

The Scope and Financing
of Social Insurance
in Sweden 2002 — 2005

Foreword

The Scope and Financing of Social Insurance reports both on the financial scope of social insurance in Sweden and how it is financed. The report is published annually.

Social insurance benefits are vital not only to individual welfare but to the economy as a whole. During 2003, a total of SEK 414 billion was paid out in pensions, replacement of lost income, various kinds of means-tested allowances and other benefits. This represented one-sixth of GNP and a little over one-half of all expenditure below the expenditure ceiling set by the Swedish Parliament. For every SEK 100 spent on private consumption, SEK 25 came from social insurance benefits.

The users are many. Families with young children are entitled to child allowance and parental cash benefit among other benefits. At some time or other we may need sickness cash benefit or other help because of illness or disability. In due course we reach pensionable age and are entitled to an old-age pension. Half the expenditure for 2003 was on payments to old-age pensioners and around one-third represented compensation for, and the costs of, ill health.

This report reviews the scope of social insurance today and over the past few decades, and presents forecasts for the coming years. It contains important information for anyone interested in the Swedish economy.

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Overview

In 2003, social insurance expenditure totalled SEK 414 billion. It has increased by SEK 15–30 billion annually over the past few years but is expected to rise more slowly during 2004–2005. The new old-age pension scheme led to an increase in expenditure of just over SEK 20 billion in 2003. However, since the special basic deduction for pensioners was abolished at the same time, net payments from social insurance remained virtually unchanged between 2002 and 2003.

Almost half the expenditure is made up of payments to old-age pensioners, one-third comprises payments to the sick and disabled, while 14 per cent goes to families with children. Administrative costs account for approximately 2.5 per cent of total expenditure annually. Social insurance spending has risen over a long period of years. Drastic changes to the regulations at the beginning of the 1990s checked the increase for most of the decade. Since the end of the 1990s, expenditure has once again risen.

Benefits are financed through social insurance contributions, general pension contributions, taxes and yield from investment funds. In 2003, income from contributions covered almost 90 per cent of total expenditure. Thanks to interest on investments, gains from market price differences and additional government funding for certain parts of social insurance, income exceeded expenditure by SEK 110 billion.

Med räntor och kursändringar samt med tillskottet av statliga medel som finansierar vissa delar av socialförsäkringen översteg inkomsterna utgifterna med 110 miljarder kronor.

The share of GNP made up of social insurance grew from just under 15 per cent in 1998 to 16.6 per cent in 2003. It is expected to shrink somewhat during 2004–2005.

Transfers from social insurance to households account for over 80 per cent of all public transfers to households. This proportion is expected to decrease somewhat in 2004 as the share made up of unemployment benefit expands.

Of SEK 100 used for private consumption, SEK 25 come from social insurance benefits. This share is also expected to decrease somewhat during 2004.

Introduction

The aim of social insurance is to provide financial security for families with children and for the sick, disabled and elderly. A further aim is to even out financial differences between households with and without children and to spread financial resources over the life cycle.

The population of Sweden currently consists of 9 million people. Of these, 1.7 million are below 16 years of age and more than 1.5 million are 65 or older. All those who have reached the age of 16 and are resident in Sweden are in principle insured and registered with the Social Insurance Office. At present, just over 7.2 million people fit this description.

Social insurance benefits have great socioeconomic significance. In 2003, social insurance expenditure amounted to SEK 414 billion. Of this, SEK 381 billion consisted of payments to households. Such payments account for 82 per cent of total public transfers to households, or roughly half of expenditure below the central-government expenditure ceiling. One-quarter of private consumption is paid for with money from social insurance.

The benefits are financed through social insurance contributions, general pension contributions, national old-age pension contributions, yields from investment funds, and taxes.

The purpose of the present report is to trace the development of the scope of social insurance expenditure, to describe how social insurance is financed and to shed light on its socioeconomic impact over time. Equally important are the forecasts of expenditure and financing for the years ahead. These are taken from the budget material submitted to the government by the National Social Insurance Board in February 2004. The budget material takes into account current regulations, regulatory changes already decided upon and legislation drafted in parliamentary bills.

The table below shows social insurance benefits grouped into four areas, following the division into expenditure areas employed in the budget and elsewhere. Sections 1 and 2 dealing with social insurance expenditure follow this arrangement. Sections 3 and 4 dealing with financing and the social insurance share of the national economy are arranged differently.

Survey of benefits

Financial security in case of sickness and disability

Parental insurance	Care allowance for disabled children
Pregnancy cash benefit	Maintenance support
Parental cash benefit	Pension right for child-care years
Temporary parental cash benefit	Child pension, etc
Child allowance	Adoption allowance
Housing allowance to families with children, etc	

Financial security for the sick and disabled

Sickness cash benefit	Dental care
Rehabilitation cash benefit, etc	Housing supplement
Allowance for care of close relatives	Disability allowance
Disability pension /temporary disability pension (–2002)	Work injury compensation
Sickness compensation and activity compensation (2003–)	Annuities
Employment of certain persons with sickness /activity compensation	Sickness cash benefit, etc
Medical care, international conditions	Car allowance for the disabled
	Assistance allowance

Financial security for the elderly, etc.

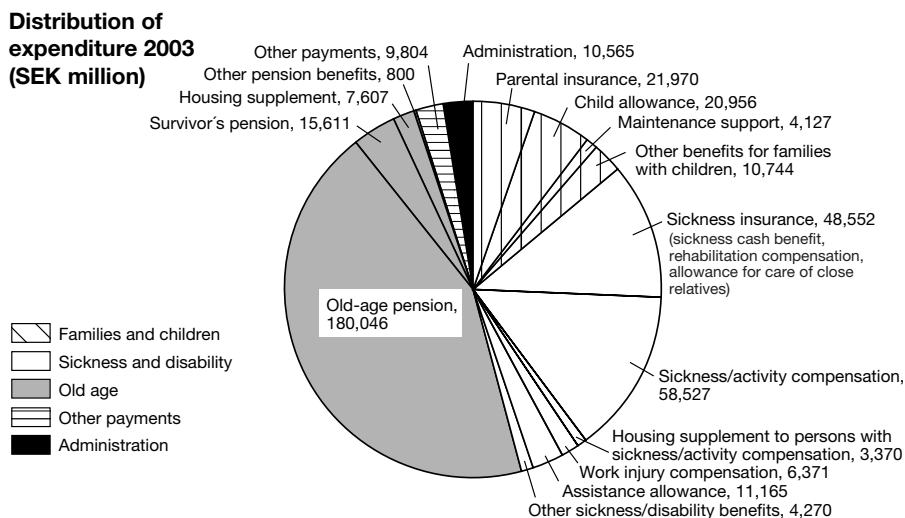
Old-age pension	Survivor’s pension
ATP/income-based pension	Widow’s pension
Basic pension/guarantee pension	Adjustment pension
Maintenance support for the elderly (2003–)	Housing supplement for pensioners
	Part-time pension

Other payments

Activity support	Small-business insurance
Compensations to conscripts	Disease carrier’s allowance, etc

1 Social insurance expenditure 2002–2005

Distribution of expenditure 2003 (SEK million)



In 2003, almost half the expenditure consisted of payments to old-age pensioners and almost one-third went to compensation for, and the costs of, ill health.

Out of a total expenditure of SEK 414 billion, 92 per cent was transfers to households. National old-age pension contributions including pension rights for child-care years made up five per cent and just under three per cent was administrative costs for social insurance. The remaining less-than-one percent consisted of payments for various medical care benefits.

Since the end of the 1990s, payments from social insurance have increased dramatically. This development is primarily due to more people taking sick leave and to sick-leave periods tending to get longer. The number of persons with disability pension, sickness compensation or activity compensation¹ has also increased as a result of the high incidence of long-term sickness¹. Moreover, an ageing population has meant that payments to pensioners are constantly rising. In 2003, insurance expenditure including administration totalled SEK 414 billion. This represented an increase of SEK 33.4 billion in

¹ In 2003, disability pension and temporary disability pension were replaced by sickness compensation and activity compensation.

current prices compared with the preceding year. In fixed prices, too, this was the fastest increase since 1999 (26 billion in year 2003 prices).

In 1999, the national old-age pension contribution was introduced, intended among other things to cover earned pension rights for daily allowances to households. In addition, there is a pension right for the care of young children. These national old-age pension contributions are included in expenditure in all the tables in this report except for tables 4.2–4.3 which show direct transfers to households². National old-age pension contributions paid into social insurance totalled SEK 20 billion in 2003.

Table 1.1 Social insurance expenditure in current prices

SEK million	2002		2003		2004, Forecast		2005, Forecast	
	Payments	Share, %	Payments	Share, %	Expend.	Share, %	Expend.	Share, %
Financial security								
for families and children	55,870	14.7	57,797	13.9	59,632	13.9	61,307	14.0
in sickness and disability	121,880	32.0	132,255	31.9	136,445	31.9	139,766	31.9
in old age, etc	182,286	47.8	204,064	49.2	210,518	49.2	215,758	49.2
Other payments	11,210	2.9	9,804	2.4	10,420	2.4	10,520	2.4
Administration	9,761	2.6	10,565	2.5	11,071	2.6	11,425	2.6
Total	381,007	100.0	414,485	100.0	428,086	100.0	438,776	100.0

The increased expenditure in 2003 was largely due to the full-scale implementation of the new pension system, resulting among other things in higher gross pensions along with higher taxation of pensions. In 2003, there were a number of other changes in social insurance. Disability pension/temporary disability pension were replaced by sickness and activity compensation. The rules for housing supplement were also changed.

The National Social Insurance Board anticipates a continued increase in social insurance expenditure over the next few years, though at a slower rate. Compared with 2003, an increase of SEK 13.6 billion is forecast for 2004 and a further 10.7 billion for 2005. Table 1.2 shows that increases are expected to result primarily from soaring costs for sickness compensation. Expenditure on old-age pensions is also rising fast, but this is partly compensated by higher taxation of pensions.

² Including *both* government payment of contributions to the old-age pension scheme *and* the scheme's payments to individuals, we get a higher *expenditure* figure than if public sector *costs* were to be calculated.

