee, which has begun two international studies. One relates to the field of disability pensions and the other to gender aspects of pensioning. Other employees of the Board have various functions in the different bodies of the ISSA. The Board's director-general is also a member of the board of another UN body which carries on social development research, the United Nations Research Institute for Social Development (UNRISD).

The European Union

Ever since preparations for Swedish EU membership began in the early 1990s, the Board has supported the work of the government offices on European social insurance questions. The Board is

responsible for the work of the Swedish delegations in two of the EU's committees in this field. The audit committee is responsible for matters concerning the extensive inter-country payments for medical care which insured individuals obtain from other member countries. The work of this committee involves bilateral negotiations with other member states. During 2002 a bilateral agreement with Ireland on waiving repayment of medical expenses has come into effect and negotiations have begun with Spain on payment arrangements. The technical committee is responsible for the development of IT support in contact with the member states.

Export of services

During 2002 the Board has successfully concluded two EU-financed "twinning projects", one with Slovenia and the other with Poland. The projects have run for roughly two years and have been intended to assist these candidate countries in their preparations in the social insurance field for EU membership. Some 40 specialists from the National Social Insurance Board and other Swedish authorities, and in the case of the Slovenian project, also from German and French institutions, have taken part. During 2002 the Board has won an international tendering competition for a twinning project in Lithuania. Work on this project has begun and will continue until the end of 2003.

Export of services, SEK 000

Project	Opening balance ¹⁾	Costs for the year	Income for the year	Closing balance
Consensus Poland/Twinning Project	3 718	-8 419	5 064	363
Consensus Slovenia/Twinning Project	215	-4 018	5 700	1 897
SIDA Russia	158	0	0	158
EWI Russia	56	-174	174	56
Phare Latvia	496	0	0	496
Consensus Lithuania/Twinning project	0	-82	148	66
Sida Latvia	0	0	128	128
Total	4 643	-12 693	11 214	3 164

¹⁾ The closing balance for 2001 has been corrected for both Consensus Poland/Twinning Project and Consensus Slovenia/Twinning Project by SEK +51 000 each.

Annual Report – financial sections

Statement of income and expenditure

Balance sheets

STATEMENT OF INCOME AND EXPENDITURE

STATEMENTS OF INCOME AND EXPENDITURE (SEK m) Period 1 January–31 December	Board		Board and social insurance offices	
	2002	2001	2002	2001
Operating income				
Income from appropriations	758	787	6 246	6 126
Income from charges and other payments	747	640	848	824
Income from contributions	20	–	91	72
Financial income	13	15	0	3
Total income	1 538	1 442	7 185	7 025
Operating expenses				
Staff costs	–435	–371	–5 846	–5 556
Accommodation costs	–77	–52	–564	–518
Other operating costs	–681	–679	–1 222	–1 195
Financial expenses	–85	–66	–82	–67
Depreciation and writedowns	–386	–286	–524	–425
Total expenses	–1 664	–1 454	–8 238	–7 761
Result of operations	–126	–12	–1 053	–736
Revenue				
<i>Income</i>				
Income from charges etc. not utilized by the authority	76	26	135	63
Social security charges	317 362	305 306	317 362	305 307
General pension charge	67 895	65 156	67 895	65 156
Government old-age pension charge	22 950	24 691	22 950	24 691
Taxes	4 447	4 323	4 447	4 323
	412 730	399 502	412 789	399 540
<i>To be deducted</i>				
Revenue contributed to the national budget	–232 150	–223 744	–232 217	–223 790
Paid into Nat. Pension Insurance Fund	–160 133	–156 937	–160 133	–156 937
Transfer to premium pension system	–20 445	–18 822	–20 445	–18 822
	–412 728	–399 503	–412 795	–399 549
Balance, revenue	2	–1	–6	–9
Transfers				
<i>Income</i>				
Received from national budget	140 343	138 386	215 049	205 764
Received from other authorities	97	74	109	85
Other funds received for financing of allowances	1 962	1 920	4 502	3 306
Received from National Pension Insurance Fund	151 537	143 565	151 537	143 565
Transfers written off by social insurance offices	–205 176	–194 302	–	–
Financial income	99	171	116	117
Financial expenses	–3	–11	–5	–13
	88 859	89 803	371 308	352 824
Transfers to/utilization of reserves etc	26	–21	14	–30
<i>Costs</i>				
<i>Policy area</i>				
13 Health and medical care policy	–178	–569	–1 954	–2 212
16 Disability policy	–2	–	–9 997	–8 465
19 Benefit in case of incapacity for work	–15 444	–18 226	–106 589	–101 442
20 Financial policy for the aged	–10 884	–11 100	–33 806	–33 852
Old age pension system alongside the national budget	–56 188	–53 555	–151 604	–143 639
21 Financial policy for families	–5 899	–5 606	–55 654	–54 216
Other payments	–23	–9	–11 220	–9 880
Transfers to social insurance office operations	–18	–54	–	–
	–88 636	–89 119	–370 824	–353 406
Balance, transfers	249	663	498	–612
Change in capital for the year	125	650	–561	–1 357

