



REGERINGSKANSLIET

Ministry of Health
and Social Affairs
Sweden

Social insurance in Sweden

FACT SHEET

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Social Affairs

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Background

Social insurance provides economic security in the event of illness, disability and old age as well as for families with children. In Sweden, social insurance is individually based and compensates loss of income when a person is unable to support him/herself by working as a result of, for example, an illness or caring for a child at home. Social insurance is administered by the Swedish Social Insurance Agency (Försäkringskassan) and The Swedish Pensions Agency (Pensionsmyndigheten). The Swedish Pensions Agency cares for the administration of the public old-age pension system and associated benefits. The agencies are financed through a combination of employer and employee contributions and through taxes.

Social insurance includes both universal benefits and means-tested benefits as well as income-related benefits. Universal benefits are paid to everyone at the same rate and include child allowance and adoption allowance. Mean-tested benefits include housing allowance, housing supplement for pensioners and the top-up benefit in maintenance support. These allowances are not taxable. Income-related benefits are taxable.

Price base amount and income ceiling

Several social insurance benefits are linked to the price base amount, which is, in turn, linked to the consumer price index. This means that the benefits maintain their value as the general level of prices changes. The price base amount for 2010 is SEK 42 400.

The "income ceiling" for sickness insurance, temporary parental benefit and pregnancy benefit is seven and a half price base amounts. For the parental benefit the income ceiling is ten price base amounts.

Costs

In 2008, total expenditure on social insurance amounted to SEK 449 billion, which was equivalent to 15 per cent of gross domestic product. About half goes to pensions, some 32 per cent is sickness and disability benefits and around 14 per cent is support to families with children. Administration costs amount to just over two per cent.

Social Insurance Act

Social insurance is divided into a residence-based insurance relating to guarantee benefit and allowances, and a work-based insurance relating to benefits for loss of income. Both insurance categories apply equally to anyone living or working in Sweden. Swedish citizenship is not one of the insurance conditions. The Act covers most of the social security systems administered by the Swedish Social Insurance Agency and The Swedish Pensions Agency.

The Swedish Social Insurance Inspectorate

A new government agency called the Swedish Social Insurance Inspectorate (Inspektionen för socialförsäkringen) was established with effect of 1 July 2009. The objectives of the agency are to strengthen compliance with legislation and other statutes and to improve the efficiency of social insurance administration through system supervision and efficiency control.

Support for families with children

Financial support for families with children consists of parental benefit, temporary parental benefit, pregnancy benefit, child allowance, maintenance support, housing allowance, childcare allowance, adoption allowance, child's pension and pension entitlement for childcare years. A gender equality bonus was introduced on 1 July 2008.

Parental benefit is payable for a total of 480 days. For 390 days the benefit paid is based on the parent's sickness benefit qualifying income multiplied by 0.97, of which 80 per cent is paid. Parents with low income or no income at all receive parental benefit at a basic level of SEK 180 per day. A parent can also remain at home with a child for a further 90 days on the lowest benefit level, where the payment is SEK 180 per day (the same level for everyone). A parent who needs to stay home from work to look after a sick child under the age of 12 (in some cases 16) is entitled to temporary parental benefit. Temporary parental benefit may also be paid in cases where the child's regular caregiver is ill, for example. This benefit can be paid for 60 days per child per year. Once these days have been used up, the benefit can be paid for a further 60 days. However,

these extra days may not be used in the event of the regular caregiver falling ill.

Expectant mothers who, in the later stages of pregnancy, cannot continue their ordinary work due to the nature of this work, and who cannot be transferred, may be entitled to pregnancy benefit from the 60th day prior to the estimated date of birth, but not beyond the eleventh day prior to the estimated date of birth, i.e. 50 days at most. Moreover, women who are not allowed to continue with their ordinary work due to risks in the work environment may receive pregnancy benefit for the days they are not allowed to work, but only up to and including the eleventh day prior to the estimated date of birth.

Child allowance is paid for all children up to the age of 16. The allowance is now SEK 1 050 per child per month. A supplementary allowance for additional children is paid to families with two or more children.

Children whose parents do not live together are eligible for maintenance support. The maximum benefit is SEK 1 273 per child per month. It is paid to the parent with whom the child is living. A parent who is liable to pay maintenance has to reimburse all or part of society's costs of maintenance support.

Households with children living at home and households with access rights to children can apply for housing allowance. The size of the allowance depends on housing costs, housing space, household income and number of children.

A parent who looks after a disabled or sick child at home may receive care allowance. To be eligible for care allowance, the child must need special supervision and care for at least six months or must have a disability or illness that entails substantial extra costs.