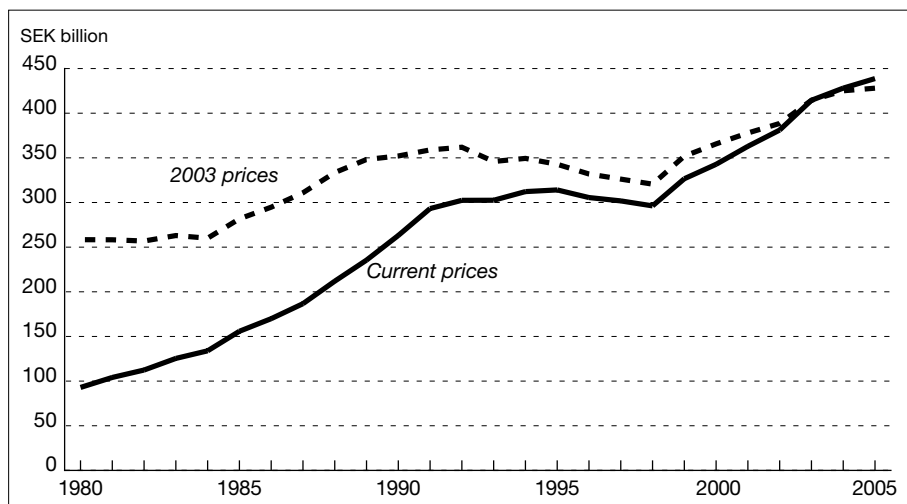
Table 1.2 Social insurance expenditure 2002–2005

<i>SEK million</i>	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Financial security for families and children				
Parental insurance	20,042	21,970	23,585	25,029
Child allowance	21,018	20,956	20,880	20,762
Housing allowance for child families and young people	3,717	3,595	3,455	3,309
Care allowance for disabled children	2,110	2,232	2,481	2,720
Maintenance support	4,298	4,127	4,081	4,060
Child pension, etc	977	1,045	1,055	1,059
Pension right for child-care years	3,669	3,831	4,051	4,322
Adoption allowance	39	41	44	46
Total	55,870	57,797	59,632	61,307
Financial security in sickness and disability				
Sickness insurance	48,395	48,552	44,613	41,610
Medical care benefits, etc	1,969	2,829	4,052	3,521
Disability pension, sickness or activity compensation	49,917	58,527	63,472	68,509
Housing supplement for disability pensioners	3,148	3,370	3,471	3,645
Disability allowance	1,177	1,200	1,225	1,232
Work injury compensation	7,273	6,371	6,493	6,525
Car allowance	212	215	332	251
Assistance allowance	9,767	11,165	12,775	14,462
Other benefits	22	27	12	12
Total	121,880	132,255	136,445	139,766
Financial security in old age, etc				
Old age pension	161,229	180,046	186,555	192,056
Survivor's pension	13,444	15,611	15,827	15,776
Housing supplement for pensioners	7,366	7,607	7,384	7,201
Maintenance for the elderly	.	634	654	669
Partial pension	182	104	37	–4
Other pensions	65	61	61	60
Total	182,286	204,064	210,518	215,758
Other payments				
Activity support	11,093	9,684	10,300	10,400
Daily cash benefit to total-defence conscripts, etc	5	5	5	5
Family allowance for conscripts	72	78	78	78
Other	40	37	37	37
Total	11,210	9,804	10,420	10,520
Administration	9,761	10,565	11,071	11,425
Total	381,007	414,485	428,049	438,776

2 Development of social insurance expenditure 1980–2005

In current money values, social insurance expenditure increased from SEK 93 billion in 1980 to SEK 414 billion in 2003. Expressed in year 2003 values, social insurance expenditure is now SEK 156 billion, or 60 per cent, higher than it was in 1980. The greatest increase during this period occurred in the second half of the 1980s. The rapidly mounting costs for sickness cash benefit at the time were mainly to blame. At the beginning of the 1990s, the rate of increase slowed down. Here too, the change depended on the development of total sickness and work injury compensation. Among other things, a sick pay period and qualifying day were introduced into sickness insurance. During 1996–1997, expenditure fell in current money values, primarily because of reduced benefit levels in sickness and parental insurance and the transfer of responsibility for pharmaceutical costs from social insurance to the county councils.

Diagram 2.1 Social insurance expenditure in current and fixed money values

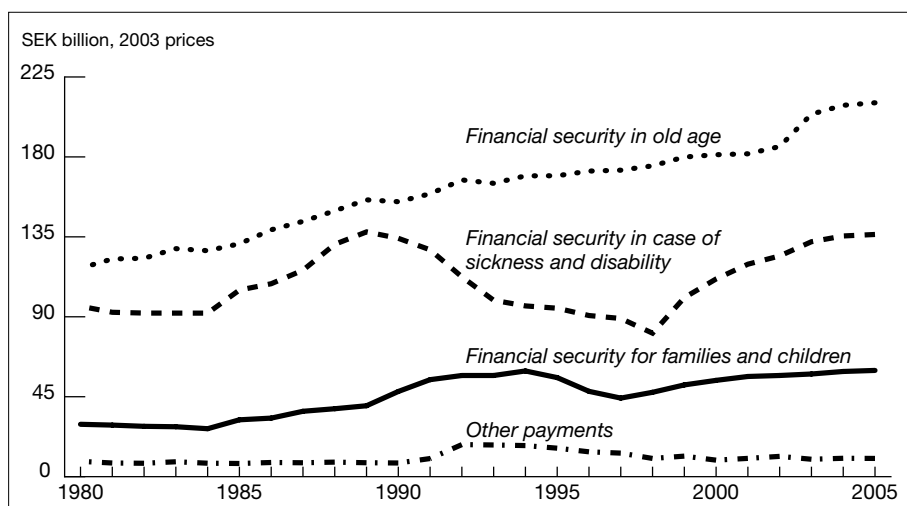


Forecast for 2004 and 2005.

³ In this report, the focus is on the development of social insurance expenditure and its causes. Therefore, we *include* the old-age pension despite its being a financially autonomous system, and consequently the development of expenditure does not have the same consequences as expenditure from the national budget.

Since 1998, expenditure has once again risen steadily. The introduction of national old-age pension contributions in 1999 produced a sharp rise in the level of expenditure. Up to 2002, increasing sick leave then became the main factor behind the overall increase in expenditure. The increase is continuing and is expected to continue, albeit at a diminishing rate, throughout the current and following year, but now due mainly to steadily rising costs for pensions. However, since the greater part of the old-age pension system lies outside the national budget, this does not constitute as great a problem for government finances as the costs for sickness and disability.

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



Forecast for 2004 and 2005.

The diagram above shows the development of expenditure for the various benefit categories in year 2003 money values.

Financial support for **families with children** increased by almost 75 per cent between the mid-1980s and the mid-1990s. After that, a falling birth rate and various regulatory changes led to a drop in expenditure up to 1997. Subsequently, expenditure has once again risen, due in part to a rising birth rate, expanded parental insurance and higher child allowance. Nevertheless, the rate of increase is slower than before.

Expenditure on benefits **in case of sickness and disability** shot up sharply in the second half of the 1980s. There was an increase of 31 per cent in fixed money values during this period. Subsequently, the trend shifted and expen-

diture fell continuously up to 1997, when the next period of rapid increase started⁴. Expenditure then rose once again uninterruptedly until 2003, when it levelled out noticeably. Expenditure for this category is expected to be more or less constant, measured in fixed prices, during 2004 and 2005.

The increasing number of old-age pensioners and a successive raising of the average pension has led to a continuous increase in expenditure for benefits for **the elderly**. Expenditure has increased by 74 per cent between 1980 and 2003. Table 2.1 shows the change in expenditure both in current money values and in fixed prices.

Table 2.1 Social insurance expenditure by main category

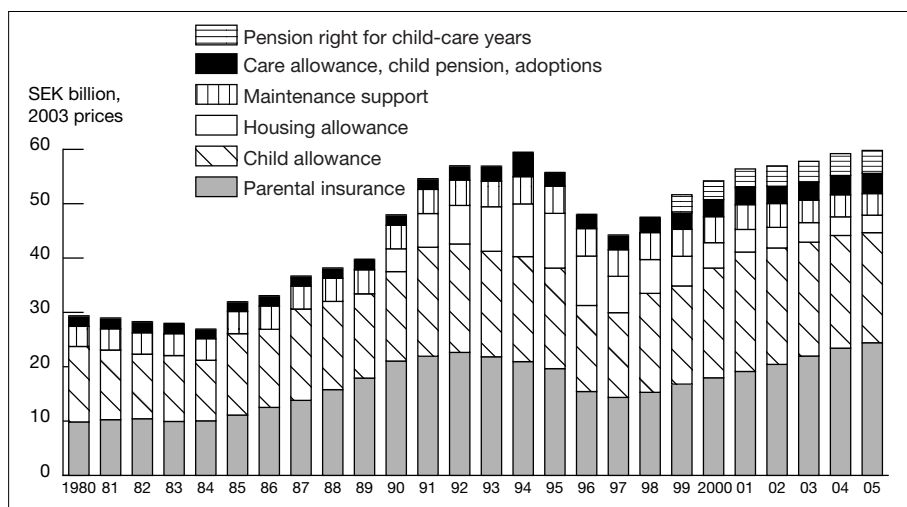
SEK million	Total	Fam/child.	Sick/disab	Old age	Other	Admin
Current prices						
1980	92,922	10,587	34,516	42,178	3,098	2,543
1985	155,824	17,685	58,084	72,504	4,122	3,429
1990	263,096	35,832	100,257	115,658	5,751	5,598
1995	314,075	51,096	86,877	155,198	14,686	6,218
2000	342,763	50,818	104,331	169,889	8,718	9,007
2001	362,916	54,167	114,875	174,563	9,887	9,424
2002	381,007	55,870	121,880	182,286	11,210	9,761
2003	414,485	57,797	132,255	204,064	9,804	10,565
2004 (forecast)	428,086	59,632	136,445	210,518	10,420	11,071
2005 (forecast)	438,776	61,307	139,766	215,758	10,520	11,425
2003 price level						
1980	258,416	29,442	95,989	117,297	8,616	7,072
1985	281,760	31,978	105,027	131,101	7,453	6,200
1990	352,103	47,954	134,175	154,786	7,697	7,492
1995	342,795	55,768	94,821	169,390	16,029	6,787
2000	365,640	54,210	111,294	181,228	9,300	9,608
2001	377,861	56,398	119,606	181,752	10,294	9,812
2002	388,410	56,955	124,248	185,827	11,428	9,951
2003	414,485	57,797	132,255	204,064	9,804	10,565
2004 (forecast)	425,110	59,217	135,497	209,055	10,347	10,994
2005 (forecast)	428,022	59,804	136,341	210,470	10,262	11,145

⁴ The fact that expenditure for sickness and disability in diagram 2.2 and table 2.1 also drops between 1997 and 1998 is due to the transfer of pharmaceutical costs from social insurance to the county councils during that period as noted above.