BALANCE SHEETS (SEK m)	Board		Board and social insurance offices	
As of 31 December	2002	2001	2002	2001
ASSETS				
Intangible assets				
Computer program costs etc. brought forward	1 388	1 000	1 388	1 000
Rights and other intangible assets	78	57	78	57
	1 466	1 057	1 466	1 057
Tangible assets				
Buildings and land	–	–	269	277
Improvement of non-owned property	24	26	64	55
Machinery and equipment	171	164	399	358
	195	190	732	690
Financial assets				
Long-term claims against social insurance offices	294	259	–	–
Other long-term receivables	17	18	20	22
	311	277	20	22
Receivables				
Accounts receivable	3	3	4	6
Due from social insurance offices	4 962	4 657	–	–
Due from other authorities	80	76	156	140
Other current receivables	635	208	2 725	1 894
	5 680	4 944	2 885	2 040
Accruals and deferrals				
Prepaid costs	84	59	193	162
Accrued contribution revenue	–	–	11	6
Other accrued revenue	56	63	101	107
	140	122	305	275
Settlement with Government				
Settlement with Government	–1 174	–578	4 818	5 094
Investments				
Bonds and other securities	1 438	1 470	1 633	1 554
Cash at bank and in hand				
Balance in interest account with Nat. Debt Office	–	219	–	219
Cash, postal giro and bank	36	56	169	293
	36	275	169	512
TOTAL ASSETS	8 092	7 757	12 028	11 244
CAPITAL AND LIABILITIES				
Government capital				
State	17	41	17	41
Donations	–	–	6	6
Change in capital brought forward	133	–494	–8 681	–7 301
Change in capital as per statement of income and expenditure	125	650	–561	–1 357
	275	197	–9 219	–8 611
Reserves				
Reserves	854	842	1 188	1 164
Provisions				
Provision for pensions and similar commitments	2	3	10 194	9 436
Provision for voluntary pension insurance	669	707	669	707
	671	710	10 863	10 143
Liabilities etc				
Loan from National Debt Office	2 042	1 453	2 042	1 453
Interest account credit	14	–	14	–
Other loans	–	–	44	45
Due to other authorities	398	526	183	120
Accounts payable	165	308	623	683
Other liabilities	3 279	3 364	5 365	5 429
	5 898	5 651	8 271	7 730
Accrual and deferral items				
Accrued costs	389	351	891	806
Unutilized contributions	2	1	30	6
Other prepaid revenue	3	5	4	6
	394	357	925	818
TOTAL CAPITAL AND LIABILITIES	8 092	7 757	12 028	11 244
Assets pledged	None	None	59	59
Contingent liabilities				
Other contingent liabilities	None	None	44	43