The state provides an allowance of SEK 40 000 per child for costs in connection with intercountry adoptions.

On 1 July 2008, the gender equality bonus was introduced, the aim of which is to improve the conditions for gender equality in both parental leave and participation in working life. The gender equality bonus will be calculated on the basis of how a child's parents divide parental leave and the days of parental benefit they take. Parents who take an equal number of parental benefit days each receive the maximum bonus of SEK 13 500 together on the condition that they work when the other parent is receiving parental benefit. Parents who have joint custody of a child are entitled to the gender equality bonus. The gender equality bonus is paid as credit in a parent's tax account.

Financial security for the sick and disabled

The main forms of benefit available in the event of work incapacity owing to sickness, disability or injury are sick pay, sickness benefit, rehabilitation compen-

sation, sickness compensation, activity compensation, work injury compensation and disability allowance.

Social insurance provides compensation for sickness that reduces work capacity by at least one-quarter. The employer pays sick pay during the first 14-day period (sick pay period). No compensation at all is paid on the first day (the waiting period). After the first 14 days, sickness benefit is paid by the Swedish Social Insurance Agency. Sickness benefit is based on the sickness benefit qualifying income multiplied by 0.97, of which 80 per cent is paid. Sickness benefit is payable as full, three-quarters, half or one-quarter benefit, depending on the extent of the reduction in work capacity. In certain cases, the Swedish Social Insurance Agency may decide to grant a travel allowance for travel to and from work, instead of sickness benefit.

If a person's work capacity is still reduced after one year's sick leave, he or she may receive extended or continued sickness benefit. Extended sickness benefit is 75 per cent of the sickness benefit qualifying income and is payable for a maximum of 550 days. After having received sickness benefit for one year, people suffering from very serious illnesses may be granted continued sickness benefit. The compensation level for continued sickness benefit is 80 per cent of the sickness benefit qualifying income and there is no time limit.

A person who participates in vocational rehabilitation may be entitled to rehabilitation compensation. The aim of this rehabilitation is to shorten the time of illness, or to fully or partially prevent or offset the person's reduced work capacity. Rehabilitation compensation comprises rehabilitation benefit and a special benefit for costs incurred in connection with rehabilitation. The compensation level for rehabilitation benefit is 80 per cent of the sickness benefit qualifying income for the first 365 days, and 75 per cent in cases of illness that last longer than one year.

Sickness compensation and activity compensation are paid to people whose work capacity is fully or partially reduced due to illness and in cases where it is considered that medical treatment or rehabilitation would not lead to increased work capacity. Activity compensation is paid to insured persons aged 19–29 years, while sickness compensation is paid to insured persons aged 30–64 years.

Sickness compensation can be granted if a person's work capacity is considered to be permanently reduced. Activity compensation is always paid for a limited period of at most three years at a time. These forms of compensation consist of both protection in the form of income-related sickness or activity compensation, and basic protection in the form of a guarantee benefit. Guarantee benefit is payable to those who have no or low income-related sickness or

activity compensation and is paid either in full or as a top-up amount to reach the minimum guaranteed level. They are inflation-proofed by being recalculated annually in relation to changes in the price base amount.

Since 1 January 2009, it has been possible for an individual to work, study or be involved in voluntary work even if he or she receives sickness compensation. This applies to everyone who was granted permanent sickness compensation (not temporary sickness compensation) before 1 July 2008. Regardless of how much or how little an individual works or studies, their right to sickness compensation is not subject to review. For individuals working under the provisions of the new special rules, sickness compensation is reduced in relation to how much income they receive. A set-off system called 'sliding deduction' is used to calculate the deduction. Sliding deduction reduces sickness compensation in relation to other income, called reduction income. In most cases, the reduction income is salary, but could also be self-employed income. There is an income ceiling which means that a person receiving sickness compensation can earn up to one price base amount per year without a reduction in sickness compensation. A person granted sickness or activity compensation after 1 July 2008 who wants to try to work or study can have their compensation made dormant. While trying to work or study, they receive an amount corresponding to 25 per cent of their dormant compensation. This amount is paid for as long as the compensation remains dormant, though for 12 months at most.

A person who is injured in the workplace or on their way to or from work is eligible to receive work injury compensation. This form of compensation can be paid for dental care costs, costs of medical care abroad, sickness benefit in special cases, costs of special assistive devices, loss of income, compensation for survivors, funeral support and life annuity for permanent loss of income.