Financial security for families and children

Parental insurance and child allowance dominate the financial support for families with children. During 2003, these represented 74 percent of expenditure for support to families with children. The diagram below shows the development of expenditure in year 2003 money values according to the type of benefit.

Diagram 2.3 Financial security for families and children



Forecast for 2004 and 2005.

Between 1995 and 1997, insurance expenditure for the families-with-children category declined appreciably due to lower benefit levels in parental insurance, reduced child allowance and a falling birth rate. Expenditure on housing allowance also fell noticeably during the second half of the 1990s as a result of regulatory changes and rising household incomes.

A return to earlier levels for both parental insurance and child allowance has caused expenditure to rise again. The increase is also due to the introduction of pension rights for child-care years, additional days of parental cash benefit and a higher birth rate, as well as to the fact that since 1999 the national old-age pension contribution has been included under expenditure. In the category of financial security for families and children, national old-age pension contributions for 2003 amount to SEK 6 billion including pension rights for child-care years.

Table 2.2 Financial security for families and children

<i>SEK million</i>	1990	1995	2000	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Parental insurance	15,727	18,004	15,305	16,702	18,225	19,986	21,425	22,809
plus old-age pension contributions	.	.	1,539	1,670	1,817	1,984	2,160	2,220
Days paid for, millions ¹⁾								
Parental cash benefit	46.2	47	36	37	39	40	42	43
Temporary parental cash benefit	7	6	5	6	6	6	6	6
Pregnancy cash benefit	1.3	0.9	1	1	1	1	1	1
Child allowance	12,296	16,959	18,932	21,108	21,018	20,956	20,880	20,762
Children 0–15 years, 1,000s	1,655	1,764	1,734	1,729	1,723	1,718	1,708	1,696
Housing allowance for families with children and young people	3,140	9,220	4,373	3,994	3,717	3,595	3,455	3,309
households, 1,000s	328 ²⁾	556 ²⁾	268	322	283	272	267	260
Care allowance for disabled children plus old-age pension contributions	725	1,430	1,814	1,871	1,931	2,047	2,281	2,489
Recipients, 1,000s in Dec	15	22	29	30	31	34	38	42
Maintenance support	3,246	4,585	4,481	4,380	4,298	4,127	4,081	4,060
Children, 1,000s in Dec	277	325	333	334	327	317	312	311
Child pension, etc	698	898	941	951	977	1,045	1,055	1,059
Income-based child pension	.	.	.	.	.	965	972	975
Surviving children's allowance	.	.	.	.	.	80	82	83
Child pension, 1,000s in Dec								
ATP and basic pension		31	29	29	29	29	.	.
Income-based pension	.	.	.	.	.	28	28	28
Surviving children's allowance	.	.	.	.	.	6	7	6
Pension right for child-care years	.	.	3,240	3,276	3,669	3,831	4,051	4,322
Adoption allowance	.	.	21	33	39	41	44	46
Total, MSEK	35,832	51,096	50,818	54,167	55,870	57,797	59,632	61,307

¹⁾ Counted as whole days.

²⁾ Monthly average, 1,000s.

Parental insurance is designed to enable women and men to combine family and work. It is based on the principle that children have the right to and need of both their parents.

During the first half of the 1990s, parental insurance was the largest item of expenditure in the area of financial support to families with children. Insurance costs increased partly because the period of parental cash benefit was extended from 360 days to 450 days in 1989, and partly because the number of children born remained high. The drop in expenditure starting in the middle of the 1990s was in turn a consequence of reduced benefit levels and a simultaneous fall in the number of births.

Parental cash benefit is the most comprehensive benefit in the parental insurance scheme, accounting for almost 79 per cent of expenditure and 86 per cent of all days paid in 2003. The smallest of the benefits is pregnancy cash benefit, which accounted for just under two per cent of expenditure and of days paid. Temporary parental cash benefit refers to compensation for temporary care of children in various situations. It accounted for 12 per cent of all parental insurance benefit days and almost 20 per cent of the expenditure.

Of all parental insurance days paid out in 2003, 80 per cent were claimed by women and 20 per cent by men. Of the expenditure, 75 per cent went to women and 25 per cent to men. The average daily payment for women was SEK 401 and for men SEK 541⁵.

Expenditure for parental insurance is expected to continue rising for some years to come. This is partly because the period of parental cash benefit has been extended by a further 30 days for children born in 2002 or later, partly because the birth rate has been rising for a number of years and partly because the proportion of days claimed by fathers is expected to continue increasing.

The aim of the general *child allowances* – child allowance, large-family supplement and extended child allowance – is to reduce differences in financial conditions between families with and without children. Child allowance is paid to all families with children. Large-family supplement is paid from the third child onwards.

Child allowance was raised several times during the 1990s. It was most recently raised in 2001, by SEK 1,200 to SEK 11,400 per child and year.

⁵ Observe that pregnancy cash benefit, which can only be paid to women, is included in these figures. However, since the benefit is significantly less than others, its effect on the result is marginal.

During the period 1996–2002, child allowance represented the largest item of expenditure within the area of support to families with children. Just over 1.7 million children are entitled to child allowance, including extended child allowance. Since 2002, expenditure has fallen due to large groups of children reaching the age of 16, after which most of them are no longer entitled to the benefit.

Housing allowance is a means-tested benefit, the size of which is determined by the size of family, housing costs and income. The most common recipient of housing allowance is a single mother. Since 1997, the allowance has been preliminary and is fixed retroactively when the annual income tax is complete. Each final adjustment generates many million kronors' worth of repayments and supplementary payments. The repayment period may extend over several years.

Extensive rule changes in 1997 designed to reduce insurance expenditure have appreciably reduced both expenditure and the number of households receiving housing allowance. With current economic developments, it is estimated that the number of households entitled to the benefit will continue to decrease during the next few years. However, the decrease is being somewhat slowed down by the increase in the number of children born.

Care allowance is payable to parents of children with functional disabilities or to young people in need of special care and attention. As of 2003, the upper age limit for eligibility for care allowance has been raised from 16 years to 19 years.

The size of care allowance is linked to the price base amount and is thereby continuously adjusted to inflation. The number of care allowances has increased over many years. The lowest benefit level – the one-quarter care allowance – has increased most. A large part of the increase stems from the increased number of children with behavioural disturbances, such as the diagnoses autism, DAMP and ADHD. The great majority of newly-granted care allowances for these diagnoses are for boys.

During the second half of the 1990s, the number of newly-granted care allowances was approximately 4,500 annually. Since 1999, the number has been closer to 5,000 each year.

Expressed as a proportion of all children up to the age of 16, the number of care allowances increased from 1.2 per cent in 1995 to 1.7 per cent in 2003.

Maintenance support is designed to guarantee a reasonable standard of living for children not living with both their parents and to ensure that both par-

ents take financial responsibility for their children. Maintenance support is given for children aged under 18 and in certain cases up to and including 19. The parent living with the child can obtain maintenance support if the person responsible for paying maintenance fails to pay or if the amount payable is less than SEK 1,173 a month. The parent liable to pay maintenance must repay, fully or in part, the maintenance support paid out by the social insurance office to the other parent.

At present, in 65–70 per cent of cases where the parents of the children are living apart, the parents have chosen to regulate the maintenance issue via the maintenance support system.

Expenditure for maintenance support (gross payments prior to repayment by those liable to pay maintenance) has remained at a fairly constant level over the past ten years and is expected to continue at this level also during 2004–2005. However, net payments are expected to fall somewhat since payments from parents liable to pay maintenance are expected to increase.

Child pension is payable to a child if one or both parents have died and if the child, in accordance with the ground rule, has not reached 18 or in certain cases 20.

The number of child pensions has declined since the mid-1990s but rose somewhat in 2002.

In 2003, the rules for child pensions were changed to comply with the new pension system. The new child pension is entirely based on income. In 2003, the number of child pensions was just under 28,000. The number of child pensions is expected to fall slowly after 2004 but a nominal increase in expenditure for child pensions is nevertheless expected due to upward indexing.

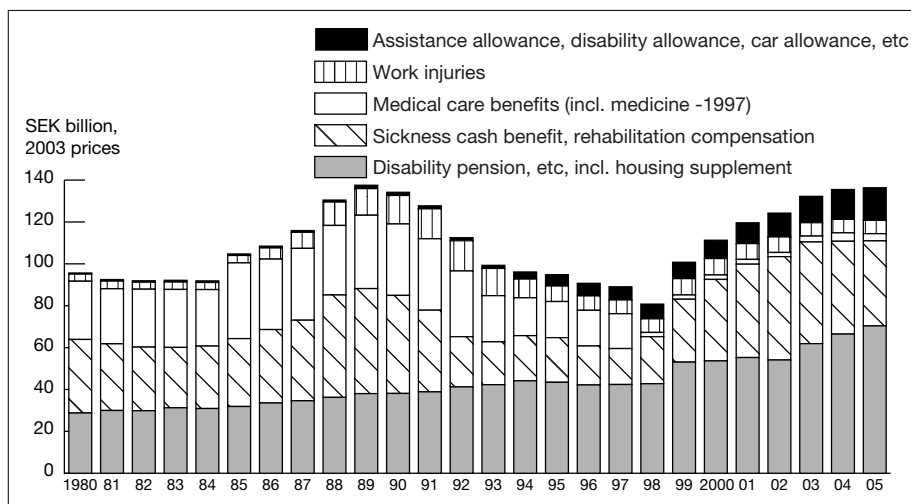
In 2003, **surviving children's allowance** was introduced. This basic protection is payable to a child if one or both parents have died and the child has no, or a low, child pension. Surviving children's allowance has in certain cases replaced child pensions from the basic pension system and in some cases maintenance support. The number of surviving children's allowances is just over 6,000 of which 4,000 go to children who receive no child pension at all.

The new old-age pension system gives a **pension right for childcare years**. In 1999, a national old-age pension contribution was introduced to finance the pension right for care of children aged 0–4 years. The preliminary contribution is adjusted after three years at which time interest is also included.

Financial security in case of sickness and disability

Following a steep rise in total insurance expenditure for sickness and disability benefits during the second half of the 1980s, the level of expenditure fell sharply between 1991 and 1998. The main reason was a sharp drop in expenditure for sickness cash benefit as well as fewer payments from work injury insurance.

Diagram 2.4 Financial security in sickness and disability



Forecast for 2004 and 2005.

Since the responsibility for pharmaceutical costs was taken over by the medical care principals in 1998, expenditure also sank for that year despite an upturn in sickness insurance expenditure. Halving the sick pay period and raising the level of sickness and rehabilitation cash benefit resulted in an increase in expenditure which has subsequently continued due to the high incidence of sick leave. For benefits within the area of sickness and disability, the sum of national old-age pension contributions in 2003 was almost SEK 14 billion.

Table 2.3 Financial security in sickness and disability

<i>SEK million</i>	1990	1995	2000	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Sickness insurance	34,974	19,534	36,458	42,810	48,395	48,552	44,613	41,610
Sickness cash benefit	.	15,981	30,775	36,693	40,959	40,523	36,229	33,904
Rehabilitation compensation	.	3,521	2,887	2,671	2,836	3,181	3,600	3,993
Allowance for care of close relatives	.	32	52	56	62	65	69	74
Old-age pension contribution	.	.	2,744	3,390	4,538	4,783	4,716	3,639
Sickn. cash benefit days, millions ¹⁾	.	48.6	77.0	88.6	94.7	90.4	79.0	72.6
Rehabilitation days, millions ¹⁾	.	5	3.6	3.9	4.2	4.8	5.5	6.2
Medical care benefits	25,501	15,802	2,001	2,198	1,969	2,829	4,052	3,521
Dental care	.	.	1,462	1,515	1,604	2,607	3,773	3,219
Compensation to medical care principal	.	.	539	683	.	.	.	.
Medical care, international	.	.	.	.	365	222	278	302
Sickness/activity compensation	27,293	37,502	47,744	50,167	49,917	58,527	63,457	68,493
Disability pensions	27,293	37,502	39,005	40,966	44,658	.	.	.
Activity compensation	.	.	.	.	.	249	556	728
Sickness compensation	.	.	.	.	.	49,810	52,851	54,913
Old-age pension contribution	.	.	8,739	9,201	5,259	8,467	10,050	12,852
Recipients, 1,000s in Dec								
Disability pensions	367	420	438	457	489	.	.	.
Activity compensation	.	.	.	.	.	5	7	9
Sickness compensation	.	.	.	.	.	502	518	534
Employment guarantee	.	.	2	5	10	14	15	15
Housing supplement to disability pensioners, etc	1,193	2,297	2,564	2,912	3,148	3,370	3,471	3,645
Recipients, 1,000s in Dec	95	111	112	118	126	125	128	133
Disability allowance	703	945	1,036	1,060	1,177	1,200	1,225	1,232
Recipients, 1,000s in Dec	50	54	58	59	61	61	61	61
Work injury compensation	10,164	6,793	5,742	5,757	5,882	5,984	6,057	6,126
Old-age pension contribution	.	.	1,601	1,489	1,391	386	435	399
Annuities under work inj. Ins., 1,000s	152	185	159	155	150	148	144	140
Car allowance	223	164	209	226	212	215	332	251
Assistance allowance	.	3,717	6,960	8,238	9,767	11,165	12,775	14,462
Recipients, 1,000s in Dec	.	6	9	10	11	11	12	13
Other benefits	206	123	14	13	12	12	12	12
Total, MSEK	100,257	86,877	104,331	114,875	121,880	132,255	136,445	139,766

¹⁾ Counted as whole days.

Sickness cash benefit replaces a part of the loss of income during illness. Sickness cash benefit saw a number of changes during the 1990s intended to stem the dramatic increase in cases of sick leave and days claimed. The level of compensation was altered several times, a qualifying day was introduced for sickness cash benefit, a sick pay period during which sick pay is paid by the employer was introduced and its length was altered. Since 1 July 2003, the sick pay period has been 21 days. From 1998 to June 2003, the benefit level was 80 per cent of benefit-qualifying income up to an income ceiling of 7.5 times the price base amount. Since 1 July 2003, a lower benefit level of 77.6 per cent has been used.

Insurance expenditure for sickness cash benefit has fluctuated greatly over the past few decades. Since 1998, the number of people reporting sick has increased and so have the costs for sick leave. More and more people are off sick for longer and longer periods. Just over 63 per cent of all those on sick leave in December 2003 were women.

Since the end of 2002, the number of days claimed has fallen compared with corresponding months a year earlier. The number of periods of sickness longer than one year continued to grow up to December 2003, though at an ever slower rate. Since January 2004, these cases of sickness have also decreased in number compared with the corresponding month a year earlier. However, expenditure is still rising somewhat due to increases in daily cash benefit.

Rehabilitation compensation includes a rehabilitation cash benefit and other allowances intended to promote occupational rehabilitation of sick and injured persons. Rehabilitation cash benefit represents two-thirds of expenditure on this item. The size of the benefit is calculated as for sickness cash benefit. However, the compensation level is 80 per cent of the benefit qualifying income.

Expenditure for rehabilitation cash benefit has risen over several years as has the number of days claimed. During the next few years, insurance costs for rehabilitation compensation are expected to continue rising at a relatively even pace.

Sickness insurance also includes the **allowance for care of close relatives** for people who give up paid work to care for a closely related person who is seriously ill. The benefit is payable as a rule for a maximum of 60 days.

The insurance costs are increasing continually, as are the numbers of carers and cared-for. The average number of days per person cared for remains around twelve. Women care for close relatives more than men do. In 2003, the benefit was paid to 9,550 people.

The *medical care benefits* funded through social insurance have varied over the years. Currently, they include dental care and medical care benefits in international context (also known as EU care) which, as of 2004, constitute two separate appropriations.

De *sjukvårdsförmåner* som bekostas genom socialförsäkringen har varierat genom åren. Nu omfattas förmånerna tandvård och sjukvård i internationella ärenden vilka från och med år 2004 utgör två separata anslagsposter.

Briefly, the rules for dental care insurance imply that all adults should receive financial support for dental care, but that older people and those with special dental care needs should receive extra financial support. In 2003, dental care benefits amounted to SEK 2,607 million. In July 2002, the rules were altered in various ways. It is estimated that these changes will further increase costs for some years to come.

Thanks to Sweden's membership of the EU and the EEA Treaty and certain conventions and other agreements, people insured in Sweden may be entitled to care benefits abroad. Sweden's expenditure for medical care in such international circumstances was SEK 222 million in 2003. This item of expenditure is expected to increase appreciably during the current and following year.

Since January 2003, *sickness compensation* and *activity compensation* have replaced *disability pension* and *temporary disability pension* respectively. Persons whose work capacity is permanently reduced by at least one-fourth for medical reasons are entitled to activity compensation if they are aged 19–29, or to sickness compensation if they are aged 30–64. Activity compensation may also be paid to persons who on account of their disability have not yet completed their basic or high-school education and in such cases it is granted for the period of time necessary to complete such studies.

Persons who were on permanent or temporary disability pension when the rules for sickness and activity compensation came into force had these benefits converted to sickness compensation. Sickness compensation may be granted for a limited period or provisionally. Activity compensation is always for a limited period and can be granted for one to three years at a time.

Sickness or activity compensation is payable partly as an income-related benefit and partly as a guarantee allowance. The latter is payable to people who had little or no earnings before their work capacity became impaired for medical reasons. Sickness or activity compensation can be awarded as whole, three-quarter, half or quarter benefits.

The number of disability pensions has risen over many years. In December 2003, recipients of sickness or activity compensation numbered 507,000, just over 19,000 more than the number of disability pensioners the preceding year. The increase was primarily due to large numbers of people on long-term sick leave going over to sickness or activity compensation.

Costs for employment of certain persons with sickness and activity compensation. For people receiving three-quarter sickness or activity compensation, special efforts are to be made to help them find employment on the open labour market, possibly with the help of a wage subsidy. The costs for employment with a wage subsidy equivalent to remaining work capacity are paid from the general insurance.

The use of this benefit has grown steadily. During 2003, the amount paid out was SEK 14.4 million, representing an increase of almost 50 per cent compared with 2002.

Housing supplement for persons with sickness or activity compensation is a means-tested allowance to cover the major part of the cost of a dwelling, at most 91 per cent of SEK 4,500. The cost of this allowance and the number of recipients have been increasing for many years. In 2003, comprehensive changes in the rules for housing supplement for pensioners (BTP) were introduced in consequence of altered rules for the old-age pensions system and the former disability pensions scheme.

During 2003, expenditure increased because the number of persons with sickness or activity compensation increased. The changed rules for 2003 had some negative consequences for benefit recipients. A number of BTP recipients with somewhat higher incomes had lower net incomes under the new rules.

Of those persons with sickness or activity compensation who had BTP in 2003, 56 per cent were women. 87 per cent of the recipients lived alone.

Disability allowance can be granted to people who have impaired functional ability due to functional disabilities that arose before the age of 65. Disability allowance is more common among women than among men. Depending on the need for assistance and the size of the extra costs involved, benefit is payable based on different proportions of the price base amount.