Disability allowance can be paid to people whose functional capacity has been reduced for a considerable length of time. Disability allowance can be paid to a person from July in the year they turn 19. In order to be eligible for disability allowance, the person's functional impairment must have arisen before their 65th birthday; however, an individual may continue to receive this allowance after the age of 65 if they still need assistance. Compensation is paid when the person requires continual and time-consuming help in their everyday life or to be able to engage in paid work. This form of compensation can also be paid when the person has considerable additional expenses as a result of their functional impairment.

A person who gives up gainful employment to care for a close relative who is seriously ill can receive a be-

nefit for care of closely related persons. 'Seriously ill' means a state of illness that poses a clear threat to the invalid's life. Compensation is paid at a level of up to 80 per cent of the carer's sickness benefit qualifying income. The benefit for care of closely related persons is payable for a maximum of 60 days per person cared for. In the spring of 2009, the Government proposed that the number of days for which this benefit can be received be increased to 100 as of 1 January 2010.

The public pension system

Pensions in the public pension system are based on lifetime income and consist of several different components. The income-related pension includes income pension and premium pension. Income pension is linked to economic growth in Sweden, and the pension system is designed to cope with demographic change. The retirement age is flexible. Years with small children, national military service and studies also earn pension rights. There is also basic social security in the form of a guarantee pension, maintenance support for elderly persons and housing supplement for people who have had low income or no income at all. Survivor's pension covers benefits such as child's pension, adjustment pension and widow's pension. In addition to this, there is an occupational pension for most people in work.

Insured persons, their employers and, in certain cases, the state pay pension contributions. The pension contribution is 18.5 per cent of gross earnings. Out of the pension contribution, 16 percentage points are used for the pay-as-you-go (PAYG) system called the income pension, while the remainder, 2.5 percentage points, is deposited in an individual premium pension account. Each individual is free to invest this money in funds of their choice. The pension system is largely a PAYG system, that is to say an insurance system where the contributions paid in a year cover that year's payments of outgoing pensions. The name PAYG derives from the system's redistribution of income from the working population to the retired generation.

An income base amount that is linked to the "income index" was introduced in connection with the pension reform. The income index measures the average income change in Sweden. By linking the indexation of pension rights and outgoing pensions to the income index, the pension system has been linked to the general development of the economy.

Anyone who has not earned an adequate pension is guaranteed a top-up guarantee pension. This compensation is financed via the central government budget. The guarantee pension can be paid from the age of 65 at the earliest to those born in 1938 or later. Residence in Sweden for 40 years is required for full guarantee pension. Maintenance support for elderly

persons can be paid to people with low or no guarantee pension. The housing supplement for pensioners is an important part of the basic social protection provided to pensioners with low pensions. Approximately 400 000 people receive housing supplements. Just over 260 000 of these people are old-age pensioners. The guarantee pension and maintenance support for elderly persons are adjusted upwards in line with the price base amount.

Unemployment insurance

In other countries unemployment insurance is often part of the social insurance system, but in Sweden it is part of labour market policy. The unemployment insurance funds often cooperate closely with the trade unions but are legally independent.

Entitlement to social insurance protection in Sweden or another country

The Social Insurance Act (1999:799) regulates the fundamentals of entitlement to be covered by Swedish social insurance. This entitlement can be based on residence or employment in Sweden. In addition, Sweden has entered into bilateral or multilateral agreements on social security that may contain exceptions from the Social Insurance Act. Sweden has entered into such agreements with some twenty countries. These agreements coordinate national social insurance systems to varying degrees. Moreover, entitlement to social insurance can be regulated in EU regulations coordinating social insurance systems in the EU.

European Union

European Community law has applied in Sweden since 1994. The EU has a detailed system of rules for coordinating Member States' social security regula-

tions (social insurance, healthcare and unemployment benefits). The rules are mainly set out in Council Regulation (EEC) no 1408/71 on the application of social security schemes to employed persons and their families moving within the Union. This regulatory system also applies in EEA countries (Liechtenstein, Iceland and Norway) and Switzerland.

The purpose of this system of rules is that people who move from one Member State to another to work do not lose their social insurance protection. The coordination of benefits in the different Member States means that people who have earned entitlement to benefits will not lose them if they move to another Member State. The coordination rules also aim to provide these people with entitlement to benefits in their new country of residence. The basic principle is that people are covered by social insurance in the country in which they work.

The principle of the new rules, that enter into force on 1 May 2010, is essentially the same as for previous coordination rules. But the new rules strengthen the rights of the individual, as the authorities responsible in Europe are under greater obligation to cooperate so as to guarantee an individual's social rights when he or she moves in the EU. A joint data system will be created to facilitate communication between these authorities.

Further information:

Read more at: www.sweden.gov.se, www.inspsf.se, www.pensionsmyndigheten.se or www.forsakringskassan.se



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