Expenditure for disability allowance increased somewhat every year up to 2002, as did the number of beneficiaries. During 2003, the benefit was paid out on average to 61,000 people. Up to and including 2006, the number of

disability allowances is not expected to increase since the lower age limit for this benefit was raised in 2003 from 16 to 19. However, it is calculated that the insurance expenditure will rise slowly

Work injury compensation provides financial security in case of loss of income resulting from permanent occupational injury. The compensation comprises several benefits, chiefly annuities under the work injury insurance scheme. Expenditure for work injury compensation sank during the 1990s because of changes in the rules. During 2002 and 2003 a number of regulatory changes were implemented. A change in the rules for national old-age pension contributions led to reduced expenditure for contributions in 2003. Other regulatory changes are expected to entail considerable increases in expenditure in the longer term.

Car allowance for the disabled is designed to enable people with disabilities to move about more easily on their own. It is a subsidy for the purchase and/or adaptation of a motor vehicle of one's own. Car allowance consists of several components and can be re-applied for every seven years. During 2003, allowances were paid out to a value of SEK 215 million. Basic allowance was paid to just over 1,900 people. The expenditure for 2004 is estimated to be SEK 332 million, but available funds, including supplementary appropriations and appropriation credit, amount to only SEK 225 million. Payments that exceed the framework of available funds may, under the provisions of the government ordinance 1997:707 on amendments to the government ordinance 1988:890, be postponed until the following year.

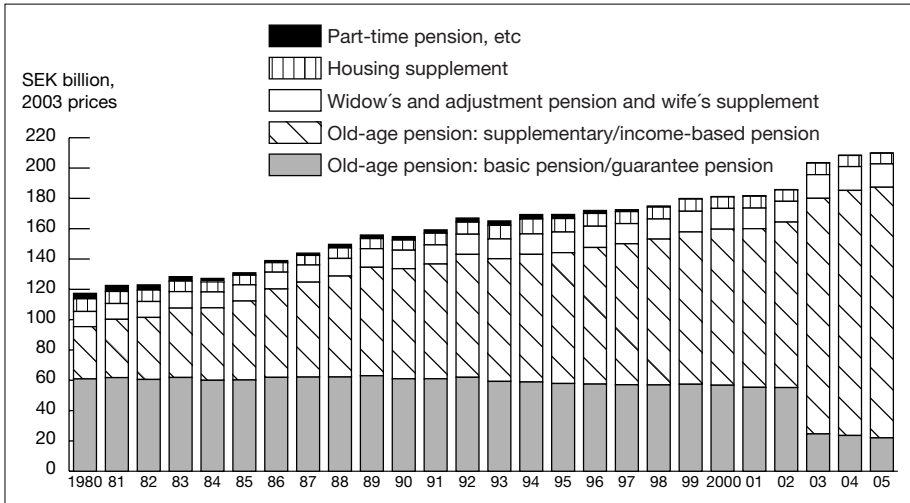
Assistance allowance is a steadily growing benefit granted to people with severe functional disabilities – if the disability arose before the age of 65 – who need personal assistance in their daily lives. The assistance may be provided by the municipality or disabled persons may receive financial help to engage an assistant of their own. The local municipality finances the first 20 assistance hours per week for each beneficiary.

In December 2003, just over 11,800 persons received assistance allowance for an average of 96 hours a week. During 2003, total expenditure was SEK 11,165 million, of which the municipalities contributed SEK 2,477 million. The increase in costs forecast for the next few years is based on the assumption that salaries, the number of assistance hours per person and the number of persons granted assistance allowance will all continue increasing.

Other benefits include road traffic injury annuities, compensation from voluntary occupational injury insurance, voluntary sickness cash benefit insurance and annuities from damages.

Financial security in old age

Diagram 2.5 Financial security in old age



Forecast for 2004 and 2005.

The costs for old-age benefits calculated in fixed money values have steadily increased since more and more people are getting older and older and receive larger and larger pensions. The predominant item of expenditure is the old-age pension. In the old-age pension scheme, the income-related (and former ATP supplementary) part has increased while the guarantee pension (and former basic pension) part has decreased.

Since 2003, the new old-age pensions system has been fully operational though phasing-out earlier rules will take several decades. The new scheme consists of income-based old-age pensions and guarantee pensions. In 2003, expenditure for old-age pensions rose sharply since guarantee pension is designed differently from basic pension and more expenditure burdens the income-based part of the old-age pension system. Pension expenditure is expected to continue rising in the years to come, due partly to developments in prices and real wages and partly to earned pension entitlements of new old-age pensioners.

Expenditure for survivor's pensions increased in 2003 when the means test for widow's pensions was discontinued and certain adjustments were made to the new old-age pensions system.

The part-time pension insurance scheme is being phased out and will no longer be paid out from 2005 onwards.

Table 2.4 Financial security in old age

<i>SEK million</i>	1990	1995	2000	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Old-age pension	100,201	132,352	149,680	153,680	161,229	180,046	186,555	192,056
ATP/income-based pension	54,270	79,070	96,481	100,509	107,080	155,421	162,785	169,483
Basic/guarantee pension	45,931	53,282	53,199	53,171	54,149	24,625	23,733	22,573
Recipients, 1,000s in Dec								
ATP/suppl. pensions	1,165	1,289	1,378	1,397	1,417	1,441	1,469	1,498
Basic/guarantee pension	1,554	1,584	1,602	1,590	1,589	889	868	843
Widow's pension	8,712	11,924	12,575	12,758	13,138	15,170	15,306	15,222
ATP/income-based widow's pension	7,196	10,484	12,326	12,534	12,935	14,318	14,475	14,463
Basic/guarantee pension	1,516	1,440	249	224	203	852	831	759
Recipients, 1,000s in Dec								
ATP/income-based widow's pension	362	389	390	386	382	377	372	367
Basic/guarantee pension	60	52	13	11	11	40	36	33
Adjustment pension	56	311	290	298	306	442	521	554
ATP/income-based adjustment pension	20	118	107	112	117	293	349	377
Basic/guarantee pension	36	193	183	186	189	149	172	177
Recipients, 1,000s in Dec								
ATP/income-based adjustment pension	2	5	5	5	4	5	6	6
Basic/guarantee pension	2	5	5	5	5	5	6	6
Housing supplement to old-age pension, etc	4,971	8,142	7,055	7,495	7,366	7,607	7,384	7,201
Recipients, 1,000s in Dec	453	445	346	338	329	319	306	297
Maintenance support for the elderly	.	.	.	.	.	634	654	669
Recipients, 1,000s in Dec	.	.	.	.	.	11	13	13
Partial pension	1,654	2,370	200	244	161	85	25	0
Old-age pension contribution	.	.	11	16	21	19	12	-4
Recipients, 1,000s in Dec	38	38	13	10	6	3	0	0
Other pensions	64	99	78	72	65	61	61	60
Total, MSEK	115,658	155,198	169,889	174,563	182,286	204,064	210,518	215,758

The pensions system has undergone major changes. The *old-age pension* formerly consisted chiefly of basic pension and general supplementary pension (ATP). In 2001, the new supplementary pension, ‘inkomstpension’ and premium pension – jointly termed income-based pension – was paid out for the first time to old-age pensioners born in 1938 or later.

In January 2003, the ATP supplementary pension, basic pension and pension supplement were abolished. ATP and basic pension were chiefly replaced by the new supplementary pension, also for pensioners born before 1938. Guarantee pension, providing fundamental security, was also introduced in 2003. This replaced basic pension in some cases, pension supplement and the special basic deduction in the tax system. Thus the old-age pension benefits available from 2003 onwards are income pension, premium pension, supplementary pension and guarantee pension. In addition, the special pension supplement and some other supplementary benefits still remain.

Old-age pension payments rose sharply in 2003 as a result of the new rules. At the same time, many pensioners had to pay more income tax, so net payments increased only marginally.

In the longer term, expenditure for income-based pensions will increase while expenditure for guarantee pensions will decrease. The new pensions system is more attuned to national economic and demographic developments than its predecessor. Thus the long-term development of costs is affected by changes in prices and real wages, interest levels and share prices and many other aspects of socioeconomic development.

In January 2003, the rules for survivor’s pension were altered in several ways. Harmonisation with the rules of the new pensions system has meant that the guarantee pension in some cases replaces the basic pension and the special basic deduction in the tax system. The special survivor’s pension has begun to be phased out.

Fewer women receive *widow’s pensions* because this benefit is being phased out. The new income-based widow’s pension broadly corresponds to the previous ATP pension. Most widow pensioners under 65 also receive a supplement that corresponds to the former basic pension. Here the former means test has been abolished. A widow under 65 with no income-based widow’s pension, or a low one, can in certain circumstances obtain a guarantee pension as a supplement to her widow’s pension.

Expenditure for widow’s pensions to widows under 65 rose steeply in 2003, partly due to the abolition of the means test and partly because guarantee

pension also compensates the loss of the special basic deduction in the tax system.

The *adjustment pension* is payable to surviving spouses. During the 1990s, the compensation period varied for different groups of beneficiaries. In 2003, the compensation period for adjustment pension was extended from six months to ten. A surviving parent with children under 12 may thereafter obtain an extended adjustment pension up to the time the youngest child reaches the age of 12. From 2003, a surviving parent with children between 13 and 18 may also receive extended adjustment pension for one year.

The *housing supplement for old-age pensioners* is a means-tested allowance. The need for housing supplement has decreased successively as old-age pensions have increased. Women, receiving lower pensions on average, are more dependent on housing supplement than men. The development of expenditure has been uneven due to changes in the rules almost every year.

The year 2003 also saw extensive changes as a consequence of the new pensions system. For pensioners, this was a slight improvement. The regulatory changes together with higher registered housing costs pushed up expenditure. The changed rules for income from capital and property have in particular affected costs. Previously, a standard method of 5 per cent of assets was used for deciding income from capital. Now, actual income from capital is used instead. The regulatory changes also mean that certain incomes today are only declared up to 80 per cent of their value, for example, occupational pension, work or occupational injury annuity and salary. Previously, these incomes were declared up to their full value.

In 2004, expenditure is expected to decrease somewhat.

In January 2003, **maintenance support for the elderly** was introduced. This is intended for people over 64 whose fundamental maintenance requirements are not met through other benefits from the general pensions system. They may be people who have very low pensions or no pension at all because they have not been resident in Sweden for a sufficient number of years. In 2003, SEK 634 million was paid out in maintenance support for the elderly. The level is expected to rise in future years.

Part-time pension could formerly be granted to people between 61 and 64. The system is currently being phased out. The last part-time pensions will be converted to old-age pensions in 2004.

Other pensions are the voluntary pension and the seafarer's pension.

Other payments

Table 2.5 Payments administered by the social insurance offices and the National Social Insurance Board

<i>SEK million</i>	1990	1995	2000	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Activity support	3,690	11,200	8,511	9,759	11,093	9,684	10,300	10,400
Cash labour market benefit	255	2,600	.	.	.	.	.	.
Daily cash benefit to conscripts, etc	321	88	12	7	5	5	5	5
Family allowance to conscripts	.	192	87	73	72	78	78	78
Other	1,485	606	108	48	40	37	37	37
Total, MSEK	5,751	14,686	8,718	9,887	11,210	9,804	10,420	10,520

Activity support with several labour-market measures dominates expenditure in this group. Activity support is given to participants in labour-market policy programmes, such as labour market training and vocational rehabilitation. Cash labour market benefit (KAS) was replaced in 1998 by a new unemployment benefit paid by the National Labour Market Board. Other payments include benefits to conscripts. The remaining Other payments include small-business insurance, holiday pay expense insurance, disease carrier's allowance.

Administration

Table 2.6 Expenditure for social insurance administration

<i>SEK million</i>	1990	1995	2000	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Social insurance offices	4,581	5,081	6,341	6,294	6,580	6,914	7,370	7,477
National Social Insur. Board	742	741	1,285	1,479	1,304	1,792	1,802	1,948
First National Pension (AP) Fund	275	396	746	1,209	1,351	1,574	1,621	1,680
Premium Pension Authority (PPM)	.	.	635	442	526	285	277	320
Total, MSEK	5,598	6,218	9,007	9,424	9,761	10,565	11,071	11,425
Administration's share of insurance expenditure, %	2.1	2.0	2.6	2.6	2.6	2.5	2.6	2.6

The work of the social insurance offices and the National Social Insurance Board is financed partly through contributions and partly through national budget appropriations. Since 1998, there have also been administrative costs for the new Premium Pension Authority (PPM).

Costs for the AP funds have risen sharply since 2000, partly as a result of new opportunities for investment leading to extensive portfolio management. The considerable increase in National Social Insurance Board expenditure depends to a large extent on the introduction of the new pension system.

In 2003, administration as a share of social insurance expenditure was 2.5 per cent, a proportion that has been fairly constant since 2000.

3 How social insurance is financed

Summary description

Social insurance benefits are financed primarily through social insurance contributions from employers and self-employed people, a general pension contribution, national old-age pension contributions, which are part of the social insurance contributions, taxes⁶ and fund yields.

Certain insurance benefits are financed entirely out of national funds. These include child allowance, housing allowance and some other allowances for families with children, as well as some benefits for people with disabilities and housing supplement for pensioners/people with sickness or activity allowance. Maintenance support is paid out of taxes insofar as the expenditure is not covered by payments from those liable to pay maintenance. Assistance allowance is financed partly by the municipalities.

Five types of insurance are financed wholly or in part through general social insurance contributions. These are parental insurance, sickness insurance, work injury insurance, old-age pension and survivor's pension. The proportion to be covered by contributions varies according to insurance category and has changed over time.

The financial relationship between incoming contributions and the benefits they are intended to finance is relatively tenuous. With the exception of old-age pension, contributions are not transferred to a specific fund but go instead to the national budget, from which social insurance benefits are paid out. However, since contributions are by statute intended to finance particular benefits, in this section we report contributions and benefits together as in a more financially autonomous system.

A number of smaller insurance schemes administered by RFV and the social insurance offices are financed with premiums or similar and/or yields from

⁶ In this report, we refer to any social insurance benefits financed neither through contributions nor from AP funds as being “financed by tax revenue”. It is true that government income also stems partly from contributions and interest, but to say that this group of benefits is financed via the national budget would be misleading since this also applies to benefits financed through contributions, with the exception of old-age pension.

funds. Among these are voluntary pension, voluntary sickness cash benefit insurance, road traffic injury annuities, voluntary occupational injury insurance, small-business insurance and seafarer's pension.

Table 3.1 Social insurance income and expenditure in 2003

<i>SEK million</i>	<i>Income</i>				<i>Expenditure</i>			<i>Surplus/ deficit</i>
	<i>Contribu- tions</i>	<i>National funds by law</i>	<i>Other</i>	<i>Total</i>	<i>Payments</i>	<i>Admini- stration</i>	<i>Total</i>	
Parental insurance ¹⁾	22,143	168	–	22,311	21,551	896	22,447	–136
Child allowance	–	21,057	–	21,057	20,956	101	21,057	–
Housing allowance to families with children, etc	–	3,960	–	3,960	3,595	365	3,960	–
Care allowance for disabled children	–	2,380	–	2,380	2,232	148	2,380	–
Maintenance support	–	2,551	1,979	4,530	4,127	403	4,530	–
Pension right for child-care years	–	3,831	–	3,831	3,831	..	3,831	–
Sickness insurance ²⁾	108,278	2,958	–	111,236	107,512	3,724	111,236	9,695 ⁵⁾
Health care benefits	–	3,058	–	3,058	2,829	230	3,058	–
Disability allowance	–	1,287	–	1,287	1,200	87	1,287	–
Activity support	9,684	183	–	9,867	9,684	183	9,867	–
Work injuries	7,665	196	–	7,861	6,371	394	6,765	1,096
Car allowance	–	252	–	252	215	37	252	–
Assistance compensation	–	8,808	2,477	11,285	11,165	120	11,285	–
Old-age pension								
Via AP Fund	165,107	–	82,058	247,165	155,410	2,359	157,769	89,396
Via national budget ³⁾	12,515	12,240	–	24,756	24,625	130	24,756	–
Premium Pension scheme	20,267	–	–	20,267	11	285	296	..
Survivor's pensions	17,115	1,081	–	18,196	16,656	74	16,730	1,498
Housing supplement, BTP	–	11,381	–	11,381	10,977	403	11,381	–
Maintenance support for the elderly	–	642	–	642	634	8	642	–
Partial pension	–	106	–	106	104	2	106	0
Other benefits	41	163	61	266	216	35	251	–
Non-allocated admin ⁴⁾	–	580	–	580	–	580	580	–
Total for 2003	362,815	76,902	86,575	526,292	403,919	10,565	414,485	..

¹⁾ Excluding pregnancy cash benefit which is to be financed by the sickness insurance contribution.

²⁾ Including sickness and activity compensation, pregnancy cash benefit and allowance for care of close relatives.

³⁾ Including administrative costs for the social insurance offices.

⁴⁾ Mainly social insurance offices expenditure for alteration of pension debt.

⁵⁾ The difference between sickness insurance contributions received and the costs they are intended to finance by statute.

Revenue from social insurance contributions, national old-age pension contributions and the general pension contribution amounted to SEK 363 billion in 2003. Interest on investments, market price differences, etc, brought the total to SEK 445 billion. Additional government funding amounted to SEK 77 billion.

The statutory proportion financed out of taxes was just under 20 percent of expenditure. Payments from municipalities, from people liable to pay maintenance, etc, amounted to just over one per cent. Favourable stock market trends in 2003 meant that market price differences and interest, etc, from the First National Pension Fund (the AP Fund) gave a plus of SEK 82 billion. Thus, income exceeded expenditure by just over SEK 110 billion overall.

Among the types of insurance financed through contributions, work injury insurance and survivor's pensions gave a combined surplus during 2003 of SEK 2.6 billion.

Work injury insurance has for some years shown a surplus that has successively replaced the deficits of earlier years. In 2003, the surplus was SEK 1.1 billion.

For many years now, expenditure for sickness insurance has outstripped revenue from contributions. Raising the contribution rate in 2003 has resulted in contributions now exceeding the contribution-financed part of the insurance by almost SEK 10 billion.

Since revenues in the premium pension system – just over SEK 20 billion – are reservations, it is not possible to state what proportion of total old-age pension expenditure is covered by revenue from contributions.

Contributions

Table 3.2 Contributions, statutory proportion of contribution base

<i>Insurance type</i>	<i>1990</i>	<i>1995</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Social insurance contributions, % of contribution base ¹⁾							
Parental insurance	–	–	2.2	2.2	2.2	2.2	2.2
Sickness insurance	10.1	6.23	8.5	8.8	8.8	11.08	11.08
Work injury insurance	0.9	1.38	1.38	1.38	1.38	0.68	0.68
Basic pension	7.45	5.86	–	–	–	–	–
Old-age pension (ATP –1998)	13	13	10.21	10.21	10.21	10.21	10.21
Survivor’s pension	–	–	1.7	1.7	1.7	1.7	1.7
Partial pension	0.5	0.2	–	–	–	–	–
Total	31.95	26.67	23.99	24.29	24.29	25.87	25.87
General contributions, % of contribution base							
Sickness insurance	.	2.95	–	–	–	–	–
Pension	.	1	7	7	7	7	7
Total	.	3.95	7	7	7	7	7

¹⁾ Employer contributions. For contributions from self-employed persons different percentages apply in some cases.

The table above summarises the contributions as statutory proportions of the contribution base. Over and above the contributions for social insurance given in the table, there is a labour-market contribution and a general salary contribution. If these are included, the total becomes 33.55 per cent of the base for 2003.

The contribution base for social insurance contributions is made up of total salaries for employees and earned income of self-employed people and is paid by the employer and the self-employed person respectively. The general contribution is paid by gainfully-employed persons. It is based on salaries and incomes such as sickness cash benefit, parental cash benefit, unemployment insurance, etc.

The years 1999 to 2001 saw many changes in contributions. In 1999, contributions for basic and part-time pensions were abolished and contributions for parental insurance and survivor’s pension introduced. The contributions for sickness insurance and old-age pension have changed. Reductions and increases in contributions have been compensated for by corresponding increases and reductions in the general salary contribution.

In 2003, there were further changes. The sickness insurance contribution was raised and the work injury insurance contribution reduced. The labour market contribution and the general salary contribution were also changed. During 2004, no changes have been made in contribution rates for social insurance (the general salary contribution has, however, been reduced somewhat) and the aggregate percentage rate for social insurance contributions has remained unchanged between 2002 and 2004

Further comments on developments are given in connection with tables 3.3–3.9.

Parental insurance

Table 3.3 Parental insurance: income and expenditure

<i>SEK million</i>	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Income:					
Parental insurance contribution	20,849	21,634	22,143	22,969	23,906
State funds	168	131	168	170	176
Total income	21,017	21,765	22,311	23,139	24,082
Expenditure:					
Parental cash benefit	12,761	14,105	15,690	17,070	18,266
Temporary parental cash benefit	3,605	3,745	3,915	3,945	4,110
National old-age pension contributions	1,636	1,780	1,946	2,118	2,178
Administration	802	799	896	904	935
Total expenditure	18,804	20,429	22,447	24,037	25,489
Part financed by contributions	18,636	20,298	22,279	23,867	25,313
Surplus/deficit for year	2,213	1,336	-136	-898	-1,407
Contribution coverage	112 %	107 %	99 %	96 %	94 %

Parental insurance contributions finance parental cash benefit and temporary parental cash benefit as well as the major part of their administration. The contributions also finance the old-age pension contributions paid into the pensions system and calculated to cover earned pension rights for these benefits. In 2003, insurance contributions generally covered expenditure but in 2004 expenditure is expected to exceed income from contributions by approximately SEK 900 million.

Sickness insurance

Table 3.4 Sickness insurance: income and expenditure

	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Income:					
Sickness insurance contribution	82,546	86,020	108,278	114,157	118,825
State funds needed	13,809	15,920	2,958	–1,866	–4,350
State funds by law ¹⁾	7,563	6,485	12,652	13,784	15,100
Total income	96,355	101,940	111,236	112,291	114,475
Expenditure:					
Sickness cash benefit and rehabilitation	39,364	43,795	43,704	39,829	37,897
Disability pension/sickness and activity compensation	40,966	44,658	50,060	53,407	55,642
Pregnancy cash benefit	336	375	381	410	433
Allowance for care of close relatives	56	62	65	69	74
Employment guarantee	5	10	14	15	15
National old-age pension contribution	12,624	9,834	13,288	14,808	16,533
Administration	3,004	3,206	3,724	3,754	3,881
Total expenditure	96,355	101,940	111,236	112,291	114,475
Total financed by contributions according to the rules	88,792	95,455	98,583	98,507	99,375
Surplus ²⁾	–	–	9,695	15,650	19,450
Contribution coverage	93 %	90 %	110 %	116 %	120 %

¹⁾ Expenditure not financed by contributions.

²⁾ No real deficit can arise as the law does not require contributions to cover total expenditure.

Up to and including 2002, the sickness insurance contribution financed sickness cash benefit, rehabilitation compensation, allowance for care of close relatives, pregnancy cash benefit, disability pensions from ATP and from the basic pension system for people in the ATP scheme, as well as the major part of the administration costs for these benefits. The costs for the employment guarantee are met out of tax revenue. In January 2003, the disability pension was replaced by sickness and activity compensation. Income-based benefits are financed from the contribution while guarantee allowances are financed out of tax revenue. The contribution also finances national old-age pension contributions for the above benefits.

There is no rule saying that sickness insurance contribution must finance these benefits in their entirety, so no real deficit can arise. As a result of the sickness insurance contribution being raised from 2003 onwards, revenue from contributions is expected to exceed contribution-financed expenditure by SEK 15 to 20 billion annually.

Work injury insurance

Table 3.5 Work injury insurance: income and expenditure

<i>SEK million</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004 forecast</i>	<i>2005 forecast</i>
Income:					
Work injury contribution	13,077	13,620	7,665	7,311	7,389
State funds	224	195	196	192	192
Total income	13,301	13,815	7,861	7,503	7,581
Expenditure:					
Compensation to insured	5,757	5,882	5,984	6,057	6,126
National old-age pension contrib.	1,489	1,391	386	435	399
Administration	376	369	394	398	411
Total expenditure	7,622	7,642	6,765	6,891	6,935
Part financed by contributions	7,398	7,447	6,569	6,698	6,743
Surplus for year	5,679	6,173	1,096	613	646
Contribution coverage	177 %	183 %	117 %	109 %	110 %

The work injury insurance contribution finances compensation payments under the Work Injury Insurance Act and corresponding older benefits, and the major part of the administration of these. In addition, the contribution finances national old-age pension contributions for paid work injury annuities, etc.

The work injury insurance scheme formerly reported serious deficits. Several cost-cutting regulatory changes limiting the scope of the insurance have resulted in an annual surplus. The surplus has been used to repay the earlier debt, which was entirely repaid in 2000. In 2002, the surplus was just over SEK six billion. The lowered work injury contribution has led to a reduction in the surplus since 2003.

Old-age pension from the First National Pension (AP) Fund

Table 3.6 AP Fund: income and expenditure

<i>SEK million</i>	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Income:					
Old-age pension contribution to AP Fund	156,811	160,553	165,107	171,500	177,902
of which social insurance contribution	68,902	72,062	72,423	75,040	78,282
general pension contribution	65,156	67,895	69,957	72,287	74,757
national old-age pension contribution	21,210	19,967	21,817	23,739	25,592
adjustment of contributions	1,543	629	910	434	-729
Market price differences and interest, etc	-25,036	-84,542	82,058	74,376	68,264
Total "net" income for AP Fund	131,775	76,011	247,165	245,876	246,166
Expenditure:					
Pension payments from AP Fund	143,564	151,562	155,410	162,722	169,321
of which supplementary pension	1,108	1,700	154,103	159,258	163,013
'inkomstpension'	89	236	1,307	3,464	6,308
ATP and associated basic pension	142,367	149,626	-	-	-
Transferred to national budget ¹⁾	155,000	-	-	-	-
AP Fund admin and compensation for costs	1,943	2,081	2,359	2,525	2,607
Total expenditure	300,507	153,643	157,769	165,247	171,928
Surplus/deficit for year	-168,732	-77,632	89,396	80,629	74,238
Contribution coverage	108 %	104 %	105 %	104 %	103 %
Fund balance 31 December	565,172	487,540	576,936	657,566	731,804

¹⁾ During 2001, SEK 155 billion was transferred to the national budget. This settlement between the AP Fund and the national budget was due to increased state expenditure in connection with the introduction of the new pension scheme. This sum has been excluded from the calculation of contribution coverage.

The new old-age pension system is separate from the disability pension and survivor's pension.

The major part of the old-age pension contribution is transferred to the AP Fund. Parts of the contribution are also transferred to the premium pension system and to the national budget. Up to and including 2002, the AP Fund financed old-age pensions from the supplementary pension scheme (ATP) as well as basic old-age pensions for people in the ATP scheme. Starting in 2001, the new 'inkomstpension' and supplementary pension benefits have also been financed from the fund.

AP Fund revenue consists of social insurance contributions, general pension contributions and yield on investments. The fund also receives national old-age pension contributions from various allocations in the national budget.

Market value is used for reporting the balance of the AP Fund. The fund's balance decreased by SEK 168.7 billion during 2001, largely because SEK 155 billion was transferred to the national budget, but negative stock market trends also contributed to the decrease. During 2002, the fund's deficit was SEK 77.6 billion, primarily due to market price movements. In 2003, positive market price movements and the fact that contributions exceeded expenditure by 7.5 billion produced a surplus of almost 90 billion. The current distribution of contributions is expected to cover expenditure for the next few years.

Old-age pension, premium pension

Table 3.7 Premium pension: income and expenditure

<i>SEK million</i>	2001	2002	2003	2004 <i>forecast</i>	2005 <i>forecast</i>
Income:					
Old-age pension contribution to the premium pension system	18,314	20,445	20,267	21,020	23,835
Expenditure:					
Paid premium pensions	0	1	11	63	162
Reservations	17,872	19,918	19,971	20,680	23,353
Administration	442	526	285	277	320
Total expenditure	18,314	20,445	20,267	21,020	23,835

A portion of the old-age pension contribution is transferred to the premium pension system administered by the Premium Pension Authority. Also linked to the premium pension system is the Seventh AP Fund. Since the system is new, payments so far are small. Income is considerably higher. However, there is no real surplus, since the contributions are placed in funds or reserved for future payments.

Old-age pension payments from the national budget

Table 3.8 National budget: income and expenditure for old-age pension

<i>SEK million</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004 forecast</i>	<i>2005 forecast</i>
Income:					
Old-age pension contribution to the national budget	10,803	11,898	12,515	13,158	13,137
State funds	0	0	12,241	10,725	9,590
Total income	10,803	11,898	24,756	23,883	22,727
Expenditure:					
Guarantee pension	–	–	24,607	23,714	22,554
Other basic pension with supplementary benefits	10,115	9,665	18	19	19
Administration ¹⁾	100	100	130	150	154
Total expenditure	10,215	9,765	24,756	23,883	22,727
Surplus/deficit for year	588	2,133	–	–	–
”Contribution coverage”	106 %	122 %	51 %	55 %	58 %

¹⁾ Including the social insurance offices.

Up to and including 2002, basic pensions for pensioners without ATP, pension supplement and some other supplementary benefits were financed out of the national budget. In January 2003, basic pension and ATP were discontinued and replaced by supplementary pension and guarantee pension. Guarantee pension is financed from the national budget.

Old-age pension contribution above the income ceiling is transferred to the national budget. It has not been stipulated by law what this contribution is to finance. However, it has been estimated that after 2003 this part of the old-age pension contribution will correspond to just over 50 per cent of expenditure for guarantee pension, etc, that is, the part of the old-age pension system financed from the national budget.

Survivor's pension

Table 3.9 Survivor's pensions: income and expenditure

<i>SEK million</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004 forecast</i>	<i>2005 forecast</i>
Income:					
Survivor's pension contribution	16,109	16,743	17,115	17,747	18,470
State funds	13	26	1,081	1,086	1,019
Total income	16,122	16,769	18,196	18,833	19,489
Expenditure:					
Survivor's pensions	14,007	14,421	16,656	16,882	16,835
Administration	58	70	74	68	70
Total expenditure	14,065	14,491	16,730	16,950	16,905
of which, financed by contributions	14,052	14,465	15,617	15,833	15,855
Surplus for year	2,057	2,278	1,498	1,914	2,615
Contribution coverage	115 %	116 %	110 %	112 %	116 %

Survivor's pension contributions have financed child pension, widow's pension, adjustment pension and other benefits. Since 2003, only the income-based survivor's pension has been financed from these contributions. Guarantee pensions for the widow's pension and adjustment pension, and surviving children's allowance, are financed from taxes. In addition, the major part of the administration of these benefits is to be financed from contributions.

The contributions have more than covered expenditure for survivor's pensions and it is calculated that they will exceed the income-based survivor's pension during the next few years.

4 Social insurance's share of the economy

Payments from social insurance make up a significant part of the Swedish economy. Table 4.1 shows social insurance payments as a share of the gross national product (GNP) since 1980. During the 1980s, this share grew continuously. During the 1990s, several cost-cutting regulatory changes – reduced levels of compensation, a sick pay period, and a qualifying day in sickness insurance – caused the share of social insurance in an expanding GNP to shrink. From 1998, however, it once again increased as a result of raised compensation levels and increasing sickness absence. In 2003, the share of social insurance was just over 16.5 per cent, the same level as at the start of the 1980s. Since no cost-driving regulatory changes have been decided for the next few years, and since sickness absence is now on the decrease, the social insurance share of the economy is also expected to diminish somewhat over the next two years.

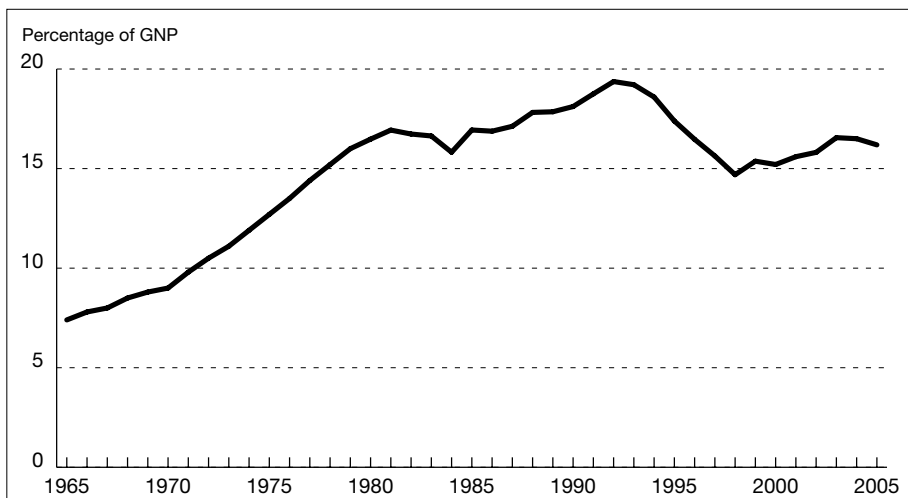
Table 4.1 Social insurance sector payments in SEK billion and as a percentage of GNP

<i>Year</i>	<i>Payments, current prices</i>	<i>GNP current prices</i>	<i>Payments as % of GNP</i>
1980	90.4	549	16.5
1985	152.4	900	16.9
1990	257.5	1,421	18.1
1995	307.9	1,770	17.4
1996	298.9	1,815	16.5
1997	295.2	1,888	15.6
1998	289.7	1,972	14.7
1999	319.2	2,077	15.4
2000	333.8	2,195	15.2
2001	353.5	2,266	15.6
2002	371.2	2,347	15.8
2003	403.9	2,440	16.6
2004 (forecast)	417.0	2,527	16.5
2005 (forecast)	427.4	2,639	16.2

As diagram 4.1 shows, the rate of increase in the 1960s and 1970s, when the ATP system was implemented and parental insurance was created, was even

greater than in the 1980s. Seen in this longer perspective, the social insurance share of the economy since the beginning of the 1980s has gone both up and down, revealing no clear long-term trend.

Diagram 4.1 Social insurance sector payments as a percentage of GNP¹⁾



Forecast for 2004 and 2005.

¹⁾ Since 1980, the method of calculating BNP has been somewhat modified, reducing the social insurance share by just under one percentage unit.

Expenditure in the social insurance system is dominated by payments to insured people. In 2003, transfers from social insurance to households amounted to SEK 381 billion, making up 82 per cent of total public transfers to households. If we include payments from unemployment insurance in the transfers, this figure rises to 86 per cent. The table below shows how the social insurance share of total transfers fell during the 1990s, at a time when payments of unemployment benefit and social allowance both increased dramatically. Since 1999, however, the share has once again expanded, due to greatly increased expenditure on sickness insurance and old-age pensions while unemployment benefit and financial support (formerly social allowance) have now decreased.

Table 4.2 Transfers to households, SEK billion

<i>Year</i>	<i>Public transfers to households, gross</i>				<i>Social insurance share of total, %</i>	<i>Social insurance incl. unemployment insurance share of total, %</i>
	<i>From social insurance</i>		<i>Total</i>			
	<i>Current prices</i>	<i>Year 2003 prices</i>	<i>Current prices</i>	<i>Year 2003 prices</i>		
1980	80.3	223.3	97.8	272.0	82.1	.
1985	132.1	238.9	165.2	298.7	80.0	83.7
1990	232.0	310.5	275.7	369.0	84.1	86.4
1995	292.1	318.8	385.5	420.8	75.8	86.2
1996	283.2	307.7	373.5	405.7	75.8	86.3
1997	279.8	302.4	374.4	404.7	74.7	84.7
1998	287.8	311.5	385.3	416.9	74.7	83.8
1999	301.7	325.1	394.9	425.5	76.4	84.6
2000	313.7	334.6	403.9	430.8	77.7	85.5
2001	332.1	345.7	415.4	432.5	79.9	85.7
2002	352.4	359.2	432.4	440.8	81.5	86.8
2003	381.4	381.4	466.1	466.1	81.8	87.9
2004 (forecast)	391.3	388.6	483.1	479.8	81.0	87.7
2005 (forecast)	400.2	390.4	492.0	480.0	81.3	87.6

Social insurance payments to households up to the mid-1990s represented a growing share of individual household consumption, as table 4.3 illustrates. Peaking at just over 29 per cent during the 1993–1994 recession, the proportion sank to 25 per cent in 2000, rising somewhat subsequently.

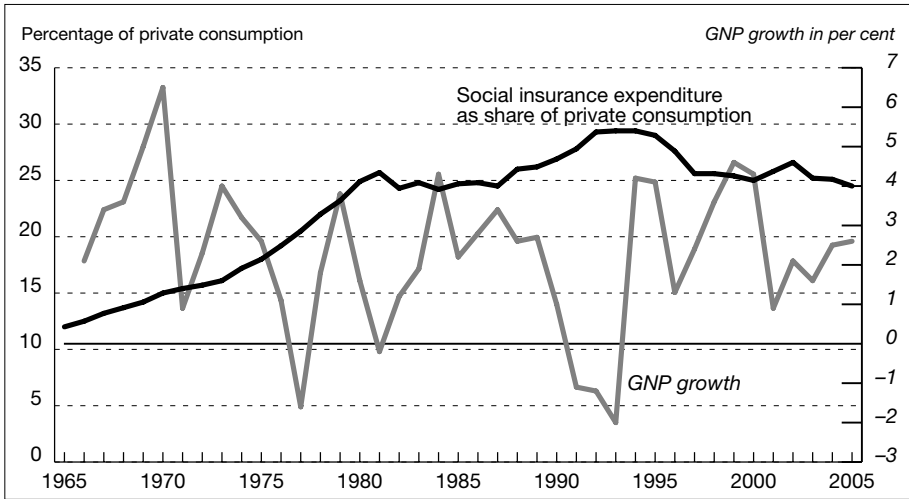
In 2003, social insurance transfers corresponded to just over 25 per cent of household expenditure on consumption.

Table 4.3 Transfers to households and private consumption, SEK billion

Year	Social insurance transfers to households, gross		Private consumption		Social insurance transfers as a share of private consumption, %	
	Current prices	Year 2003 prices	Current prices	Year 2003 prices	Before tax deduction	After tax deduction
1980	80.3	223.3	274.7	763.9	29.2	24.9
1985	132.1	238.9	447.9	809.9	29.5	24.7
1990	232.0	310.5	692.7	927.0	33.5	26.9
1995	292.1	318.8	842.9	920.0	34.6	29.0
1996	283.2	307.7	866.7	941.5	32.7	26.6
1997	279.8	302.4	906.6	979.9	30.9	25.5
1998	287.8	311.5	940.3	1 017.5	30.6	25.6
1999	301.7	325.1	990.4	1 067.1	30.5	25.4
2000	313.7	334.6	1 043.0	1 112.6	30.1	25.0
2001	332.1	345.7	1 071.8	1 115.9	31.0	25.8
2002	352.4	359.2	1 106.2	1 127.7	31.9	26.6
2003	381.4	381.4	1 156.4	1 156.4	33.0	25.2
2004 (forecast)	391.3	388.6	1 191.5	1 183.2	32.8	25.1
2005 (forecast)	400.2	390.4	1 252.8	1 222.1	31.9	24.4

The historical development of the significance of transfers for private consumption is further illustrated in the following diagram. During the 1960s and 1970s, the growth of social insurance in relation to private consumption – as in relation to GNP – constituted a trend.

Diagram 4.2 Social insurance sector net transfers to households as a share of private consumption, and GNP growth



Forecast for 2004 and 2005.

Since the beginning of the 1980s, regulatory changes in social insurance have no longer been equally cost-driving and variations in the social insurance share of private consumption have partly followed the business cycle. In years of strong growth, social insurance expenditure as a whole tends to diminish in relation to private consumption – and vice-versa. Since social insurance accounts for as much as one-quarter of private consumption, it exerts a certain stabilising influence on the business cycle.